LERADO
LERADO FINANCIAL GROUP
隆成金融集團

Lerado Financial Group Company Limited

Stock Code : 1225


Annual Report 2016

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

MAK Kwong Yiu
(Chairman and Chief Executive Officer)
HUANG Ying Yuan
(Honorary Chairman)
CHEN Chun Chieh
HUANG Shen Kai
LAI Kin Chung, Kenneth

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAM Chak Man
YE Jianxin
CHERN Shyh Feng
HSU Hong Te

AUDIT COMMITTEE

LAM Chak Man *(Chairman)*
YE Jianxin
CHERN Shyh Feng
HSU Hong Te

REMUNERATION COMMITTEE

LAM Chak Man *(Chairman)*
MAK Kwong Yiu
LAI Kin Chung, Kenneth
YE Jianxin
CHERN Shyh Feng
HSU Hong Te

NOMINATION COMMITTEE

MAK Kwong Yiu *(Chairman)*
CHEN Chun Chieh
LAM Chak Man
JE Jianxin
CHERN Shyh Feng
HSU Hong Te

COMPANY SECRETARY

MAN Yun Wah

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 1-3 30/F Universal Trade Centre
3-5A Arbuthnot Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

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

STOCK CODE

Hong Kong Stock Exchange: 1225

COMPANY WEBSITE

www.lerado.com

PRINCIPAL BANKERS

Chinatrust Commercial Bank, Ltd
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Deloitte Touche Tohmatsu

FINANCIAL HIGHLIGHTS

	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**221,811**	176,731	1,158,615
(Loss)/profit before interest expenses and tax	**(225,280)**	364,470	(140,048)
As a percentage of revenue	**(101.6%)**	206.2%	(12.1%)
EBITDA	**206,782**	370,458	(91,205)
As a percentage of revenue	**(93.2%)**	209.6%	7.9%
(Loss)/profit attributable to owners of the company	**(246,457)**	586,815	(145,996)
As a percentage of revenue	**(111.1%)**	322%	(12.6%)
Total assets	**2,496,189**	2,418,080	1,071,816
Total capital employed*	**2,237,061**	1,786,170	632,866
Equity attributable to owners of the company	**1,824,799**	1,774,721	632,866
(Loss)/earnings per share (HK cents)	**(21.04)**	53.16	(19.26)
Return on average shareholders' equity	**(13.7%)**	48.7%	(16.5%)
Current ratio	**10.4**	3.7	2.3
Gearing ratio	**22.6**	0.65	0.00
Medical and Plastic Toys Business and Tradings of Garments			
Average inventory turnover *(days)*	**79**	88	57
Average trade debtor turnover *(days)*	**98**	84	46

* Total capital employed includes shareholders' equity and interest-bearing debts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products like mobility aid and other medical equipment.

Medical Products and Plastic Toys Business

For the medical products and plastic toy business, Europe represented the largest export market of this segment. Sales revenue from European customers decreased by 4.8% for the year ended 31 December 2016 to HK$48.6 million, representing 46.6% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by 32.4% for the year ended 31 December 2016 to HK$26.3 million, accounting for 25.2% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the year ended 31 December 2016 was HK$78.7 million, representing a decrease of 17.5% over last period and accounted for 75.4% of the total revenue from medical products and plastic toys business. The decrease was mainly due to keen market competition for both powered and manual products. Sales revenue from plastic toys increased by 18.6% for the year ended 31 December 2016 to HK$25.6 million mainly due to the increase in orders from PRC customers.

Securities Brokerage, Margin Financing, Underwriting and Placements

Black Marble Securities Limited has generated HK$60.1 million revenue for the year ended 31 December 2016 and has increased 70.5% over last year, representing 27% of the total revenue of the Group and securities brokerage, margin financing, underwriting and placement services has become one of the main sources of income for the Group. It was because the Directors have kept the proactive approach in expanding the securities brokerage business during the year and the client base has expanded to approximately 830 clients, out of which approximately 290 are margin financing clients.

Black Marble Securities Limited has played significant roles as underwriters and placing agents for the listed companies in fund-raising activities in 2016. Margin financing is also made available to margin clients in leveraging their investments, the Group's margin client receivable has increased from HK$43.9 million as at 31 December 2015 to HK$346.5 million as at 31 December 2016 after the completion of the Group's open offer in December 2015 and rights issue in September 2016

Assets Management Business

The Group wishes to provide a full range of financing services to its clients other than only securities brokerage, underwriting and placements services and money lending business. The Group has started to develop assets management business after the rights issue in September 2016 and wishes to launch different type of fund to attract new investors for scaling up the portfolio size and the Group will receive management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. As at the date of the report, the Company is still under the process of applying for the Type 9 (asset management) regulated activity under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong). The previous application has been withdrawn due to the resignation of a proposed responsible officer, however, a new proposed responsible officer has filled the vacancy.

MANAGEMENT DISCUSSION AND ANALYSIS

The use of proceed from the rights issue in September 2016 of approximately HK$150 million has been injected to the Black Marble Global Investment Fund SPC as seed capital. However, the assets management business has not yet generated any revenue during the year ended 31 December 2016 due to the said business is still in a preliminary stage.

Money Lending

For the year ended 31 December 2016, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations. The Group has generated HK$29.9 million (2015: HK$1.1 million) interest income for the year, representing 13.5% of the total revenue of the Group, and Directors are of the view that such business will keep expand and contribute the income stream of the Group.

Sales of Garment Accessories

Since June 2015, the Group diversified into the business of the sales of garment accessories and it has generated HK$27.5 million (2015: HK$ 23.5 million) revenue for the year, representing 12.4% of the total revenue of the Group The business of trading of garment accessories continuously generated a stable income stream to the Group during the year.

PROSPECTS

Black Marble Securities has been actively participated in the securities market as underwriter and placing agent for Hong Kong listed companies and Black Marble Capital Limited has endeavoured to develop and expand the money lending business in Hong Kong, as a result the securities brokerage, margin financing, underwriting and placement services and the money lending business has become the main income stream of the Group.

The Directors believe that by taking a proactive approach in developing and diversifying the financial business sector of the Group will generate promising returns to the Shareholders in the future. In order to further expand the business, the Company will focus on the existing businesses and investment in securities market, and wish to participate in providing other financial services, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group's existing financial sectors and aim at extending our financial businesses to the market of Mainland China.

As such, Black Marble Securities has entered into the joint venture agreement with China Kweichow Moutai (Group) Distillery Co., Ltd, Huakang Insurance Agency Co., Ltd, First Shanghai Financial Holding Limited, Shijiazhuang Changshan Textile Co., Ltd and Zhuhai ZhengBang Logistics Co., Ltd in relation to the proposed joint venture formation under the CEPA framework for the purpose of establishing a licensed corporation to provide full range of securities and financial services in the PRC on 29 December 2016. The joint venture company, with its proposed name of Guangdong Silk Road Securities Co., Ltd, will be established as a limited liability company, with its office to be established in the Nansha District, Guangzhou City, Guangdong Province, the PRC. The Directors consider that through the joint venture company, the Group will be able to tap into the financial services market in the PRC and capture any opportunities arising from the increasing investment and fund raising demand in the PRC. The joint venture can bring synergy effects to the Group's existing securities brokerage business and leverage with the Group's other financial businesses in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to satisfy the seed capital investment for the joint venture company, the Company has proposes to raise approximately HK$460.64 million (before expenses) by way of rights issue of 4,606,448,274 rights shares at the subscription price of HK$0.10 per Rights Share on the basis of two rights shares for every one new share held on the record date. The proceeds are intended to be applied RMB 380 million (equivalent to approximately HK$425 million) as the seed capital investment for the joint venture company and the remaining as the general working capital use of the Group.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep expanding the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group's financial sectors.

FINANCIAL REVIEW

Consolidated revenue for 2016 was HK$221.8 million (2015: HK$176.7 million), representing an increase of 25.5% over last year. Although, the revenue from medical products and plastic toy has decreased by HK$12.6 million, the increase in the consolidated revenue was mainly due to the increase of securities brokerage, underwriting and placements services and money lending business, of which the increment were HK$24.9 million and HK$28.8 million respectively.

Gross profit margin for the period was 41.2%, representing an increase of approximately 14 percentage points as compared to the gross profit margin of 27.5% in the last year. It was mainly due to the revenue generated from securities brokerage business and the money lending business has increased HK$53.7 million during the year and sharing a higher gross profit ratio than the medical products and plastic toys businesses.

The Group recorded a loss for the year of approximately HK$246.5 (2015: Profit for the year from continuing operations HK$295.2 million) and loss for the period attributable to owners of the Company was HK$246.5 million (2015: Profit for the period attributable to owners of the Company from continuing operations HK$295.2 million). Although the Group has recorded an increase in gross profit HK$42.8 million, the decrease was mainly due to the record of other net loss of HK$187.8 million (2015: other net gain of HK$377.5 million), which mainly comprise of (i) impairment loss on goodwill of approximately HK$11.3 million (2015: nil); (ii) impairment loss on deposits paid for acquisition of property, plant and equipment of HK$103.4 million (2015: nil); and (iii) loss on fair value changes of held-for-trading investments of HK$78 million for 2016 which HK$380.5 million of the gain on fair value changes of held-for-trading investments was recorded for 2015. Besides, the marketing and distribution cost was HK$4.7 million for the year (2015: HK$6.7 million), representing a decrease of 30.0% over last year. Administrative expenses amounted to HK$ 124.1 million (2015: HK$76 million), representing an increase of 63.3% over last year, it was mainly due to the expanding of the securities brokerage business during the year. Research and development amounted to HK$ 1.0 million (2015: HK$2.7 million), representing a decrease of 62.1% over last year. Finance cost amounted to HK$12.1 million (2015: HK$0.3 million), representing a increase of HK$11.8 million which was mainly due to interest expenses from the bonds issued by the Company during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITIONS OF ASSETS AND SUBSIDIARIES

On 31 March 2016, the company entered into the various agreements (the "Agreements") with the vendors to purchase 20,500,000 shares of 杭州錢內助金融信息服務有限公司 (the "錢內助"), at the consideration of RMB32,800,000 (equivalent to HK$38,376,000). The Group has paid a deposit of RMB5,000,000 (equivalent to HK$5,977,000). As at 31 December 2016, the Group holds 10% of the issued share capital of 錢內助 and is classified as an available-for-sale investment. Upon completion of the acquisition, the Group will hold 51% of the issued share capital of 錢內助. Up to the date of this report, the above transaction is not yet complete.

On 19 April 2016, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party of the Group to purchase the entire issued share capital of Creative Wisdom Limited for a cash consideration HK$38,673,000. The transaction was completed on 26 July 2016.

PROPOSED FORMATION OF JOINT VENTURE COMPANY

On 29 December 2016 (after trading hours), an indirect wholly-owned subsidiary of the Company, Black Marble Securities, entered into the JV Agreement and the Supplementary Agreement with China Kweichow Moutai (Group) Distillery Co., Ltd., Huakang Insurance Agency Co., Ltd., First Shanghai Limited Financial Holding, Shijiazhuang Changshan Textile Co., Ltd and Zhuhai ZhengBang Logistics Co., Ltd. in relation to the Proposed JV Formation under the CEPA framework for the purpose of establishing a licensed corporation to provide full range of securities and financial services in the PRC.

Pursuant to the JV Agreement, the JV Company shall be, after its establishment, owned as to 19% by Black Marble Securities, 38.5% by China Kweichow Moutai (Group) Distillery Co., Ltd., 20% by Huakang Insurance Agency Co., Ltd, 7.5% by First Shanghai Financial Holding Limited, 7.5% by Shijiazhuang Changshan Textile Co., Ltd and 7.5% by Zhuhai ZhengBang Logistics Co., Ltd. The registered capital of the JV Company is expected to be RMB2 billion, which will be contributed by Black Marble Securities, China Kweichow Moutai (Group) Distillery Co., Ltd, Huakang Insurance Agency Co., Ltd, First Shanghai Financial Holding Limited, Shijiazhuang Changshan Textile Co., Ltd and Zhuhai ZhengBang Logistics Co., Ltd in the respective amounts of RMB380 million, RMB770 million, RMB400 million, RMB150 million, RMB150 million and RMB150 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund and placing of bonds and adopts a conservative policy in its financial management and maintains a solid financial position.

During the year, the Group used HK$1,103.6 million in its operating activities and HK$49 million in its investing activities and had net cash inflow of HK$690.6 million from financing activities. Cash and cash equivalents at 31 December 2016 decreased by HK$463.1 million as compared to HK$894.9 million as at 31 December 2015.

As at 31 December 2016, the Group's bank and cash, mainly denominated in Hong Kong dollar and US dollar. The Group has bank borrowings of HK$5.5 million (2015: HK$6.6 million), bank overdrafts of HK$5.0 million (2015: HK$5.0 million), term loan of HK$40 million (2015: HK$nil) and bond payable of HK$361.8 million (2015: nil) as at 31 December 2016.

As at 31 December 2016, the Group had net current assets of HK$2,010 million (31 December 2015: HK$1,538.5 million) and a current ratio of 10.4 (31 December 2015: 3.7). Average trade receivable turnovers and average inventory turnovers were 98 days (31 December 2015: 84 days) and 79 days (31 December 2015: 88 days) respectively. The Group's gearing ratio as at 31 December 2016 was 22.6% (2015: 0.65%).

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

At 31 December 2016, the Group held approximately 1,479.2 million shares of China Jicheng Holdings Limited ("CJHL") of fair value HK$279.6 million representing 11% of the total assets of the Group as at 31 December 2016 (the "Significant Investments"). The shares of CJHL is listed on the main board of SEHK and is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. According to the CJHL's 2016 interim report, the Company believes that the prospect of CJHL is to further strengthen its leading market position and consolidate its competitive advantages in the industry, expanding production capacity, improving business development, and enhancing its research and development capabilities in order to match the increasing demand of the umbrella market and create higher values as well as bringing better return to their shareholders.

Except the Significant Investments held by the Group, there was no other held-for-trading investments held by the Group valued more than 5% of the total assets of the Group as at 31 December 2016. Going forward, the Directors consider the performance of the equities may remain susceptible to external market condition.

RESULT OF OPEN OFFER

On 17 August 2015, the Company proposed to raise gross proceeds of not less than HK$431.9 million before expenses by issuing not less than 2,879,030,172 ordinary shares of HK$0.10 each to the qualifying shareholders at a subscription price of HK$0.15 per offer share by way of an open offer on the basis of three offer shares for every one existing share held on the record date (the "Open Offer"). On 21 December 2015, 2,879,030,172 ordinary shares were allotted and issued pursuant to the Open Offer. The net proceeds for the Open Offer were approximately HK$421.6 million.

Up to the date of this report, proceed from the open offer (i) for the HK$288 million is utilised as intended in Black Marble Securities Limited; and (ii) for the HK$117 million is utilised as intended in the money lending business, the Group has fully utilized as intended.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT OF RIGHTS ISSUE

On 29 June 2016, the Company proposed to raise gross proceeds of not less than approximately HK$307.1 million before expenses and not more than approximately HK$309.6 million before expenses, by way of rights issue of not less than 1,535,482,758 rights shares and not more than 1,547,952,006 rights shares at the subscription price of HK$0.20 per rights share on the basis of two rights shares for every one consolidated share held on the record date (the "Rights Issue"). On 21 September 2016, 1,535,482,758 ordinary shares were allotted and issued pursuant to the Rights Issue. The net proceeds for the Rights Issue were approximately HK$301 million.

Up to the date of this report, proceed from the Rights Issue (i) for the HK$150 million seed capital investment and operation in the asset management company, the Group has fully injected into the fund and operation in the asset management company; (ii) for the HK$80 million in developing the finance lease business in the PRC, the Group has utilised HK$19.8 million and the remaining will be fully settled in May and utilised as planned; and (iii) remaining balance of HK$71 million for general working capital of the Company has been utilised HK$30 million and HK$41 million in securities brokerage business and money lending business respectively.

PLEDGE OF ASSETS

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment property of approximately HK$10.5 million (2015: HK$11.6 million). The margin financing payables of HK$26.5 million (2015: nil) are secured by held-for-trading investment of approximately HK$418.8 million. No asset of the Group was pledged as at 31 December 2015.

EXCHANGE RISK EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in US dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi appreciates, the Group will be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

EQUITY PRICE RISK EXPOSURE

The Group is exposed to equity price risk through its investments in listed securities. Although, the Group currently does not maintain any hedging policy to hedge against the equity price risk, the management team manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the investments and will consider taking appropriate actions to minimize the risk.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITY

At the end of the reporting period, the Company and its subsidiaries, together with certain subsidiaries which were disposed upon the disposal of the Group's Juenile and Infant product business in October 2014 (the "Disposed Subsidiaries") are in litigations with an independent third party. The Company entered into the S&P Agreement (details refer to note 10 to the consolidated financial statements in the annual report for the year ended 31 December 2015), pursuant to which the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the litigation described below.

During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. The next trial date has been set on 24 April 2017. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made to the consolidated financial statements for the year ended 31 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed a total workforce of around 280 staff members, of which about 210 worked in the PRC, about 5 in Taiwan and the remaining in Hong Kong.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. MAK Kwong Yiu, aged 42, has been appointed as an Executive Director, the Chairman of the board of directors of the Company and the Chief Executive Officer of the Company since 1 April 2016. Mr. Mak is responsible to oversee the Group's strategic planning and contribute his broad and profound experience in finance to the Group in operating and expanding financial businesses, and assist the board of directors in decision making.

Mr. Mak graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the HKICPA since May 2003. Mr. Mak was previously an independent non-executive director of GR Properties Limited, a company listed on the Main Board of the Stock Exchange, between 17 February 2014 and 19 October 2016. He was previously an executive director and the group chief executive officer of Convoy Global Holdings Limited, a company listed on the Main Board of the Stock Exchange, between 16 March 2010 and 31 March 2016, and also an executive director of Interactive Entertainment China Cultural Technology Investments Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, between 30 July 2008 and 28 April 2014. He was also an independent non-executive Director between 25 April 2014 and 2 November 2015, therefore he is familiar with the culture and operations of the Company.

Mr. HUANG Ying Yuan, aged 66, is a founding member and was the Chairman and the Chief Executive Officer of the Company. Mr. Huang has been appointed as the honorary Chairman of the Board of directors of the Company. Mr. Huang has 39 years of experience in the infant products industry. Mr. Huang assists the Chief Executive Officer in overseeing the Group's strategic planning and has particular responsibility for marketing.

Mr. CHEN Chun Chieh, aged 41, was appointed an Executive Director of the Company on 3 April 2008. Mr. Chen has been working for the Group since 2002. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

Mr. HUANG Shen Kai, aged 39, joined the Group since March 2005 and has been working as the Group Vice President for the manufacturing business of the Group. Mr. Huang is responsible for the Group's management and business development in the PRC market. Mr. Huang holds a Bachelor's Degree of Business Administration from the Rochester University of Institute and a Master's Degree of Business Administration from the American University. Mr. Huang is the son of Mr. Huang Ying Yuan, honorary chairman of the Company.

Mr. LAI Kin Chung, Kenneth, aged 47, has over 20 years of solid investment background specializing in property investment, social service, and technology sectors in Taiwan and the PRC. Mr. Lai graduated from Curtin University of Technology with a Bachelor of Commerce (Marketing & Management) in Australia. He initially worked as a floor trader with Bank of China Group Securities Limited and worked for various investment banks as a dealer including Lippo Securities Holdings Limited, Dresdner Bank and Charles Schwab Hong Kong Securities Limited from 1994 to 2002 and acted as Head of Dealing and Sales Trading at SBI E2 – Capital Asia Securities Limited during 2003-2006. He continued his career in sales desks from 2006 to 2013 working for DBS Vickers (Hong Kong) Ltd., CCB International Securities Ltd., Agricultural Bank of China and Core Pacific-Yaimaichi International (HK) Ltd. From September 2013 to August 2014, he worked in a fund management company specialized in portfolio management and risk management. In addition, Mr. Lai has all-rounded experiences in securities advisory, corporate finance, corporate management and fund management.

DIRECTORS' PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Chak Man, aged 35, is a practicing certified public accountant and is currently a director of Grandeur CPA Limited. Mr. Lam has extensive experience in the fields of auditing, accounting and finance. Mr. Lam graduated from Curtin University of Technology in Australia with a Bachelor Degree of Accounting and Finance. Mr. Lam is also a member of the Hong Kong Institute of Certified Public Accountants.

Mr. YE Jianxin, aged 63, has over 3 decades of experience acting as department head and general manager in different companies engaging in sales and marketing. He has extensive experience in managing large enterprises especially in the area of sales and marketing. Mr. Ye graduated from high school in China.

Mr. CHERN Shyh Feng, aged 49, is the founder and Chairman of Paralink Asset Management Asia Limited. Mr. Chern has extensive experience in banking, finance and accounting and held executive positions at several international financial institutions and listed companies. Mr. Chern obtained his Bachelor Degree in Accounting from the Ohio State University in United States of America and Master Degrees in Accounting and Business Administration in Finance respectively from the University of Illinois in United States of America. Mr. Chern has held executive positions at several investment banks, securities houses and asset management companies in Taiwan, Shanghai and Hong Kong. He was lecturer of Taiwan Securities and Futures Markets International Development Fund and Faculty of Banking and Finance of Tamkang University in Taipei. Mr. Chern was an independent non-executive director of the Company during the years from 2009 to 2014, therefore he is very familiar with the culture and operations of the Company.

Mr. HSU Hong Te, aged 40, has been appointed as an Independent Non-executive Director since 1 April 2016. Mr. Hsu graduated from National Taiwan University in Taiwan in 2000 with a Bachelor of Science in Chemical/ Advanced Material Engineering, and graduated from The University of Southampton in the United Kingdom in 2004 with a Master of Science of Aerodynamics and Computation. He was awarded the certificate of Financial Risk Manager in 2007 and the certificate of Chartered Alternative Investment Analyst in 2008. He earned the Chartered Financial Analyst designation in 2010. Hr. Hsu has passed the Papers 1, 2, 3, 5, 6, 7, 8, 9, 11 and 12 of Licensing Examination for Securities and Futures Intermediaries of the Hong Kong Securities and Investment Institute. Mr. Hsu has obtained the license of Futures and Options Specialist, the license of Senior Securities Specialist and the license of Securities Investment Trust and Consulting Professionals by the Securities & Futures Institute. Mr. Hsu is currently the chairman of Affluent Jade Limited, and previously acted as Global Market Analyst of Elite Wealth Partners LLC, Research Manager of Hua Nan Securities Co., Ltd., Investment Manager of SinoPac Venture Capital Co., Ltd. and Investment Manager of Ruentex Group. Mr. Hsu has extensive experience in the field of corporate financing and penetrative sense in analyzing the financial market.

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") Lerado Financial Group Company Limited (the "Company") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2016.

CORPORATE GOVERNANCE CODE

For the year under review, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the deviations set out below:

Under the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer ("**CEO**") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company were not separated and were performed by Mr. Huang Ying Yuan for the period from 1 January 2016 to 31 March 2016 and by Mr. Mak Kwong Yiu for the period from 1 April 2016 to 31 December 2016 respectively.

The directors meet regularly to consider major matters affecting the operations of the Group. As such, the directors consider that this structure of having the roles of both the chairman and the CEO performed by the same individual will not impair the balance of power and authority between the directors and the management of Group. The directors believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

The Company will review its corporate governance practices regularly to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objective of enhancing shareholders' value including setting and approving the Company's strategic plan, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance. The Board has delegated to the CEO, of which the directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

CORPORATE GOVERNANCE REPORT

Board Composition

As at the date of this Annual Report, the Board comprises 9 members in total, with 5 executive Directors and 4 independent non-executive Directors.

The composition of the Board during the year ended 31 December 2016 and up to the date of this Annual Report is set out below:

Executive Directors

MAK Kwong Yiu, *Chairman and Chief Executive Officer* (appointed on 1 April 2016)
HUANG Ying Yuan, Honorary Chairman
CHEN Chun Chieh
HUANG Shen Kai
LAI Kin Chung, Kenneth

Independent Non-Executive Directors

LAM Chak Man
YE Jianxin
CHERN Shyh Feng
HSU Hong Te (appointed on 1 April 2016)

The biographical details of the current Board members are set out under the section headed "**Directors' Profile**" on pages 11 to 12 of this report. Each of the independent non-executive Directors is appointed for a term of three years.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

CORPORATE GOVERNANCE REPORT

Chairman and CEO

Under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"), the roles of the chairman and the CEO should be separated and should not be performed by the same individual.

During the year ended 31 December 2016, the Company has not separated the roles of chairman and the CEO of the Company and Mr. Huang Ying Yuan was the chairman and also the CEO of the Company for the period from 1 January 2016 to 31 March 2016 and Mr. Mak Kwong Yiu was the chairman and also the CEO of the Company for the period from 1 April 2016 to 31 December 2016 receptively. The directors meet regularly to consider major matters affecting the operations of the Group. As such, the directors consider that this structure of having the roles of both the chairman and the CEO performed by the same individual will not impair the balance of power and authority between the directors and the management of Group. The directors believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

Appointment and Re-election of Directors

In accordance with the Company's bye-laws, all Directors are subject to retirement by rotation at least once every three years and any new director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by the shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Nomination Committee of the Company is responsible for reviewing the board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management of the Company where necessary.

The senior management, including CEO and company secretary of the Company (the "**Company Secretary**") attend all regular board meetings and where necessary, other board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

The Company's bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2016, 4 regular board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the board meetings, the annual general meeting for the year 2016 (the "**2016 AGM**") and the special general meetings held on 11 February 2016 and 12 August 2016 (the "**SGMs**") during the year ended 31 December 2016 are set out below:

Name of Director	Attendance/Number of Meetings		
	Board Meetings	2016 AGM	SGMs
Mak Kwong Yiu (appointed on 1 April 2016)	3/3	1/1	1/1
Huang Ying Yuan	4/4	0/1	0/2
Huang Shen Kai	4/4	0/1	1/2
Chen Chun Chieh	3/4	0/1	0/2
Lai Kin Chung, Kenneth	4/4	1/1	2/2
Lam Chak Man	4/4	1/1	2/2
Ye Jingxin	4/4	0/1	0/2
Chern Shyh Feng	3/4	0/1	0/2
Hsu Hong Te (appointed on 1 April 2016)	3/3	1/1	0/1

Directors' Training

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed director or alternative director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company has provided information related to the changes in the Listing Rules to the directors to update and refresh the directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the directors' awareness of good corporate governance practices.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that board procedures and all applicable laws and regulations are followed. Each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the CEO and the senior management for the discharge of its responsibilities.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference which are available for the reference of the shareholders and the public on the websites of the Company and the Stock Exchange. Each of the Nomination Committee, Remuneration Committee and Audit Committee is provided with sufficient resources to discharge their duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Nomination Committee

As at the date of this report, the Nomination Committee comprises 6 members, namely Mr. Mak Kwong Yiu, Mr. Chen Chun Chieh, Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, the majority of which are independent non-executive Directors, with Mr. Mak Kwong Yiu acting as the chairman.

The principal duties of the Nomination Committee include reviewing the board composition, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

During the year ended 31 December 2016, the Nomination Committee was primarily responsible:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals suitably qualified to become board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive directors, having regard to the requirements under the applicable laws, rules and regulations;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and, in particular, the chairman and the CEO of the Company; and
- to review the policy on board diversity and any measurable objectives for implementing such policy.

The terms of reference of the Nomination Committee and the authority delegated by the Board is available on the Stock Exchange and the Company's website.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year under review, details of attendance are set out below:

Nomination Committee Members	**Attendance/ Number of Meeting**
Mak Kwong Yiu (appointed on 1 April 2016)	0/0
Huang Ying Yuan (resigned on 1 April 2016)	1/1
Chen Chun Chieh	1/1
Lam Chak Man	1/1
Ye Jianxin	1/1
Chern Shyh Feng	1/1
Hsu Hong Te (appointed on 1 April 2016)	0/0

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises 6 members, namely Mr. Mak Kwong Yiu, Mr. Lai Kin Chung, Kenneth, Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, the majority of which are independent non-executive Directors, with Mr. Lam Chak Man acting as the chairman.

The Remuneration Committee is responsible for making recommendations to the directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation is reasonable. Their written terms of reference are in line with the provisions of the CG Code.

During the year ended 31 December 2016, the Remuneration Committee was primarily responsible for:

- making recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- recommending to the Board the specific remuneration packages of all executive directors and senior management members of the Company; and
- reviewing and proposing performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board is available on the Stock Exchange and the Company's website.

The Remuneration Committee held one meeting during the year ended 31 December 2016 and the details of attendance are set out below:

Remuneration Committee Members	**Attendance/ Number of Meeting**
Mak Kwong Yiu (appointed on 1 April 2016)	0/0
Huang Ying Yuan (resigned on 1 April 2016)	1/1
Lai Kin Chung, Kenneth	1/1
Lam Chak Man	1/1
Ye Jianxin	1/1
Chern Shyh Feng	1/1
Hsu Hong Te (appointed on 1 April 2016)	0/0

Audit Committee

As at the date of this report, the Audit Committee comprises 4 members, namely Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, all of whom are independent non-executive directors, with Mr. Lam Chak Man acting as the chairman.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system and to provide advice and comments to the Board.

During the year ended 31 December 2016, the Audit Committee was primarily responsible:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss with management the system of internal controls and risk management and ensure that management has discharged its duty to have an effective internal control system and risk management;
- to review the Group's financial and accounting policies and practices; and
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of internal controls and risk management and management's response, and to ensure that the Board provides a timely response to the issues raised.

The Audit Committee held 2 meetings during the year ended 31 December 2016 and the details of attendance are set out below:

Audit Committee Members	**Attendance/ Number of Meeting**
Lam Chak Man	2/2
Ye Jianxin	2/2
Chern Shyh Feng	1/2
Hsu Hong Te (appointed on 1 April 2016)	1/1

Corporate Governance Functions

During the period under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Risk Management and Internal Controls

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

The Company has also engaged an external professional firm, Dominic K.F. Chan & Co. for the purpose of conducting internal audit function, who has conducted a review of the Group's operational control and risk management.

COMPANY SECRETARY

Mr. Man Yun Wah has been nominated by RHT Corporate Advisory (HK) Limited to act as the Company Secretary, who has complied with the requirements of the Listing Rules. He has been contacting with the Board of the Company directly in respect of company secretarial matters.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "**Independent Auditor's Report**" on page 31.

During the year ended 31 December 2016, the remuneration paid/payable to the Company's external auditors, Messrs Deloitte Touche Tohmatsu, is set out below:

Type of Services	**Fees Paid/ Payable** *(HK$)*
Audit Services	
– Audit of annual financial statements	1,600,000
Non-Audit Services	
– Review of interim financial statements	350,000
– Services in connection with Rights Issue	450,000
Total	2,400,000

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent board committee, are available to answer questions at shareholders' meetings.

The annual general meeting regarding the financial results for the year ended 31 December 2016 (the "**AGM**") will be held on 31 May 2017. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS

Convening a special general meeting by shareholders

Procedures for shareholders to convene a special general meeting (including making proposals/moving a resolution at the special general meeting)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.

- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at a special general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene a special general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a special general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to Unit 1-3, 30/F., Universal Trade Centre, 3-5A, Arbuthnot Road, Central, Hong Kong or email to public@lerado.com.hk.

Investors Relationship

Bye-laws

There has not been any significant change to the Company's bye-laws during the year ended 31 December 2016.

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at www.lerado.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted are available for public access.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	(852) 2868 9918
By post:	Unit 1-3, 30/F, Universal Trade Centre 3-5A Arbuthnot Road, Central Hong Kong
Attention:	Investor Relations Department
By email:	public@lerado.com.hk

Disclaimer

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by its shareholders in reliance on any contents of this section headed "Shareholders' Rights".

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

Descriptions and reviews of principal risks and uncertainties that the Group may be facing are set out on pages 113 to 119 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 36 and 37 of the annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at 31 December 2016. The revaluation resulted in loss of HK$2,256,000 which was debited to property revaluation reserve at 31 December 2016.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at the end of the reporting period were as follows:

	2016	2015
	HK$'000	*HK$'000*
Contributed surplus	**244,461**	244,461
Accumulated profits/(loss)	**3,231**	(15,210)
	247,692	229,251

DIRECTORS' REPORT

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

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

Executive directors:

Mr. Mak Kwong Yiu *(Chairman and Chief Executive Officer)* (Appointed on 1 April 2016)
Mr. Huang Ying Yuan *(Honorary Chairman)*
Mr. Chen Chun Chieh
Mr. Huang Shen Kai
Mr. Lai Kin Chung, Kenneth

Independent non-executive directors:

Mr. Lam Chak Man
Mr. Ye Jianxin
Mr. Chern Shyh Feng
Mr. Hsu Hong Te (appointed on 1 April 2016)

In accordance with clause 87 of the Company's bye-laws, Mr. Huang Ying Yuan, Mr. Huang Shen Kai and Mr. Ye Jianxin will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other directors will continue in office.

The terms of office of all independent non-executive Directors are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

Mr. Huang Ying Yuan has entered into service agreement with the Company for a period of three years commencing 1 December 1998 and will continue thereafter unless and until terminated by either party by three months' prior written notice.

Other than as disclosed above, no directors has service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as: Beneficial owner	Spouse interest	Corporate interest	Total interests	Approximate percentage of the issued share capital of the Company	Number of share options
Mr. Huang Ying Yuan	2,372,800	987,200 *(note 1)*	41,730,832 *(note 2)*	45,090,832	1.96%	–
Mr. Mak Kwong Yiu	217,072,320	–	–	217,072,320	9.40%	–

Notes:

1. The spouse interest represents the shares held by Mrs. Huang Chen Li Chu, the spouse of Mr. Huang Ying Yuan.

2. The corporate interest represents the shares held by Intelligence Hong Kong Group Limited, which is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code, as at 31 December 2016.

SHARE OPTIONS

Particulars of the share option schemes and the movements in the share options of the Company are set out in note 32 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than share option schemes mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the interests of shareholders below are extracted from the latest disclosure of interests forms filed by the respective shareholders.

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Mak Kwong Yiu	Beneficial owner	217,072,320	9.40%
Mr. Lai Shu Fun, Francis Alvin *(Note 1)*	Beneficial owner	180,000,000	7.82%

Note:

(1) Mr. Lai Shu Fun, Francis Alvin owns shares through his wholly owned Opus Platinum Growth Fund.

Other than as disclosed above, the Company has not been notified of any other relevant interest or short position in the issued share capital of the Company as at 31 December 2016.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CONNECTED TRANSACTIONS

Other than those disclosed in note 38 to the consolidated financial statements, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 38, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 29.9% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 10.8% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 26.8% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 7.2%.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owning more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

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 existing shareholders.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the board of directors, who are authorised by the shareholders in the annual general meeting, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of these schemes are set out in note 32 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group endeavors to monitor and minimize impact to the environment. For the purpose of disclosing the information in relation to environmental, social and governance ("ESG") in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules, an ESG report of the Company will be published within three months after the publication of the annual report of the Company.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2016.

DIRECTORS' REPORT

EVENT AFTER THE REPORTING PERIOD

On 29 December 2016, an indirectly wholly-owned subsidiary of the Company, Black Marble Securities Limited, entered into an agreement in relation to formation of a securities company in the PRC. Upon establishment, Black Marble Securities Limited will hold 19% equity interest of the securities company. As at 31 December 2016, Black Marble Securities Limited has a capital commitment of HK$424,818,000. As of the date of this report, the formation of the securities company has not yet been complete as the condition(s) set out in the circular of the Company dated 2 February 2017 has not been satisfied.

On 14 March 2017, the Company has proposed to implement a capital reorganisation which involves (i) capital reduction whereby the issued share capital of the Company will be reduced by a reduction of the par value of each issued share from HK$0.50 to HK$0.01 per issued share which reduction will comprise of a cancellation of such amount of paid-up capital on each issued share and an extinguishment and reduction of any part of the capital not paid up on any issued share so that each existing issued share will be treated as one fully paid up share of par value of HK$0.01 each in the share capital of the Company immediately following the capital reduction and the credits arising from a cancellation of the paid-up on the issued share shall be transferred to the contribution surplus account of the Company and (ii) immediately following the capital reduction, the Company has proposed share subdivision whereby each of the authorised but unissued share of HK$0.5 each will be sub-divided into fifty new shares of HK$0.01 each. The capital reorganisation has not yet been complete up to the date of this report and is subject to, among other things, the fulfillment of the conditions set out in the announcement of the Company dated 14 March 2017.

On 15 March 2017, a wholly-owned subsidiary of the Company, Lerado H.K. Limited has entered into provisional agreements with an independent third party of the Group to sell a property held by Lerado H.K. Limited at the total consideration of approximately HK$61,020,000. Up to the date of this report, the transaction has not yet been complete. The formal agreements have been signed and deposit of approximately HK$6,102,000 has been received.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the board

Mak Kwong Yiu
CHAIRMAN

31 March 2017

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF LERADO FINANCIAL GROUP COMPANY LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Lerado Financial Group Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 36 to 131, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 conducted 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 judgment, 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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill allocated of trading of garment segment	
We identified the valuation of goodwill allocated to trading of garment segment as a key audit matter due to the complexity and significant judgments involved in the management's impairment assessment process. As detailed in the notes 4 and 18 to the consolidated financial statements, in determining the amount of impairment for goodwill requires an estimation of the recoverable amount, which is the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated and the Group engages an independent external valuer to perform such valuation. The value in use is based on cash flow forecast of the trading of garment CGU and take into account the key assumptions used by management which including discount rate, growth rate, budgeted sales, gross margin and inventories price inflation. For the year ended 31 December 2016, as the recoverable amount of the trading garments CGU based on value in use calculation is less than the carrying of amount, an impairment loss of HK$11,318,000 was recognised in goodwill in the current year.	Our procedures in relation to impairment assessment of goodwill allocated to trading of garment segment included: • Understanding how the management perform impairment assessment including the preparation of cash flow forecast and assumptions estimation; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Engaging our internal valuation expert to evaluate the appropriateness of the value in use valuation model and checking its mathematical accuracy; • Evaluating the appropriateness of the key assumptions in the cash flow forecast, including growth rate, budgeted sales, gross margin and inventories price inflation, by discussing with the management with reference to their expectations for market development and comparing with the most recent financial performance available; • Assessing the appropriateness of the discount rate used, and performing sensitivity analyses on discount rate and assessing the impact on the value in use; and • Evaluating the historical accuracy of the cash flow forecast and actual performance for the year and future prospect from the CGU.

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of loans receivables	
We identified the estimated impairment of loans receivables arising from the money lending business as a key audit matter due to significance of the carrying amount and significant estimation required by the management on determining the amount of impairment of loans receivables. In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables and the estimated recoverable amount of the corresponding pledged assets of each borrower less cost to sell. As disclosed in notes 4 and 24 to the consolidated financial statement, the carrying amount of the Group's loans receivables was HK$624,440,000 and represented approximately 25% of total assets of the Group as at 31 December 2016.	Our procedures in relation to estimated impairment of loans receivables arising from the money lending business included: • Understanding of the key controls over the granting of the loan and the management's impairment assessment in relation to the recoverability of loans receivables; • Reviewing pledged asset agreements for loans receivables; • Tracing settlements subsequently to maturity to settlement details; and • Evaluating the recoverable amount of the pledged assets.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 judgment and maintain professional skepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Lui Chi Wang, Robert Andrew.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue		**221,811**	176,731
Gross proceeds from sale of held-for-trading investments		**51,162**	107,637
		272,973	284,368
Continuing operations			
Revenue	5	**221,811**	176,731
Cost of inventories and services		**(130,417)**	(128,103)
		91,394	48,628
Other income	6	**22,737**	24,270
Other gains and losses	7	**(187,804)**	377,511
Marketing and distribution costs		**(4,721)**	(6,744)
Research and development expenses		**(1,026)**	(2,707)
Administrative expenses		**(124,130)**	(76,027)
Share of loss of an associate		**(9,632)**	(461)
Finance costs	8	**(12,098)**	(300)
(Loss) profit before taxation		**(225,280)**	364,170
Income tax expense	9	**(21,177)**	(68,970)
(Loss) profit for the year from continuing operations		**(246,457)**	295,200
Discontinued operation			
Gain on disposal of subsidiaries	33	**–**	291,524
(Loss) profit for the year	10	**(246,457)**	586,724
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
(Loss) gain on revaluation of land and buildings		**(2,256)**	4,641
Recognition of deferred tax asset (liability) arising on revaluation of land and buildings		**1,126**	(857)
		(1,130)	3,784
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation		**(3,236)**	(2,485)
Other comprehensive (expense) income for the year		**(4,366)**	1,299
Total comprehensive (expense) income for the year		**(250,823)**	588,023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTE	2016 HK$'000	2015 HK$'000
(Loss) profit attributable to owners of the Company:			
– from continuing operations		**(246,457)**	295,291
– from discontinued operation		**–**	291,524
		(246,457)	586,815
Loss attributable to non-controlling interests			
– from continuing operations		**–**	(91)
– from discontinued operation		**–**	–
		–	(91)
Total (loss) profit for the year		**(246,457)**	586,724
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(250,823)**	588,114
Non-controlling interests		**–**	(91)
		(250,823)	588,023
(Loss) earnings per share	*14*		(Restated)
From continuing and discontinued operations			
– Basic		**(HK21.04 cents)**	HK197.66 cents
– Diluted		**(HK21.04 cents)**	HK197.62 cents
From continuing operations			
– Basic		**(HK21.04 cents)**	HK99.46 cents
– Diluted		**(HK21.04 cents)**	HK99.44 cents

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**97,122**	110,010
Prepaid lease payments	16	**13,439**	14,767
Investment properties	17	**88,491**	32,542
Goodwill	18	**31,600**	42,918
Investment in an associate	19	**5,907**	7,539
Available-for-sale investments	20	**28,990**	5,968
Deposit paid for acquisition of additional interest in an available-for-sale investment	20	**5,977**	–
Deposits paid for acquisition of property, plant and equipment	21	**–**	103,352
Statutory deposits placed with clearing house		**243**	272
		271,769	317,368
Current assets			
Inventories	22	**13,296**	34,303
Trade and other receivables and prepayments	23	**437,768**	161,278
Loans receivables	24	**625,440**	–
Prepaid lease payments	16	**392**	419
Held-for-trading investments	25	**679,594**	511,765
Bank balances held in an escrow account	33	**–**	34,998
Bank balances – trust and segregated accounts	26	**36,060**	463,015
Bank balances (general accounts) and cash	26	**431,870**	894,934
		2,224,420	2,100,712
Current liabilities			
Trade and other payables and accruals	27	**142,555**	524,261
Taxation payable		**21,543**	26,157
Borrowings and bonds	28	**50,501**	11,540
Derivative financial instruments	29	**–**	285
		214,599	562,243
Net current assets		**2,009,821**	1,538,469
		2,281,590	1,855,837

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	31	**690,968**	383,871
Reserves		**1,133,831**	1,390,759
Total equity		**1,824,799**	1,774,630
Non-current liabilities			
Bonds	28	**361,761**	–
Deferred tax liabilities	30	**95,030**	81,207
		456,791	81,207
		2,281,590	1,855,837

The consolidated financial statements on pages 36 to 131 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Mak Kwong Yiu
DIRECTOR

Huang Ying Yuan
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Property revaluation reserve	Translation reserve	Share option reserve	Capital redemption reserve	Accumulated profits	Total	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	76,068	116,256	38,510	62,366	9,256	20	1,270	329,120	632,866	–	632,866
Profit for the year	–	–	–	–	–	–	–	586,815	586,815	(91)	586,724
Exchange differences arising from translation	–	–	–	–	(2,485)	–	–	–	(2,485)	–	(2,485)
Revaluation gain on land and buildings classified as property, plant and equipment	–	–	–	4,641	–	–	–	–	4,641	–	4,641
Recognition of deferred tax liability arising on revaluation gain on land and buildings	–	–	–	(857)	–	–	–	–	(857)	–	(857)
Total comprehensive income (expense) for the year	–	–	–	3,784	(2,485)	–	–	586,815	588,114	(91)	588,023
Exercise of share options	4,800	29,550	–	–	–	(5,933)	–	–	28,417	–	28,417
Recognition of equity settled share-based payments	–	–	–	–	–	9,269	–	–	9,269	–	9,269
Share options lapsed during the year	–	–	–	–	–	(15)	–	15	–	–	–
New shares issued as consideration for acquisition of assets through acquisition of subsidiaries *(Note 34)*	7,600	35,813	–	–	–	–	–	–	43,413	–	43,413
New shares issued as consideration for acquisition of subsidiaries *(Note 35)*	7,500	43,500	–	–	–	–	–	–	51,000	–	51,000
Issue of shares upon open offer, net of transaction costs *(Note 31)*	287,903	133,739	–	–	–	–	–	–	421,642	–	421,642
At 31 December 2015	383,871	358,858	38,510	66,150	6,771	3,341	1,270	915,950	1,774,721	(91)	1,774,630
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(246,457)**	**(246,457)**	**–**	**(246,457)**
Exchange differences arising from translation	**–**	**–**	**–**	**–**	**(3,236)**	**–**	**–**	**–**	**(3,236)**	**–**	**(3,236)**
Revaluation loss on land and buildings classified as property, plant and equipment	**–**	**–**	**–**	**(2,256)**	**–**	**–**	**–**	**–**	**(2,256)**	**–**	**(2,256)**
Recognition of deferred tax asset arising on revaluation gain on land and buildings	**–**	**–**	**–**	**1,126**	**–**	**–**	**–**	**–**	**1,126**	**–**	**1,126**
Total comprehensive expense for the year	**–**	**–**	**–**	**(1,130)**	**(3,236)**	**–**	**–**	**(246,457)**	**(250,823)**	**–**	**(250,823)**
Issue of shares upon rights issue, net of transaction costs *(Note 31)*	**307,097**	**(6,105)**	**–**	**–**	**–**	**–**	**–**	**–**	**300,992**	**–**	**300,992**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(91)**	**(91)**	**91**	**–**
At 31 December 2016	**690,968**	**352,753**	**38,510**	**65,020**	**3,535**	**3,341**	**1,270**	**669,402**	**1,824,799**	**–***	**1,824,799**

* Less than HK$1,000

The special reserve of the Group represents a credit amount of HK$38,510,000 which is the difference between the nominal value of shares of Lerado Group Limited, a subsidiary of the Company, together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company are required to maintain two statutory reserves, being the "statutory surplus reserve fund" and the "enterprise expansion fund", both of which are not distributable. Appropriations to such reserves are made out of the profit for the year as per the statutory financial statements of relevant PRC subsidiaries. The amount and allocation basis are decided by the respective board of directors annually.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTE	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(225,280)**	655,694
Adjustments for:			
Amortisation of prepaid lease payments		**410**	435
Depreciation of property, plant and equipment		**5,990**	5,553
Finance costs		**12,098**	300
Impairment loss recognised (reversed) on trade and other receivables		**9,685**	(1,740)
Write-off of trade and other receivables		**–**	2,810
Bank interest income		**(970)**	(2,904)
Fair value changes of:			
– investment properties		**(4,873)**	1,303
– held-for-trading investments		**78,007**	(380,479)
– derivative financial instruments		**–**	1,632
Loss on disposal of property, plant and equipment		**–**	101
Share-based payment expense		**–**	9,269
Share of loss of an associate		**9,632**	461
Allowance for (reversal of allowance for) inventories		**13,231**	(616)
Gain on disposal of subsidiaries	*33*	**–**	(291,524)
Impairment loss on deposits paid for acquisition of property, plant and equipment		**103,352**	–
Impairment loss of goodwill		**11,318**	–
Operating cash flows before movements in working capital		**12,600**	295
Decrease (increase) in inventories		**6,536**	(8,909)
Increase in trade and other receivables and prepayments		**(286,854)**	(92,475)
Increase in loan receivables		**(625,440)**	–
Increase in held-for-trading investments		**(245,836)**	(125,965)
Decrease (increase) in bank balances – trust and segregated accounts		**426,955**	(463,015)
Decrease in derivative financial instruments		**(285)**	(1,772)
(Decrease) increase in trade and other payables and accruals		**(379,349)**	459,756
Cash used in operations		**(1,091,673)**	(232,085)
Hong Kong Profits Tax paid		**(10,842)**	(3,471)
Taxation refunded in other jurisdictions		**–**	35
Interest paid		**(1,062)**	(300)
NET CASH USED IN OPERATING ACTIVITIES		**(1,103,577)**	(235,821)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Acquisition of assets through acquisition of subsidiaries	34	**(38,673)**	3,306
Purchase of available-for-sale investment	20	**(23,400)**	(5,968)
Capital injection in an associate		**(8,000)**	(8,000)
Deposit paid for acquisition of additional interest in an available-for-sale investment	20	**(5,977)**	–
Purchase of property, plant and equipment		**(5,683)**	(2,640)
Acquisition of an investment property		**(3,379)**	–
Settlement of bank balance held in escrow account		**34,998**	–
Acquisition of additional interest in a subsidiary		**91**	–
Interest received		**970**	2,904
Withdraw (placement) of statutory deposit		**29**	(67)
Proceeds on disposal of property, plant and equipment		**20**	–
Deposits paid for acquisition of property, plant and equipment	21	**–**	(103,352)
Acquisition of subsidiaries	35	**–**	(1,165)
NET CASH USED IN INVESTING ACTIVITIES		**(49,004)**	(114,982)
FINANCING ACTIVITIES			
Proceeds from issue of bonds, net of issue cost		**350,725**	–
Proceeds from issue of shares upon rights issue, net of transaction costs	31	**300,992**	–
New term loan raised		**40,000**	–
Repayment of bank loans		**(1,068)**	(874)
Proceeds from issue of shares upon open offer, net of transaction costs	31	**–**	421,642
Proceeds from issue of shares upon exercise of share options		**–**	28,417
New bank loans raised		**–**	1,200
Increase in bank overdrafts		**–**	(5,600)
NET CASH FROM FINANCING ACTIVITIES		**690,649**	444,785
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(461,932)**	93,982
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**889,968**	796,969
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,161)**	(983)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by			
Bank balances (general accounts) and cash		**431,870**	894,934
Bank overdrafts		**(4,995)**	(4,966)
		426,875	889,968

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 43.

During the current year, the functional currency of the Company has been changed from United States dollars ("USD") to Hong Kong dollar ("HKD") as the primary economic environment of the Company has been changed to a business environment of Hong Kong upon the growing business of "securities brokerage" and "money lending" businesses. The directors of the Company have determined that HKD better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding "securities brokerage" and "money lending" businesses in Hong Kong in light of the currency of its primary sources of revenue. The change in functional currency has been applied prospectively, the impact on change in functional currency from USD to HKD is insignificant as HKD is pegged to USD.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year when HKFRS 9 is mandatory effective and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. fee and commission income on placing and underwriting activities) as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments on land use rights where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$10,903,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

For other amendments to HKFRSs, the Directors anticipate that their application will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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.

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in associate *(continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases have significant influence over an associate, it is accounted for as a disposal of the entire in the investor with resulting gain or loss being recognised in profit or loss. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been net for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when goods are delivered and the titles have passed.

Revenue and income arising from securities brokerage business are recognised on the following basis:

- commission income for broking business is recorded as income on a trade date basis;
- underwriting commission income, sub-underwriting income and placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed; and
- interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Other commission income is recognised when services are provided.

Interest income from a financial asset or money lending business and other financial services is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

The Group's accounting policy for recognitions of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

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

Leasehold land and building

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

The functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the group entity. The group entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change. At the date of the change, the group entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

For the purpose of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Inventories

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

Provisions

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

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

The Group's financial assets at FVTPL are derivatives that are not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

AFS financial assets are non-derivatives that are neither classified as financial assets at fair value through profit or loss nor loans and receivables.

Since the Group's AFS equity investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Loans and receivables

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity instruments

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

Equity instrument

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities

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

Effective interest method

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangement

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share option reserve.

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

Share options granted to consultants

Equity-settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods and services quality for recognition as assets.

Impairment losses

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses *(continued)*

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other 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 within the next financial year.

Impairment assessment of goodwill allocated to the trading of garment segment

In determining where goodwill is impaired requires an estimation of the value in use of cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The value in use has also taken into account the key assumptions used by management including growth rate, budgeted sales, gross margin and inventories price inflation. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill is HK$30,000,000 (net of accumulated impairment of HK$11,318,000) (2015: HK$41,318,000 (net of accumulated impairment of nil)). Details of the recoverable amount calculation are disclosed in note 18.

Estimated impairment on loans receivables

The management periodically reviews its loans receivables to assess whether impairment losses exist by taking into consideration the settlements subsequent to maturity of the relevant loans receivables. When there is objective evidence of impairment loss, the management estimates the recoverable amount on the corresponding pledged assets of each borrower less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amounts and the recoverable amount of the corresponding pledged assets less cost to sell estimated by the management. Where the actual outcome of the recoverability of loans receivables is different from the original estimate, a material impairment loss may arise. As at 31 December 2016, the carrying amount of loans receivables are HK$625,440,000 (2015: nil).

5. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments", which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. The Group's Executive Directors are the CODM for the purposes of HKFRS 8 as it collectively makes strategic decisions in allocating the Group's resources and assessing performance.

During the year ended 31 December 2016, the Group sets up a new subsidiary which is engaged in the provision of assets management service. The CODM has determined the assets management service forms a new operating and reportable segment in allocating the Group's resources and assessing performance.

For the segment reporting purpose to the CODM, the Group is currently organised into the following five operating and reportable segments:

Medical products and plastic toys business	Manufacturing and distribution of medical care products and plastic toys
Trading of garments	Trading of garments accessories, such as nylon type, polyester and polyester string
Securities brokerage business	Securities brokerage, margin financing and underwriting and placements
Money lending business and other financial services	Provision of loan services and other financial services
Assets management service	Provision of asset management services

Revenue – continuing operations

An analysis of the Group's revenue by major products and services categories for the year are as follows:

	2016	2015
	HK$'000	*HK$'000*
Medical products	**78,701**	95,341
Plastic toys	**25,608**	21,588
Sales of garment accessories	**27,518**	23,448
Fee and commission income	**60,106**	35,254
Interest income from loans receivables	**29,878**	1,100
	221,811	176,731

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results – continuing operations

The following is an analysis of the Group's revenue and result by reportable and operating segment.

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Consolidated HK$'000
For the year ended 31 December 2016						
Segment revenue – external	104,309	27,518	60,106	29,878	–	221,811
Segment results	(29,756)	(14,590)	14,008	28,905	(4,545)	(5,978)
Change in fair value of:						
– investment properties						4,873
– held-for-trading investments						(70,434)
Property rental income						2,231
Impairment loss on deposits paid for acquisition of property, plant and equipment						(103,352)
Share of loss of an associate						(9,632)
Unallocated corporate income						154
Unallocated corporate expenses						(43,142)
Loss before taxation						(225,280)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results – continuing operations *(continued)*

	Medical products and plastic toys business	Trading of garments	Securities brokerage business	Money lending business and other financial services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2015					
Segment revenue – external	116,929	23,448	35,254	1,100	176,731
Segment results	(10,461)	2,562	24,508	833	17,442
Change in fair value of:					
– investment properties					(1,303)
– held-for-trading investments					373,523
– derivative financial instruments					(1,632)
Property rental income					2,396
Share of loss of an associate					(461)
Unallocated corporate income					7,484
Unallocated corporate expenses					(33,279)
Profit before taxation					364,170

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by/loss from each segment without allocation of change in fair value of investment properties/certain held-for-trading investments not included in securities business and asset management segments/derivative financial instruments, property rental income, impairment loss on deposits paid for acquisition of property, plant and equipment, share of loss of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purpose of resources allocations and performance assessment.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	Medical products and plastic toys business	Trading of garments	Securities brokerage business	Money lending business and other financial services	Assets management service	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016						
Segment assets	219,365	50,783	451,259	695,093	145,829	1,562,329
Investment properties						88,491
Investment in an associate						5,907
Available-for-sale investments						28,990
Deposit paid for acquisition of additional interest in available-for-sale investment						5,977
Held-for-trading investments						542,024
Other unallocated assets						262,471
Total assets						2,496,189
Segment liabilities	(56,757)	(19,466)	(70,719)	(90,390)	(8,025)	(245,357)
Bonds						(361,761)
Other unallocated liabilities						(64,272)
Total liabilities						(671,390)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

	Medical products and plastic toys business	Trading of garments	Securities brokerage business	Money lending business and other financial services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015					
Segment assets	417,130	70,710	662,262	37,228	1,187,330
Investment properties					32,542
Investment in an associate					7,539
Available-for-sale investments					5,968
Deposits paid for acquisition of property, plant and equipment					103,352
Held-for-trading investments					487,332
Bank balances held in an escrow account					34,998
Other unallocated assets					559,019
Total assets					2,418,080
Segment liabilities	(71,539)	(24,358)	(478,095)	(115)	(574,107)
Derivative financial instruments					(285)
Other unallocated liabilities					(69,058)
Total liabilities					(643,450)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets, other than investment properties, investment in an associate, available-for-sale investments, deposits paid for acquisition of property, plant and equipment, deposit paid for acquisition of additional interest in available-for-sale investment, held-for-trading investments not included in securities brokerage business and assets management service segments, bank balances held in an escrow account and assets of the investment holding companies, are allocated to reportable and operating segments; and

- all liabilities, other than bonds, derivative financial instrument and liabilities of the investment holding companies, are allocated to reportable and operating segments.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

	Medical products and plastic toys business *HK$'000*	Trading of garments *HK$'000*	Securities brokerage business *HK$'000*	Money lending business and other financial services *HK$'000*	Assets management service *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2016							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	**1,757**	**–**	**3,926**	**–**	**–**	**–**	**5,683**
Depreciation of property, plant and equipment	**4,754**	**–**	**1,148**	**–**	**–**	**88**	**5,990**
Impairment loss on goodwill	**–**	**11,318**	**–**	**–**	**–**	**–**	**11,318**
Allowance for inventories	**13,231**	**–**	**–**	**–**	**–**	**–**	**13,231**
Impairment loss recognised on trade receivables	**592**	**5,000**	**4,093**	**–**	**–**	**–**	**9,685**

	Medical products and plastic toys business *HK$'000*	Trading of garments *HK$'000*	Securities brokerage business *HK$'000*	Money lending business and other financial services *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2015						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	1,070	–	1,570	–	–	2,640
Depreciation of property, plant and equipment	4,748	–	203	–	602	5,553
Reversal of allowance for inventories	(616)	–	–	–	–	(616)
Impairment loss reversed on trade receivables	(1,740)	–	–	–	–	(1,740)
Write off of trade and other receivables	2,810	–	–	–	–	2,810

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

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

Information about the Group's revenue from external customers is presented based on the locations of the customers.

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**109,109**	52,434
Europe*	**48,596**	51,041
The United States of America	**26,269**	38,861
The PRC (excluding Hong Kong)	**18,422**	13,507
Australia	**2,772**	2,455
South America	**601**	1,511
Others*	**16,042**	16,922
	221,811	176,731

* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

Majority of the non-current assets are located in the PRC and Hong Kong.

Information about major customers

The Group's revenue from external customers is mainly derived from the PRC and Hong Kong. For the year ended 31 December 2016, revenue for the largest customer of medical and plastic toys business amounted to HK$24,051,000 (2015: HK$24,592,000) which contributed more than 10% of the Group's total revenue.

6. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	970	2,904
Rental income	2,231	2,396
Other commission income	11,993	11,995
Others	7,543	6,975
	22,737	24,270

7. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Net exchange gain	–	68
Impairment loss on goodwill	(11,318)	–
Impairment loss on deposits paid for acquisition of property, plant and equipment	(103,352)	–
Loss on disposal of property, plant and equipment	–	(101)
Fair value changes of:		
– investment properties	4,873	(1,303)
– held-for-trading investments	(78,007)	380,479
– derivative financial instruments	–	(1,632)
	(187,804)	377,511

8. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interests on		
– Bank overdrafts and loans	1,062	300
– Bonds	11,036	–
	12,098	300

9. INCOME TAX (CREDIT) EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**6,018**	2,637
The PRC Enterprise Income Tax ("EIT")	**718**	387
Other jurisdictions	**123**	249
	6,859	3,273
Overprovision in prior years:		
Hong Kong Profits Tax	**(631)**	(189)
The PRC EIT	**–**	(189)
Other jurisdictions	**–**	(21)
	(631)	(399)
Deferred taxation *(note 30)*:		
Current year	**14,949**	66,096
	21,177	68,970

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

Under the Law of the PRC on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Corporate Income Tax in Taiwan is charged at 17% for both years.

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

9. INCOME TAX (CREDIT) EXPENSE *(continued)*

The income tax expense can be reconciled to the (loss) profit before taxation from the continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit before taxation from the continuing operations	**(225,280)**	364,170
Tax (credit) charge at Hong Kong Profits Tax rate of 16.5%	**(37,171)**	60,088
Tax effect of share of loss of an associate	**1,589**	76
Tax effect of expenses not deductible for tax purposes	**27,690**	9,862
Tax effect of income not taxable for tax purposes	**(1,160)**	(1,964)
Tax effect of tax losses not recognised	**30,823**	1,055
Overprovision in prior years	**(631)**	(399)
Effect of different tax rates of subsidiaries operate in other jurisdictions	**37**	252
Income tax expense	**21,177**	68,970

Details of movements in deferred taxation are set out in note 30.

10. (LOSS) PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Salaries, allowances and bonuses, including those of directors	**44,255**	35,945
Equity settled share-based payments	**–**	9,269
Contributions to retirement benefit schemes, including those of directors	**1,409**	1,150
Total employee benefits expense, including those of directors	**45,664**	46,364
Amortisation of prepaid lease payments	**410**	435
Auditor's remuneration	**1,800**	1,788
Cost of inventories recognised as an expense	**110,204**	126,764
Depreciation of property, plant and equipment	**5,990**	5,553
Impairment loss recognised (reversed) on trade receivables	**9,685**	(1,740)
Write off of trade and other receivables	**–**	2,810
Allowance (reversal of allowance) for inventories	**13,231**	(616)
Bank interest income	**(970)**	(2,904)
Property rental income net of negligible outgoing expenses	**(2,231)**	(2,396)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive are as follows:

2016

	Chief Executive and executive director	Other executive directors				Independent non-executive directors				
	Mak Kwong Yiu *(note 1)* *HK$'000*	Huang Ying Yuan *HK$'000*	Chen Chun Chieh *HK$'000*	Huang Shen Kai *HK$'000*	Lai Kin Chung Kenneth *HK$'000*	Ye Jianxin *HK$'000*	Chern Shyh Feng *HK$'000*	Lam Chak Man *HK$'000*	Hsu Hong Te *(note 2)* *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	120	120	120	90	450
Salaries and allowances	4,500	1,682	1,379	1,104	660	–	–	–	–	9,325
Contribution to retirement benefits scheme	–	–	39	–	36	–	–	–	–	75
Total emoluments	4,500	1,682	1,418	1,104	696	120	120	120	90	9,850

2015

	Chief Executive and executive director	Other executive directors			Independent non-executive directors					
	Huang Ying Yuan *HK$'000*	Chen Chun Chieh *HK$'000*	Huang Shen Kai *HK$'000*	Lai Kin Chung Kenneth *HK$'000*	Huang Zhi Wei *(note 3)* *HK$'000*	Mak Kwong Yiu *(note 4)* *HK$'000*	Ye Jianxin *HK$'000*	Chern Shyh Feng *(note 5)* *HK$'000*	Lam Chak Man *(note 6)* *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	21	178	120	190	15	524
Salaries and allowances	2,203	1,389	1,419	275	–	–	–	–	–	5,286
Contribution to retirement benefits scheme	–	40	–	13	–	–	–	–	–	53
Total emoluments	2,203	1,429	1,419	288	21	178	120	190	15	5,863

Notes:

1. Mr. Mak Kwong Yiu was appointed as a chief executive and executive director on 1 April 2016.

2. Mr. Hsu Hong Te was appointed as an independent non-executive director on 1 April 2016.

3. Mr. Huang Zhi Wei resigned as an independent non-executive director on 6 February 2015.

4. Mr. Mak Kwong Yiu was resigned as an independent non-executive director on 2 November 2015.

5. Mr. Chern Shyh Feng was appointed as an independent non-executive director on 6 February 2015.

6. Mr. Lam Chak Man was appointed as an independent non-executive director on 16 November 2015.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

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

Mr. Mak Kwong Yiu is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

During the year ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any remuneration during the years ended 31 December 2016 and 2015.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2015: two) individuals for the year ended 31 December 2016 are as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries and other benefits	**2,600**	1,631
Contribution to retirement benefits scheme	**72**	82
	2,672	1,713

Their emoluments were within the following bands:

	2016	2015
HK$1,000,001 to HK$1,500,000	**2**	2

13. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: nil).

14. (LOSS) EARNINGS PER SHARE

(a) From continuing and discontinued operations

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

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company, for the purpose of basic and diluted (loss) earnings per share	**(246,457)**	586,815

	Number of shares	Number of shares (restated)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,171,276,841**	296,879,626
Effect of dilutive potential ordinary shares in respect of share options	**–**	62,302
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,171,276,841**	296,941,928

On 15 August 2016, the Company completed a share consolidation which involve the consolidation of every five shares of HK$0.1 each into one consolidated share of HK$0.5 each ("Consolidated Share").

On 21 September 2016, the Company completed an issue of shares upon rights issue at a price of HK$0.20 per share on the basis of two shares for every one Consolidated Share then held by the qualifying shareholders on the record date.

For the years ended 31 December 2016 and 2015, the weighted average number of ordinary shares has been adjusted for the effect of the share consolidation and rights issue.

The computation of diluted loss per share for the year ended 31 December 2016 does not assume the exercise of the Company's share option as the exercise would result in an increase in loss per share for the year.

14. (LOSS) EARNINGS PER SHARE *(continued)*

(b) From continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations	**(246,457)**	295,291

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

(c) From discontinued operation

For the year of 2015, basic earnings per share for the discontinued operation is HK99.46 cents per share and diluted earnings per share for the discontinued operation is HK$99.44 cents, based on the profit for the year from the discontinued operation of HK$291,524,000 and the denominators detailed above for both basic and diluted earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings HK$'000 (Note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION						
At 1 January 2015	94,102	616	23,868	2,727	1,288	122,601
Exchange realignment	(2,153)	–	(1,095)	(56)	(57)	(3,361)
Additions	–	242	278	2,027	93	2,640
Disposals	–	–	–	(691)	–	(691)
Acquisition of assets through acquisition of subsidiaries *(Note 34)*	10,955	–	–	–	–	10,955
Acquisition of subsidiaries *(Note 35)*	–	–	–	84	–	84
Adjustment on valuation	1,682	–	–	–	–	1,682
At 31 December 2015	104,586	858	23,051	4,091	1,324	133,910
Exchange realignment	(2,116)	–	(1,487)	(123)	(62)	(3,788)
Additions	–	3,984	52	955	692	5,683
Disposals	–	–	(1,094)	(218)	–	(1,312)
Transfer to investment properties	(9,733)	–	–	–	–	(9,733)
Adjustment on valuation	(4,300)	–	–	–	–	(4,300)
At 31 December 2016	88,437	4,842	20,522	4,705	1,954	120,460
Comprising:						
At cost	–	4,842	20,522	4,705	1,954	32,023
At valuation – 2016	88,437	–	–	–	–	88,437
	88,437	4,842	20,522	4,705	1,954	120,460
DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	–	616	20,696	2,198	751	24,261
Exchange realignment	(1,348)	–	(961)	(17)	(39)	(2,365)
Provided for the year	4,307	151	338	627	130	5,553
Eliminated on disposals	–	–	–	(590)	–	(590)
Adjustment on valuation	(2,959)	–	–	–	–	(2,959)
At 31 December 2015	–	767	20,073	2,218	842	23,900
Exchange realignment	(1,799)	–	(1,298)	(70)	(49)	(3,216)
Provided for the year	3,843	754	589	581	223	5,990
Eliminated on disposals	–	–	(1,079)	(213)	–	(1,292)
Adjustment on valuation	(2,044)	–	–	–	–	(2,044)
At 31 December 2016	–	1,521	18,285	2,516	1,016	23,338
CARRYING VALUES						
At 31 December 2016	88,437	3,321	2,237	2,189	938	97,122
At 31 December 2015	104,586	91	2,978	1,873	482	110,010

Note: Owner-occupied leasehold land are included in property, plant and equipment only when the allocation between the land and buildings elements cannot be made reliably.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

During the year ended 31 December 2016, an owner-occupied property was reclassified to an investment property because its use had been changed as evidenced by end of owner-occupation in accordance with HKAS 40 "Investment Property". The fair value of the property at the date of transfer was HK$9,733,000.

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

Land and buildings	2% or the remaining period of the leases, if shorter
Leasehold improvements	10-20% or the remaining period of the leases, if shorter
Plant and machinery	10-20%
Furniture, fixtures and equipment	20-33$^{1}/_{3}$%
Motor vehicles	20-50%

The Group revalued its land and buildings at 31 December 2016 and 31 December 2015. The revaluation loss for the year ended 31 December 2016 amounting to HK$2,256,000 which were debited directly to the property revaluation reserve (31 December 2015: revaluation gain of HK$4,641,000).

At 31 December 2016, the land and buildings in Hong Kong and certain buildings in the PRC of carrying value of HK$60,600,000 and nil, respectively (2015: HK$60,000,000 and HK$9,733,000, respectively) were valued under direct comparison approach. The remaining buildings in the PRC amounting to HK$27,837,000 (2015: HK$34,853,000) were valued under depreciated replacement costs approach.

Fair value measurement of the Group's buildings

The fair values of the Group's land and buildings were revalued at 31 December 2016 and 2015 by independent property valuers not connected to the Group.

The fair values of the land and buildings in Hong Kong and certain buildings in the PRC were determined based on direct comparison approach by reference to the market transaction prices of similar properties in the neighbourhood, and then adjusted based on the nature, location and condition of the property. The fair values of the remaining buildings in the PRC were determined by using the depreciated replacement cost approach that reflects the cost to a market participant to construct asset of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating of the fair values of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's land and buildings were categorised into Level 3.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value measurement of the Group's buildings *(continued)*

Reconciliation of Level 3 fair value measurements

	Buildings
	HK$'000
At 1 January 2015	94,102
Acquisition of assets through acquisition of subsidiaries *(Note 34)*	10,955
Exchange realignment	(805)
Depreciation	(4,307)
Revaluation	4,641
At 31 December 2015	104,586
Transfer to investment properties	(9,733)
Exchange realignment	(317)
Depreciation	(3,843)
Revaluation	(2,256)
At 31 December 2016	88,437

The following table shows the valuation techniques used in the determination of fair values for land and buildings and unobservable inputs used in the valuation models.

Description	**Fair value as at 31 December 2016** *HK$'000*	31 December 2015 *HK$'000*	**Valuation techniques**	**Unobservable inputs**	**Relationship of unobservable inputs of fair value**
Property located in Hong Kong					
Commercial office units	**60,600**	60,000	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square feet used would result in an increase in the fair value and vice versa.
Properties located in the PRC					
Commercial office units	**–**	9,733	Direct Comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square metre used would result in an increase in the fair value and vice versa.
Industrial office units	**27,837**	34,853	Depreciated replacement cost approach	Adjusted building construction cost after taking into account the difference in individual factor	An increase in the building construction cost would result in the increase in the comparable fair value and vice versa.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value measurement of the Group's buildings *(continued)*

If the land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at HK$14,057,000 (2015: HK$25,940,000).

16. PREPAID LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Analysed for reporting purpose as:		
Current assets	**392**	419
Non-current assets	**13,439**	14,767
	13,831	15,186

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2015	–
Acquired on an acquisition of assets through acquisition of subsidiaries *(Note 34)*	29,365
Acquired on an acquisition of subsidiaries *(Note 35)*	6,106
Change in fair value recognised in profit or loss	(1,303)
Exchange realignment	(1,626)
At 31 December 2015	32,542
Change in fair value recognised in profit or loss	4,873
Addition	3,379
Acquired on an acquisition of assets through acquisition of a subsidiary *(Note 34)*	38,800
Transfer from property, plant and equipment	9,733
Exchange realignment	(836)
At 31 December 2016	88,491

All of the Group's property interests held under operating lease to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. INVESTMENT PROPERTIES *(continued)*

The fair values of the Group's investment properties at 31 December 2016 and 2015 have been arrived at on the basis of a valuation carried out on the respective dates by independent qualified professional valuers not connected to the Group.

The fair values of commercial office units located in the PRC and residential unit and residential parking space located in Hong Kong of residential unit were determined based on direct comparison approach by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the nature, location and condition of the property. For the commercial office units located in Hong Kong, fair value was determined based on the income approach, which was arrived at by reference to market yield expected by investors for similar type of properties and the net income derived from existing tenancies which due allowance for reversionary income potential of the properties on a recurring basis.

In estimating of the fair value of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's investment properties were categorised into Level 3.

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

Description	**Fair value as at 31 December 2016** *HK$'000*	31 December 2015 *HK$'000*	**Valuation technique(s)**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Property located in Hong Kong					
Commercial office units	**6,490**	6,450	Income capitalisation approach	Capitalisation rate of 2.9% and reversionary yield (derives from monthly market rate)	An increase in the capitalisation rate would result in a decrease in the fair value and vice versa.
Residential unit and residential car parking space	**42,000**	-	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value and vice versa.
Property located in the PRC					
Commercial office units	**40,001**	26,092	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value and vice versa.

18. GOODWILL

	HK$'000
COST	
At 1 January 2015	–
Arising on an acquisition of subsidiaries *(Note 35)*	42,918
At 31 December 2015 and 31 December 2016	42,918
IMPAIRMENT	
At 1 January 2015 and 31 December 2015	–
Impairment loss recognised	11,318
At 31 December 2016	11,318
CARRYING AMOUNTS	
At 31 December 2016	31,600
At 31 December 2015	42,918

For the purposes of impairment testing, goodwill with indefinite useful lives has been allocated to two individual cash generating units (CGUs), comprising one subsidiary engaged in trading of garments and one subsidiary engaged in securities brokerage business. The carrying amounts of goodwill allocated to these units are as follows:

	2016	2015
	HK$'000	*HK$'000*
Trading of garments *(Note)*	**30,000**	41,318
Securities brokerage business	**1,600**	1,600
	31,600	42,918

For the year ended 31 December 2016, as the financial performance of the trading of garments CGU is worse than previously forecasted, the management considered that the growth rate and expected gross margin of garment business is declining as a result of severe competition in the market. The management of the Group assessed the cash flow projections of the trading of garments CGU and adjusted downward the estimated cash flows of the trading of garments CGU, taking into account the actual performance in the year ended 31 December 2016 as well as the future prospect from the CGU. As the recoverable amount of the trading of garments CGU based on value in use calculation is less than the carrying amount, an impairment loss of HK$11,318,000 was recognised in goodwill in the current year.

18. GOODWILL *(continued)*

Note:

The basis of the recoverable amounts of the CGU from trading of garments containing goodwill and the major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 12.6% (2015: 12.5%). The cash flows beyond the 5-year period are extrapolated growth rate of 4% (31 December 2015: 5%). Cash flow projection during the 5-year budget period is based on the budgeted sales and expected gross margins and the inflation on cost of sales and expenses during the projection period. Expected cash inflows/outflows, which include budgeted sales, gross margin and inventories price inflation have been determined based on past performance and management's expectations for the market development.

19. INVESTMENT IN AN ASSOCIATE

	2016	2015
	HK$'000	*HK$'000*
Cost of unlisted investment	**16,000**	8,000
Share of post-acquisition losses	**(10,093)**	(461)
	5,907	7,539

Details of the Group's associate as at 31 December 2016 and 2015 are as follows:

Name of associate	**Form of business structure**	**Place of incorporation**	**Issued and fully paid share capital**		**Effective interest in the issued share capital**		**Principal activity**
			2016	2015	**2016**	2015	
Fullsino Management Limited* ("Fullsino")	Incorporated	Hong Kong	**HK$40,000,000**	HK$20,000,000	**40%**	40%	Provision of beauty and wellness services

* Fullsino was newly set up by the Group and shareholders of Fullsino on 3 July 2015.

19. INVESTMENT IN AN ASSOCIATE *(continued)*

Summarised financial information of Fullsino is set out below:

	2016 *HK$'000*	2015 *HK$'000*
Total assets	**25,211**	19,130
Total liabilities	**(10,444)**	(283)
Net assets	**14,767**	18,847
Group's share of net assets	**5,907**	7,539
Revenue	**7,972**	–
Loss for the year and total comprehensive expenses	**(24,080)**	(1,153)
Group's share of loss of the associate for the year	**(9,632)**	(461)

20. AVAILABLE-FOR-SALE INVESTMENTS/DEPOSIT PAID FOR ACQUISITION OF ADDITIONAL INTEREST IN AN AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investments

The Group's available-for-sale investments at 31 December 2016 and 2015 represent investments in unlisted equity securities issued by private entities established in the PRC and Samoa which do not have quoted market price in an active market. As the range of reasonable fair value estimates is so significant, the corresponding fair values cannot be measured reliably. Accordingly, the investments are measured at cost less impairment at the end of reporting period.

During the year ended 31 December 2016, the Group invested in three unlisted equity investments, incorporated in Samoa, with a carrying amounts of HK$9,360,000, HK$9,360,000 and HK$4,680,000, respectively. These investments represent a 40%, 40% and 40%, respectively, holdings of the ordinary shares of these unlisted equity investments. These unlisted equity investments are not regarded as associates of the Group because the Group has surrender their rights to vote at both meetings of shareholders and directors relating to the financial investing and operating decisions in each of these utilised equity investments.

20. AVAILABLE-FOR-SALE INVESTMENTS/DEPOSIT PAID FOR ACQUISITION OF ADDITIONAL INTEREST IN AN AVAILABLE-FOR-SALE INVESTMENT *(continued)*

Deposit paid for acquisition of additional interest in an available-for-sale investment

On 31 March 2016, the Company entered into the various agreements (the "Agreements") with the vendors to purchase 20,500,000 registered capital, representing 10% of the registered capital of 杭州錢內助金融信息服務有限公司 ("錢內助"), at the consideration of RMB32,800,000 (equivalent to HK$38,376,000), the Group has paid a deposit of RMB5,000,000 (equivalent to HK$5,977,000).

As at 31 December 2016, the Group holds 10% of the issued share capital of 錢內助 and is classified as an available-for-sale investment. Upon completion of the acquisition, the Group will hold 51% of the issued share capital of 錢內助. Up to the date of this report, the above transaction is not yet complete as the conditions set out in the Company's announcement on 31 March 2016 has not been satisfied.

21. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

On 15 April 2015 and 27 May 2015, a subsidiary of the Company, 駿勝世紀科技（深圳）有限公司("駿勝世紀"), entered into various agreements (the "Property Agreements") with an independent third party (the "Property Vendor") to acquire 48 blocks of villa under development (the "Properties") located at Dawa County of Liaoning Province, the PRC, on behalf of a subsidiary of the Company incorporated in Hong Kong, at an aggregate consideration of RMB81,503,000 (equivalent to approximately HK$103,352,000) (the "Property Consideration"). The Group intended to develop the Properties as an elderly centre. Pursuant to the Property Agreements, both 駿勝世紀 and the Property Vendor agreed that if the Properties constructed by the Property Vendor cannot fulfill certain criteria for operating as an elderly centre within 8 months after 27 May 2015, 駿勝世紀 has absolute discretion to demand the Property Vendor to repurchase the Properties at the Property Consideration plus certain amount of compensation as detailed in the announcement of the Company dated 28 May 2015.

In the current year, the construction of the Properties is not yet completed. In October 2016, the management had demanded the Property Vendor for fully refund the deposits amount of RMB81,503,000 (equivalent to approximately HK$103,352,000). Pursuant to the Property Agreements, upon the issuance of the demand letter to the Property Vendor for the repurchase of the Properties, the Property Vendor is requested to settle the repurchase demand within 3 months (i.e. January 2017).

Up to the date of this report, the Property Vendor has not yet settled the repurchase demand. In view of the 3 months period has passed and no repayment or other settlement arrangement communication has yet been made by the Property Vendor, the directors of the Company consider that the recoverability of the deposits paid is uncertain, therefore, full amount of provision of approximately HK$103,352,000 was made for the year ended 31 December 2016. The management will consider to take further legal action to demand the Property Vendor to settle the demand.

22. INVENTORIES

	2016 *HK$'000*	2015 *HK$'000*
Raw materials	**7,644**	21,886
Work in progress	**1,665**	2,600
Finished goods	**3,987**	9,817
	13,296	34,303

During the year, an allowance of HK$13,231,000 (2015: reversal of allowance of HK$616,000) was recognised in cost of sales for obsolete and slow-moving inventory items identified.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016 *HK$'000*	2015 *HK$'000*
Trade receivables arising from:		
Medical products and plastic toys business and trading of garments *(Note a)*	**40,297**	42,519
Less: allowance for doubtful debts	**(8,555)**	(3,185)
	31,742	39,334
Securities brokerage business *(Note b)*:		
– Cash clients	**–**	9,945
– Margin clients	**346,493**	43,858
– Clearing house	**–**	162
Less: allowance for doubtful debts	**(4,093)**	–
	342,400	53,965
Money lending and other financial services	**29,832**	–
Total trade receivables	**403,974**	93,299
Purchase deposits, other receivables and deposits	**30,886**	63,579
Prepayments	**2,908**	4,400
Total trade and other receivables and prepayments	**437,768**	161,278

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Notes:

(a) The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts from medical products and plastic toys business and trading of garment presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**11,998**	12,064
31 to 90 days	**8,408**	6,722
Over 90 days	**11,336**	20,548
	31,742	39,334

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

Included in the trade receivable balance are debtors with aggregate carrying amount of HK$15,272,000 (2015: HK$24,452,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss after consideration of the credit quality of those individual customers, the ongoing relationship with the Group, the aging of these receivables and their subsequently settlement pattern. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**9,182**	2,890
31 to 90 days	**3,936**	11,637
Over 90 days	**2,154**	9,925
Total	**15,272**	24,452

Movement in the allowance for trade receivables

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**3,185**	4,640
Impairment loss recognised (reversed) on trade receivables	**5,592**	(1,740)
Acquisition of subsidiaries *(Note 35)*	**–**	2,178
Amounts written off as uncollectible	**(222)**	(1,893)
Balance at end of the year	**8,555**	3,185

Included in allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$8,555,000 (2015: HK$3,185,000). The directors of the Company take into consideration the current financial position of the counterparties and their repayment history and consider that the chances of collection of the outstanding amounts are remote.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Notes: (continued)

(b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.

For the year ended 31 December 2015, included in the trade receivables from cash clients are debtors with the aggregate carrying amount HK$8,783,000 (2016: nil) which have been past due. In the opinion of the directors of the Company, no impairment is required as there has not been a significant change in credit quality and a substantial portion of the carrying amount is subsequently settled after the end of the reporting period.

The amount that are past due but not impaired at the end of both reporting periods are all aged within 30 days (from settlement date).

For the year ended 31 December 2015, trade receivables from cash clients with a carrying amount of HK$1,162,000 (2016: nil) are neither past due nor impaired at the end of the reporting period and the directors of the Company are of the opinion that the amounts are recoverable.

Margin loan receivables from margin clients, net of individually impaired receivables, amounting to HK$342,400,000 (2015: HK$43,858,000) as at 31 December 2016 are secured by clients' pledged securities with fair value of HK$1,210,000,000 (2015: HK$3,197,000,000). All of the pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest at Hong Kong Prime rate plus margin that ranges from 3% to 8% (2015: ranges from 3% to 7%) per annum. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

Movement in the allowance for trade receivables

	2016 ***HK$'000***	2015 *HK$'000*
Balance at beginning of the year	**–**	–
Impairment loss recognised on trade receivables	**4,093**	–
Balance at end of the year	**4,093**	–

The Group has concentration of credit risk as 45% (2015: 83%) of the total loans to margin clients was due from the Group's five largest margin clients. The whole amount is secured by clients' pledged securities with the fair value of HK$416,803,000 (2015: HK$183,233,000) as at 31 December 2016. The Group believes that the amount is considered recoverable given the collateral is sufficient to cover the entire balance on individual basis. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

In determining the allowances for impaired margin loans to margin clients, the management of the Group considers the margin shortfall by comparing the market value of stock portfolio and the outstanding balance of margin loan to securities margin clients individually. Impairments are made for those clients with margin shortfall as at year end and with no settlement after the year end.

In addition to the individually assessed allowances for impaired margin loan, the management of the Group has also assessed, on a collective basis, a margin loan impairment allowance for margin loan receivable arising from the business of dealing in securities with margin clients that are individually insignificant or accounts receivable where no impairment has been identified individually. Objective evidence of collective impairment could include the Group's past experience of collecting payments, internal credit rating and observable changes in national or local economic conditions that correlate with default on receivables.

24. LOANS RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Loans receivables	**625,440**	–
	625,440	–
Analysed as:		
Secured	**328,100**	–
Unsecured	**297,340**	–
	625,440	–

The total amounts are repayable within one year from the end of the reporting period. Interest rate on the fixed rate loans receivables as at 31 December 2016 is at a range of 6% to 12% per annum.

In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables and the estimated recoverable amount of the corresponding pledged assets of each borrower less cost to sell.

Included in loans receivables are debtors of secured loans receivables with the aggregate carrying amount of HK$84,100,000 which have been past due but the directors of the Company consider that no impairment is required as there are no default in repayment for loans receivables. In respect of loans receivables which are past due but not impaired at the end of the reporting period are all aged within 180 days (from maturity date).

The remaining amounts that are neither past due nor impaired at the end of the reporting period and the directors of the Company are of the opinion that the amounts are recoverable.

25. HELD-FOR-TRADING INVESTMENTS

	2016 *HK$'000*	2015 *HK$'000*
Equity securities listed in Hong Kong	**672,294**	511,765
Debt securities traded in Hong Kong	**7,300**	–
	679,594	511,765

25. HELD-FOR-TRADING INVESTMENTS *(continued)*

	The fair value of the held-for-trading investments as at 31 March 2017*	The fair value of the held-for-trading investments as at 31 December 2016	The fair value of the held-for-trading investments as at 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*
China Jicheng Holdings Limited ("CJHL")	**289,928**	279,574	405,308
China Kingstone Mining Holdings Limited ("CKMHL")	**–**	–	24,434
Sing On Holdings Limited ("SOHL")	**180,369**	75,849	–
Other listed securities on the Stock Exchange	**330,775**	324,171	82,023
	801,072	679,594	511,765

* The figures are for illustration purpose only. In order to illustrate the fair value change of the held-for-trading investments of the Group as at 31 December 2016, the number of shares held in these investments as at 31 March 2017 are assumed remain unchanged as at 31 December 2016.

CJHL is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. CKMHL is principally engaged in mining, processing and trading of the marble stones and marble-related products. SOHL is principally engaged in the provision of concrete demolition services in Hong Kong and Macau.

The Group has recorded a loss on fair value changes of held-for-trading investments for the year ended 31 December 2016 of HK$78 million (2015: gain on fair value of HK$380 million) which was mainly arise from the loss on fair value change of investment in CJHL of approximately HK$126 million (2015: gain on fair value of HK$400 million). However, the fair value of the held-for-trading investments as at 31 December 2016 on 31 March 2017 has increased by 18%.

The fair value of measurement of the Group's held-for-trading investments were categorised into Level 1 and fair values have been determined by reference to the quoted market bid prices available on the Stock Exchange.

26. BANK BALANCES AND CASH

Bank balances-trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has also recognised the corresponding trade payables to respective clients and other respective clients and other institutions (note 27). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amount comprises balances and cash held by the Group and short term bank deposits with original maturity within 3 months. At 31 December 2016, bank balances and short term bank deposits carried interest at market rates ranging from 0.01% to 3% (2015: 0.01% to 3%) per annum.

27. TRADE AND OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Trade payables arising from:		
Medical products and plastic toys business and trading of garments	**24,750**	24,962
Securities brokerage business		
– Cash clients	**23,953**	101,008
– Margin clients	**10,670**	364,575
– Clearing house	**2,223**	653
Total trade payables	**61,596**	491,198
Accrued expenses	**1,414**	1,531
Other payables	**79,545**	31,532
	142,555	524,261

27. TRADE AND OTHER PAYABLES AND ACCRUALS *(continued)*

Included in other payables of HK$26,515,000 represents the margin financing payable to an independent broker for investment trading, which is secured by held-for-trading investment of HK$418,785,000.

The following is an aged analysis of trade payables from medical products and plastic toys business and trading of garments presented based on the invoice date at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**19,045**	12,520
31 to 90 days	**3,479**	6,960
Over 90 days	**2,226**	5,482
	24,750	24,962

The average credit period on purchases of goods from medical products and plastic toys business and trading of garments is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The settlement terms of trade payable arising from the securities brokerage business are two days after trade date or at specific terms agreed with clearing house. Trade payables to cash and margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

As at 31 December 2016, the trade payables amounting to HK$36,060,000 (2015: HK$463,015,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

28. BORROWINGS AND BONDS

	2016	2015
	HK$'000	*HK$'000*
Bank overdrafts	**4,996**	4,966
Bank loans	**5,505**	6,574
Term loan	**40,000**	–
	50,501	11,540
Bonds	**361,761**	–
	412,262	11,540
Analysed as:		
Secured	**9,585**	10,130
Unsecured	**402,677**	1,410
	412,262	11,540
Carrying amount repayable for borrowings that contain a repayable on demand clause:*		
Within one year	**45,925**	6,062
More than one year but not more than two years	**2,807**	1,106
More than two years but not more than five years	**151**	1,070
More than five years	**1,618**	3,302
	50,501	11,540
Less: Amounts due within one year shown under current liabilities	**(50,501)**	(11,540)
Amounts shown under non-current liabilities	**–**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

28. BORROWINGS AND BONDS *(continued)*

The carrying amounts of bonds are repayable as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	–	–
More than one year but not more than two years	51,428	–
More than two years but not more than five years	–	–
More than five years	310,333	–
	361,761	–
Less: Amounts due within one year shown under current liabilities	–	–
Amounts shown under non-current liabilities	361,761	–

As at 31 December 2016, the Group had aggregate outstanding borrowings comprising (i) bank borrowings of HK$2,718,000 (2015: HK$3,243,000) and bank overdrafts of HK$2,005,000 (2015: HK$1,980,000) secured by a property of the Group and guaranteed by a director of a subsidiary of the Group, (ii) bank borrowing of HK$1,871,000 (2015: HK$1,970,000) and bank overdrafts of HK$2,991,000 (2015: HK$2,986,000) secured by properties owned by and guaranteed by a director of a subsidiary of the Group, (iii) bank borrowings of HK$916,000 (2015: HK$1,410,000) unsecured and guaranteed by a director of a subsidiary of the Group and guarantee provided by the government of Hong Kong, and (iv) an unsecured term loan of HK$40,000,000 (2015: nil) guaranteed by a corporate guarantee provided by the Company.

The Group's borrowings were at variable-rate interest ranged from Hong Kong Prime rate plus 2.20% to 4.50% (2015: 2.20% to 4.50%) per annum.

The Group's term loan is at fixed-rate interest at 8.50% (2015: nil) per annum.

During the year ended 31 December 2016, the Group and a wholly owned subsidiary of the Company issued bonds with an aggregate principal amount of HK$327,000,000 and HK$52,000,000, respectively. Transaction costs attributable to the issuance of the bond amounted to approximately HK$26,908,000 and HK$1,560,000, respectively. The bonds are unsecured with maturity date falling on the eighth and second anniversary of the issue date, respectively. The interest rate of the bonds is fixed at 6% and 4% per annum, respectively, and the interest is paid annually. The Company may at any time before the maturity date to redeem the bond in respective to the principal amount of HK$52,000,000, while an additional coupon of 0.5% will be given to the bond holder if the Company exercise the rights of early redemption option. In the opinion of the directors of the Company, the value of the early redemption option is insignificant.

29. DERIVATIVE FINANCIAL INSTRUMENTS

For the year ended 31 December 2015, the Group entered into forward foreign exchange contracts to cover the anticipated foreign currency exposures. The Group was a party to a number of forward foreign exchange contracts in the management of its exchange rate exposures. All contracts were settled net with the counterparties. A fair value losses of approximately HK$1,632,000 (2016: nil) was recognised directly in profit or loss during the year ended 31 December 2015.

The details of outstanding forward foreign exchange contracts as at 31 December 2015 to which the Group was committed to was as follows:

Buy	**Sell**	**Notional amount**	**Maturity date**	**Contracted exchange rate**
RMB	HK$	HKD800,000	5 April 2016	RMB0.78

The forward foreign exchange contracts were fully settled on maturity date during the year ended 31 December 2016, and no new arrangement was made for the year ended 31 December 2016.

30. DEFERRED TAX LIABILITIES

The followings are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Difference between accounting and tax depreciation	**Revaluation of properties**	**Fair value change on held-for-trading investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	(4,142)	18,396	–	14,254
(Credit) charge to profit or loss	(43)	–	66,139	66,096
Charge to other comprehensive income	–	857	–	857
At 31 December 2015	(4,185)	19,253	66,139	81,207
(Credit) charge to profit or loss	(105)	–	15,054	14,949
Credit to other comprehensive income	–	(1,126)	–	(1,126)
At 31 December 2016	(4,290)	18,127	81,193	95,030

30. DEFERRED TAX LIABILITIES *(continued)*

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$5,024,000 (2015: HK$2,364,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2016, the Group had unused tax losses of HK$210,115,000 (2015: HK$40,511,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses of HK$182,340,000 (2015: nil) may be carried forward indefinitely and the unused tax losses of HK$27,775,000 (2015: HK$40,511,000) will expire in the following years ended 31 December:

	2016	2015
	HK$'000	*HK$'000*
2016	**–**	15,683
2017	**16,654**	16,654
2018	**439**	439
2019	**1,338**	1,338
2020	**6,397**	6,397
2021	**2,947**	–
	27,775	40,511

31. SHARE CAPITAL

	Par value per share	Number of ordinary shares	Amount
	HK$		*HK$'000*
Authorised:			
At 1 January 2015, 31 December 2015	0.1	10,000,000,000	1,000,000
Effect of share consolidation *(ii)*		(8,000,000,000)	–
Increase of share capital	0.5	8,000,000,000	4,000,000
At 31 December 2016	0.5	10,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2015		760,676,724	76,068
Exercise of share options		48,000,000	4,800
New shares issued as consideration for the acquisition of assets through acquisition of subsidiaries *(Note 34)*		76,000,000	7,600
New shares issued as consideration for the acquisition of subsidiaries *(Note 35)*		75,000,000	7,500
Issue of shares upon the Open Offer *(i)*		2,879,030,172	287,903
At 31 December 2015		3,838,706,896	383,871
Share consolidation *(ii)*		(3,070,965,517)	–
		767,741,379	383,871
Issued and partially paid:			
Issue of shares upon rights issue *(iii)*		1,535,482,758	307,097
At 31 December 2016		2,303,224,137	690,968

31. SHARE CAPITAL *(continued)*

The shares issued during the both years rank pari passu with the existing shares in all respects.

(i) The Open Offer during the year ended 31 December 2015 resulting in gross proceeds of HK$431,855,000 to the Company. Transaction costs attributable to the Open Offer amounted to HK$10,213,000.

(ii) With effect from 15 August 2016, the Company consolidated its shares on the basis that every five issued and unissued shares of HK$0.1 each into one Consolidated Share of HK$0.5 each. On the same date, the Company increased the total authorised share capital by 8,000,000,000 ordinary shares with par value of HK$0.5 per share. These authorised share capital remained unissued as at 31 December 2016. Further details were set out in the circular dated 26 July 2016.

(iii) In August 2016, a total of 1,535,482,758 ordinary shares were issued at a subscription price of HK$0.20 per share by way of rights issue on the basis of two rights shares for every one share held on 15 August 2016. Details were set out in the announcement of the Company dated 24 August 2016. Transaction costs attributable to the rights issue amounted to HK$6,105,000 are debited to share premium.

32. SHARE OPTIONS

2002 Scheme

The Company adopted a share option scheme, which was approved at the Company's annual general meeting held on 30 May 2002 (the "2002 Scheme"), for the primary purpose of providing incentives to directors and eligible participants. According to the 2002 Scheme, the board of directors of the Company may offer to grant share options to eligible employees, including directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contribution to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Any offer to grant share options should be accepted within 30 days from the date of offer. The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option scheme of the Company at any time shall not exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which share options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Share options granted to substantial shareholders or any of its associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The directors may at its absolute discretion determine the period during which a share option may be exercised, such period to expire not later than 10 years from the date of grant of the share option. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the Board's meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's shares on the date on which the share option is offered, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of offer, and (iii) the nominal value of the share.

32. SHARE OPTIONS *(continued)*

2002 Scheme *(continued)*

On 18 January 2012, the Company granted share options to certain eligible employees (excluding directors) to subscribe for a total of 15,000,000 shares in the Company (equally divided into two batches, namely Batch I and Batch II) at an exercise price of HK$0.77 per share under the 2002 Scheme. These eligible employees have rights to exercise their respective share options at any time during the period from the date after the share options have been vested (i.e. 18 January 2013 for Batch I and 18 January 2014 for Batch II) to the expiry date (i.e. 17 January 2017 for both batches).

2012 Scheme

The 2002 Scheme was expired on 31 May 2012. The Company adopted a new share option scheme (the "2012 Scheme"), which was approved in the Company's annual general meeting on 28 May 2012 with the view to motivate the eligible participants.

As a result of all granted options have lapsed and no further options may be granted under the 2002 Scheme subsequent to its expiration, the 2002 Scheme has ceased to be in force.

According to the 2012 Scheme, the board of directors of the Company may offer to grant an option to any full-time employees, executives or officers, directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

In general, the maximum number of shares in respect of which options may be granted under the 2012 Scheme and under any other share option scheme of the Company must not exceed 10% of the total number of shares in issue, excluding for this purpose shares which would have been issuable pursuant to option which have lapsed in accordance with the terms of the 2012 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant without prior approvals of the shareholders. Share options granted to connected persons in excess of 0.1% of the shares in issue or having a value in excess of HK$5 million must be approved in advance by the Company's shareholders in general meeting.

The directors may in its absolute discretion determine the period during which an option may be exercised, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2012 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, the 2012 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2012 Scheme. The exercise price shall be determined by the board of directors and must not be less than the highest of (i) the official closing price of the Company's shares on the date of grant, (ii) the average of the official closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

32. SHARE OPTIONS *(continued)*

The following table discloses movements in the Company's share options during the year ended 31 December 2016 and 2015:

		Number of share options										
	Date of grant	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment due to Open Offer	Outstanding at 31 December 2015	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment due to Rights Issue	Outstanding at 31 December 2016
Employees	18 January 2012 (Batch I)	97,000	–	–	(67,000)	4,560	34,560	–	–	–	(25,265)	9,295
Employees	18 January 2012 (Batch I)	97,000	–	–	(67,000)	4,560	34,560	–	–	–	(25,265)	9,295
Employees and consultants*	12 February 2015	–	75,000,000	(48,000,000)	–	4,104,000	31,104,000	–	–	–	(22,738,206)	8,365,794
		194,000	75,000,000	(48,000,000)	(134,000)	4,113,120	31,173,120	–	–	–	(22,788,736)	8,384,384
Exercisable at the end of the year		194,000					31,173,120					8,384,384
Weighted average exercise price		0.77					0.514					1.912

* The consultants are not connected parties of the Group and have provided business relations services to the Group for the year ended 31 December 2016 and 2015.

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercisable period	Original exercise price	Adjusted exercise price with effect to open offer, share consolidation and rights issue
			HK$	*HK$*
18 January 2012 (Batch I)	12 months	18 January 2013-17 January 2017	0.77	2.484
18 January 2012 (Batch II)	24 months	18 January 2014-17 January 2017	0.77	2.484
12 February 2015	N/A	12 February 2015-11 February 2017	0.592	1.911

In respect of the share options exercised for the year ended 31 December 2015, the weighted average share price at the dates of exercise was HK$0.55.

For the year ended 31 December 2015, the Group recognised HK$9,269,000 (2016: nil) share-based payment expenses (included in administrative expenses) in relation to share options granted by the Company.

32. SHARE OPTIONS *(continued)*

During the year ended 31 December 2015, the Company repriced of its outstanding options with the effect of open offer. The exercise price of share options granted on 18 January 2012 adjusted from HK$0.770 to HK$0.668 and the exercise price of share options granted on 12 February 2015 adjusted from HK$0.592 to HK$0.514. The directors of the Company are in the opinion that the change of fair value has no significant impact to these consolidated financial statements.

During the year ended 31 December 2016, the Company repriced of its outstanding options with the effect of Rights Issue and share consolidation. The exercise price of share options granted on 18 January 2012 was adjusted from HK$0.770 to HK$2.484 and the exercise price of share options granted on 12 February 2015 was adjusted from HK$0.592 to HK$1.911. The directors of the Company are in the opinion that the incremental fair value has no significant impact to these consolidated financial statements.

33. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2015

The Group entered into a S&P Agreement with the Buyer in respect of the Disposal on 16 June 2014, by which control and benefits relating to the Disposed Subsidiaries had been transferred to the Buyer on 31 October 2014. Details refer to note 10 to the consolidated financial statements in the annual report for the year ended 31 December 2015.

In accordance with the S&P Agreement, the consideration of HK$930,000,000 (the "Consideration") is subject to adjustments based on any difference between (1) the reference net assets value (the "Reference NAV") of HK$840,000,000 as stated in the S&P Agreement and (2) the net asset value of the Disposed Subsidiaries as of the Disposal Date adjusted for certain items as specifically stated in the S&P Agreement ("the Actual NAV") as determined pursuant to the accounting policies as agreed under the S&P Agreement in the completion accounts. As at 31 December 2014, cash consideration of HK$852,446,000 had been received by the Group and the remaining consideration of HK$77,554,000 had been kept in an escrow account on behalf of the Group and the Buyer in accordance with the S&P agreement which will be released to the Group at the following date, which is the later of (i) 30 April 2015 and (ii) the date when all claims initiated against the Group in the capacity as the Seller prior to 30 April 2015 have been resolved or withdrawn.

33. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2015 (continued)

In accordance with the S&P Agreement, if the Actual NAV is greater than the Reference NAV, the Buyer will pay the Group the difference. However, if the Actual NAV is lower than the Reference NAV, the Group will pay the Buyer the difference.

On 8 January 2015, the Buyer had requested a significant downward adjustment to the Consideration of HK$307,426,000 (the "Adjustment") based on the draft completion accounts prepared by the Buyer. Out of the Consideration, consideration of HK$622,574,000 was not in dispute between the Group and the Buyer. The Group's entitlement to the remaining consideration of HK$307,426,000 was still subject to possible adjustments to the Actual NAV pending the finalisation of the completion accounts of the Disposed Subsidiaries and a report by an independent accountant regarding what appropriate adjustments shall be made to the Actual NAV (an independent accountant may be appointed when the Group and the Buyer cannot reach agreements on what the Actual NAV is in accordance with the S&P Agreement).

For the above reasons, consideration in dispute of HK$307,426,000 had been recognised as a deferred consideration (the "Dispute") and included in the Group's current liabilities as at 31 December 2014. An amount of HK$77,554,000 which is kept in the escrow account on behalf of the Group and the Buyer, was separately presented in the Group's consolidated statement of financial position.

	HK$'000
Adjusted Consideration	
Cash consideration received in 2014	852,446
Cash kept in an escrow account received on behalf of the Group and the Buyer	77,554
Total consideration received by the Group	930,000
Less: deferred consideration	(307,426)
Consideration that is not in dispute between the Group and the Buyer	622,574

33. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2015 (continued)

The net assets of Disposed Subsidiaries on the Disposal Date were as follows:

	2014
	HK$'000
Property, plant and equipment	503,539
Prepaid lease payments	95,230
Intellectual property rights	128
Deposits paid for lease premium of land	1,083
Inventories	244,422
Amounts due from the Group	32,855
Trade and other receivables	229,675
Bank balances and cash	37,782
Trade and other payables and accruals	(223,331)
Taxation payable	(5,946)
Deferred tax liabilities	(63,510)
Net assets disposed of	851,927
Estimated loss on disposal of Disposed Subsidiaries	
Consideration that is not in dispute between the Group and the Buyer	622,574
Net assets disposed of	(851,927)
Release of cumulative translation reserve upon Disposal	155,911
Estimated professional fees and other expenses directly attributable to the Disposal	(12,747)
Estimated loss on Disposal before taxation	(86,189)
Estimated taxes related to the Disposal *(Note)*	(30,608)
Estimated loss on Disposal after taxation	(116,797)
Net cash inflow arising on disposal	
Cash consideration received	852,446
Less: cash and cash equivalent disposed of	(37,782)
	814,664

Note: Taxation consisted of (i) PRC EIT of HK$25,000,000 estimated based on tax rate of 10% in relation to the transfer of equity interests in certain disposed subsidiaries established in the PRC and (ii) PRC EIT/land appreciation tax ("LAT") of HK$5,608,000 estimated based on PRC EIT tax rate of 15%/LAT effective tax rate of 32% according to the progressive tax rate system in relation to the transfer of certain land and buildings located in the PRC back to a subsidiary of the Company.

33. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2015 (continued)

On 1 March 2016, the Company announced that the Group has reached a final agreement with the Buyer to settle the Dispute between the Group and the Buyer by which both parties jointly instructed the escrow agent to arrange the transfer of US$5,475,000 to the Buyer and transfer of the remaining escrow sum to the Group. According to the relevant settlement agreement with the Buyer, the Group and the Buyer agreed not to dispute further. In the opinion of the directors of the Company, the above supported their view as at 31 December 2015 that the Group was entitled to the deferred consideration and accordingly the deferred consideration of HK$307,426,000 had been released to the profit and loss for the year ended 31 December 2015 as an adjusting event after the end of the reporting period.

The Group had recognised a gain on disposal of subsidiaries of HK$291,524,000 (net of transaction costs) in profit or loss for the year ended 31 December 2015 that is also presented within “discontinued operation” in the consolidated statement of profit or loss and other comprehensive income.

Details are set out in the announcement of the Company dated 1 March 2016.

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2016

On 19 April 2016, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party of the Group to purchase the entire issued share capital of Creative Wisdom Limited for a cash consideration HK$38,673,000. The transaction was completed on 26 July 2016.

Fair value of assets and liabilities recognised at the date of acquisition:

	HK$’000
Net assets acquired:	
Investment properties	38,800
Other receivables	29
Accrual and other payables	(156)
Net assets acquired	38,673
Cash outflow arising on acquisition:	
Consideration paid in cash	(38,673)

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2015

On 31 March 2015, a wholly-owned subsidiary of the Company entered into an agreement with China Investment and Finance Group Limited ("CIFG"), an independent third party of the Group and a company listed on the main board of the Stock Exchange, to purchase the entire issued share capital of Garron International Strategic Limited, a wholly-owned subsidiary of CIFG for cash consideration of HK$1,000,000 and issuance and allotment of 76,000,000 ordinary shares of the Company. The transaction was completed on 17 April 2015. The amounts recorded in the share capital and share premium of the Company were determined based on the fair value of the property, plant and equipment and investment properties at the completion date of transaction.

Fair value of assets and liabilities recognised at the date of acquisition:

	HK$'000
Net assets acquired:	
Property, plant and equipment	10,955
Investment properties	29,365
Other receivables	2
Bank balances and cash	4,306
Other payables	(215)
Net assets	44,413
Satisfied by:	
Cash consideration paid	1,000
Ordinary shares issued	43,413
	44,413
Net cash inflow arising on acquisition:	
Consideration paid in cash	(1,000)
Less: Bank balances and cash acquired	4,306
	3,306

35. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2015

(a) On 26 May 2015, the Company entered into an agreement (the "Acquisition Agreement") with China Automotive Interior Decoration Holdings Limited ("CAID"), an independent third party of the Group and a company listed on the main board of the Stock Exchange, to purchase the entire issued share capital of Oriental Strategic Limited ("OSL"), a wholly-owned subsidiary of CAID by issuance and allotment of 75,000,000 ordinary shares of the Company. The transaction was completed on 16 June 2015 (the "Acquisition Date").

OSL and its wholly-owned subsidiary ("OSL Group") are principally engaged in trading of garment accessories, such as nylon tape, polyester tape and polyester string, which is mainly carried out by the wholly-owned subsidiary of OSL.

Pursuant to the Acquisition Agreement, CAID warrants ("Warrants") and represents to the Group that for the period from 1 April 2014 to 30 September 2015, that the consolidated net profit after tax of OSL Group shall not be less than HK$4 million. Based on completion account for the period from 1 April 2014 to 30 September 2015, the consolidated net profit after tax of OSL Group was more than HK$4 million and thus no compensation was received by the Group related to the Warrants.

Assets and liabilities recognised at the date of acquisition:

	HK$'000
Current assets	
Trade and other receivables (net of allowance of HK$2,178,000)	19,725
Bank balances and cash	247
	19,972
Non-current assets	
Investment properties	6,106
Current liabilities	
Trade and other payables	4,055
Bank borrowings	6,248
Bank overdrafts	5,600
Tax payable	68
Derivative financial instruments	425
	16,396
Net assets acquired	9,682

35. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2015 (continued)

(a) (continued)

The receivables acquired (principally comprised of trade receivables with a fair value of HK$13,671,000 at the date of acquisition with gross contractual amounts of HK$15,849,000 and net of allowance of doubtful debt HK$2,178,000). All of the contractual cash flows are expected to be collected.

Goodwill arising on acquisition:

	HK$'000
Fair values of ordinary shares issued determined based on the market value on 16 June 2015	51,000
Less: recognised amount of identifiable net assets acquired	(9,682)
Goodwill arising on acquisition	41,318

Net cash inflow arising on acquisition	
Bank balances and cash acquired	247

Goodwill arose on the acquisition of OSL Group because of expected synergies, revenue growth and future market development in the garment business.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$194,625,000, and profit for the year would have been HK$296,514,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(b) On 23 February 2015, a wholly-owned subsidiary of the Company, Red Honour Holdings Limited ("Red Honour"), entered into a sale and purchase agreement with the vendors, independent third parties of the Group, pursuant to which the vendors conditionally agreed to sell, and Red Honour conditionally agreed to buy the entire issued share capital of Yim Cheong Share Broking and Investment Company Limited ("Yim Cheong") (the "Target") for a cash consideration of HK$1,600,000 and plus the amount equal to the net asset value of the Yim Cheong on the completion date recognised in the accounting books under the HKFRS (the "Acquisition"). The Acquisition was completed on 2 July 2015. Yim Cheong is principally engaged in securities brokerage business and intends to engage in margin financing business once the Acquisition is completed. Yim Cheong has subsequently changed the name to Black Marble Securities Limited on 8 July 2015.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2015 (continued)

(b) (continued)

Assets and liabilities recognised at the date of acquisition:

	HK$'000
Non-current assets	
Property, plant and equipment	84
Statutory deposits placed with clearing house	205
	289
Current assets	
Prepayment, deposits and other receivables	16
Bank balances and cash	20,119
	20,135
Current liabilities	
Accruals and other payables	493
Identifiable net assets acquired	19,931

Goodwill arising on acquisition:

Cash consideration	21,531
Less: recognised amount of identifiable net assets acquired	(19,931)
Goodwill arising on acquisition	1,600

Goodwill arose on the acquisition of Yim Cheong because the acquisition included the assembled workforce of Yim Cheong. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged either individually or together with any related contracts.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2015 (continued)

(b) (continued)

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	HK$'000
Consideration paid in cash	21,531
Less: bank balances and cash acquired	(20,119)
	1,412

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$176,731,000, and profit for the year would have been HK$294,436,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt which includes borrowings and bonds disclosed in note 28, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, special reserve, property revaluation reserve, translation reserve, share option reserve, capital redemption reserve and accumulated profits, as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through new share issues, as well as issue of new debts and repayment of existing debts.

A subsidiary of the Company is regulated by the Hong Kong Securities and Futures Commission ("SFC") and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entity is subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 *HK$'000*	2015 *HK$'000*
Financial assets		
Held-for-trading investments	**679,594**	511,765
Loans and receivables (including cash and cash equivalents)	**1,524,821**	1,545,982
Available-for-sale financial assets	**28,990**	5,968
Financial liabilities		
Amortised cost	**551,939**	533,106
Derivative financial instruments	**–**	285

(b) Financial risk management objectives and policies

The Group's financial instruments include held-for-trading investments, trade and other receivables, loan receivables, bank balances and cash, bank balances held in escrow account, trade and other payables, derivative financial instruments and borrowings and bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk, interest rate risk and other price risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal financial assets include held-for-trading investments, trade and other receivables, loans receivables and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The exposure of credit risk on held-for-trading investments is limited as they are issued by companies listed on the Stock Exchange.

In order to minimise the credit risk of trade receivables from medical products and plastic toys business and trading of garments, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to trade customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to trade customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's exposure to bad debts and concentration risk is minimal.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

In order to minimise the credit risk on securities brokerage business and money lending business and other financial services, the directors of the Company compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the directors of the securities brokerage business review the recoverable amount of margin loans derived from margin client with pledged equity securities listed in Hong Kong. As disclosed in Note 23, the review are based on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amount. In this regards, the directors of the Company considered that the Group's credit risk is significantly reduce.

In respective of loan receivable from money lending business, the directors of the Company has delegate a team responsible for determination of credit limits, credit approvals and other monitoring procedures for granting the loans and to ensure that follow-up action is taken to recover overdue loans receivables, if any. In addition, the Group reviews the recoverable amount of each individual loan receivable periodically to ensure that adequate impairment losses are made for irrecoverable loans. In this regard, the directors of the Company consider that the Group's loans receivables credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group does not have any other significant concentration of credit risk.

Market risk

(i) Currency risk

Foreign currency risk management

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of relevant group entities, including Renminbi (RMB), US dollar (US$), Hong Kong dollar (HK$), EURO (EURO) and New Taiwan dollar (NTD).

The functional currencies of the Group's principal subsidiaries are HK$, US$ and RMB. While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain sales and purchase transactions denominated in US$, HK$ and EURO. Hence, exposures to exchange rate fluctuations arises. The Group currently does not formulate any hedging policies against its exposure to currency risk. The Group will manage its foreign currency risk by closely monitoring the movement of the foreign currency rate and buying foreign currency forward contracts if it considers the risk to be significant.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Foreign currency risk management *(continued)*

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in currencies other than the functional currency of relevant group entity are as follow:

	2016	2015
	HK$'000	*HK$'000*
Monetary Assets		
RMB	**1,659**	13,167
US$	**48,122**	78,714
HK$	**3,818**	579,695
EURO	**967**	1,004
Monetary Liabilities		
HK$	**319**	596
NTD	**290**	745

During the year ended 31 December 2015, the Group entered into forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB against HKD of a group entity operated in Hong Kong. Details of the outstanding forward foreign exchange contracts are listed in note 29.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

***Market risk** (continued)*

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB, US$, HK$, EURO and NTD.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. A negative (positive) number below indicates an increase (a decrease) in loss before tax for the year where the functional currency of the relevant group entity strengthen 5% (2015: 5%) against the relevant foreign currency. For a 5% (2015: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on loss before tax for the year.

	RMB impact		NTD impact		EURO impact	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Monetary assets and liabilities	**(83)**	(658)	**14**	37	**(48)**	(50)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to cash and margin clients receivables (see note 23), variable-rate borrowings (see note 28) and bank balances (general accounts) (see note 26).

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposures on an ongoing basis and will consider hedging the interest rate should the need arises.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and margin clients receivables, variable-rate borrowings and bank balances (general accounts) at the end of the reporting period. The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2016, if the interest rate had been 10 basis points (2015: 10 basis points) higher/lower and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK$638,000 (2015: HK$784,000).

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bonds and term loan (see note 28 for details of these bonds).

iii) Equity price risk

The Group is exposed to equity price risk through their held-for-trading investments. The Group's equity price risk is concentrated on equity instruments quoted on the Stock Exchange. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate at 20% is applied as a result of the volatile financial market.

If the price of the respective held-for-trading investments had been 20% (2015: 20%) lower, the Group's loss after taxation would increase by HK$113,492,000 (2015: the Group's profit after taxation would decrease by HK$85,465,000).

In management's opinion the sensitivity analysis was unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and bonds and ensures compliance with loan covenants.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

For derivative financial instruments settled on a net basis, undiscounted net cash flows are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
2016								
Non-derivative financial liabilities								
Trade and other payables	–	133,972	3,479	2,226	–	–	139,677	139,677
Variable rate – borrowings	4.04%	10,501	–	–	–	–	10,501	10,501
Fixed rate-term loan	8.5%	283	40,707	–	–	–	40,990	40,000
Bonds	5.45%	1,625	–	7,634	133,916	396,946	540,121	361,761
		146,381	44,186	9,860	133,916	396,946	731,289	551,939

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
2015								
Non-derivative financial liabilities								
Trade and other payables	–	508,597	2,497	10,472	–	–	521,566	521,566
Variable rate – borrowings	3.82%	11,540	–	–	–	–	11,540	11,540
		520,137	2,497	10,472	–	–	533,106	533,106
Derivative financial liabilities – net settled								
Foreign current forward contract – outflow		–	285	–	–		285	285

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Bank loans and a term loan with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2016 and 31 December 2015, the aggregate undiscounted principal amounts of these bank loans and a term loan amounted to HK$50,501,000 and HK$11,540,000, respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and lender will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans and a term loan will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details at which are set out in below table:

	Weighted average interest rate	On demand or less than 1 month	31-90 days	91-365 days	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016								
Non-derivative financial liabilities								
Variable rate								
– borrowings	4.04%	5,350	160	718	4,692	–	10,920	10,501
2015								
Non-derivative financial liabilities								
Variable rate								
– borrowings	3.82%	5,334	188	848	6,416	–	12,786	11,540

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

(c) Fair value

The fair values of financial assets and financial liabilities (excluding held-for-trading investments and derivative financial instruments) are determined in accordance with discounted cash flow analysis.

Foreign currency forward contracts were using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Fair value measurement of financial assets and financial liabilities

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

Financial assets/ financial liabilities	Fair value as at 31 December 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	Nil	Liabilities – HK$285,000 (net settled)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted using an appropriate discount rate to take account of the time value of money.
Held-for-trading investments	HK$679,594,000	HK$511,765,000	Level 1	Quoted bid prices in an active market

There were no transfers between Levels 1 and 2 in the current year.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

– offset in the Group's consolidated statement of financial position; or

– not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and the clearing house, the Group has a legal enforceable right to set off the money obligations receivable and payable with clearing house on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the trade receivables from and payables to securities brokerage business that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to the clearing house and trade receivables from and payables to securities brokerage business that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with clearing house do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Financial asset and financial liabilities offsetting *(continued)*

	Gross amounts of recognised as financial assets after impairment	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 offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016						
Financial assets						
Amounts due from clearing house and trade receivables from securities brokerage business	352,482	(10,082)	342,400	–	(342,327)	73
Statutory deposits placed with clearing house	243	–	243	(243)	–	–

	Gross amount of recognised as 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 offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016						
Financial liabilities						
Amounts due from clearing house and trade receivables from securities brokerage business	46,928	(10,082)	36,846	(37,119)	–	(273)

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

***Financial asset and financial liabilities offsetting** (continued)*

	Gross amounts of recognised as financial assets after impairment	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 offset in consolidated statement of financial position		
				Financial instruments	Collateral received	Net amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015						
Financial assets						
Amounts due from clearing house and trade receivables from securities brokerage business	89,138	(35,173)	53,965	(162)	(53,049)	754
Statutory deposits placed with clearing house	272	–	272	(272)	–	–

	Gross amounts of recognised as financial liabilities after impairment	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 offset in consolidated statement of financial position		
				Financial instruments	Collateral received	Net amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015						
Financial liabilities						
Amounts due from clearing house and trade receivables from securities brokerage business	501,409	(35,173)	466,236	(463,449)	–	2,787

Note: The cash and financial collateral received/pledged as at 31 December 2016 and 2015 represent their fair values.

38. RELATED PARTY DISCLOSURES

During the year, the Group had transactions with the directors of the Company or its related parties. The transactions during the year, are as follows:

(a) Transaction with its related party:

Name of party	Interested directors	Nature of transaction	2016 *HK$'000*	2015 *HK$'000*
Yojin Industrial Corporation	Mr. Huang Ying Yuan Mrs. Huang Chen Li Chu *(note i)*	Rental expenses paid by the Group *(note ii)*	8	133

(b) Compensation of key management personnel

The remuneration of key management during the year are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Short-term employee benefits	9,850	5,863

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

Notes:

i. Both Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu are the controlling shareholders of Yojin Industrial Corporation and have beneficial interests with significant influence in the Company.

ii. The rentals were charged in accordance with the terms of the relevant tenancy agreement agreed by both parties.

39. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

The Group as lessee

	2016	2015
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year	**3,950**	1,600

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

	2016	2015
	HK$'000	*HK$'000*
Within one year	**4,664**	294
In the second to fifth year inclusive	**5,119**	282
	9,783	576

Operating lease payments represent rentals payable by the Group for certain of its office premises, lease properties and staff quarters. Leases are negotiated for an average term of two (2015: two) years.

The Group as lessor

Property rental income earned during the year was HK$2,231,000 (2015: HK$2,396,000).

At the end of both reporting periods, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**3,797**	1,277
In the second to fifth year inclusive	**7,106**	857
	10,903	2,134

40. COMMITMENT

At the end of both reporting periods, the Group had contracted for but not provided in the consolidated financial statements:

	2016 *HK$'000*	2015 *HK$'000*
Capital expenditure for acquisition of an additional interest in an available-for-sale investment	**31,079**	–
Capital expenditure in respect of the formation of an investment	**424,818**	–
	455,897	–

41. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme.

The employees of the Company's subsidiaries in the PRC and Taiwan are members of the state-managed retirement benefit schemes and defined contribution plan operated by the PRC and Taiwan government, respectively. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of payroll costs to the respective retirement benefit schemes and defined contribution plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes and defined contribution plan is to make the specified contributions.

The total cost of HK$1,388,000 (2015: HK$1,150,000) charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2016 and 2015 are as follows:

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Non-current asset			
Investment in subsidiaries		**353,556**	304,972
Current assets			
Other receivables		**1,133**	1,620
Amounts due from subsidiaries	*(a)*	**1,619,477**	277,718
Bank balances		**167,120**	481,322
		1,787,730	760,660
Current liabilities			
Other payables		**86,428**	89,041
Taxation payable		**3,323**	–
Amounts due to subsidiaries	*(a)*	**448,501**	–
		538,252	89,041
Net current assets		**1,249,478**	671,619
Total assets less current liabilities		**1,603,034**	976,591
Capital and reserves			
Share capital		**690,968**	383,871
Reserves	*(b)*	**601,733**	592,720
Total equity		**1,292,701**	976,591
Non-current liability			
Bonds		**310,333**	–
		1,603,034	976,591

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) Amount(s) due from (to) subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

(b) Reserves

	Share premium	Contributed surplus	Share option reserve	Capital redemption reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	116,256	244,461	20	1,270	2,011	364,018
Loss for the year	–	–	–	–	(17,236)	(17,236)
Exercise of share options	29,550	–	(5,933)	–	–	23,617
Recognition of equity settled share-based payments	–	–	9,269	–	–	9,269
Share options lapsed during the year	–	–	(15)	–	15	–
New shares issued as consideration for acquisition of subsidiaries *(note 35)*	35,813	–	–	–	–	35,813
New share issued as consideration for acquisition of subsidiaries *(note 34)*	43,500	–	–	–	–	43,500
Issue of share upon the Open Offer *(note 31)*	133,739	–	–	–	–	133,739
At 31 December 2015	358,858	244,461	3,341	1,270	(15,210)	592,720
Profit for the year	–	–	–	–	18,441	18,441
Transaction costs attributable to the rights issue *(note 31)*	(6,105)	–	–	–	–	(6,105)
At 31 December 2016	352,753	244,461	3,341	1,270	3,231	605,056

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities *(note i)*
			Directly		Indirectly		
			2016 %	2015 %	2016 %	2015 %	
中山隆成啟航商貿有限公司	PRC	US$6,240,000 Registered Capital	–	–	100	100	Manufacturing and trading of medical products
Lerado H.K. Limited	HK	HK$5,000 Ordinary Share	–	–	100	100	Trading of medical products
BlackMarble Capital Limited	HK	HK$1 Ordinary Share	–	–	100	100	Money lending
Oriental Strategic Limited	BVI	US$50,000 Ordinary Share	100	100	–	–	Investment holding
Brilliant Summit Limited	HK	HK$10,000 Ordinary Share	–	–	100	100	Trading of garment accessories
Lerado Group Limited	BVI	HK$10,702 Ordinary Share	100	100	–	–	Investment holding
Wonder Time Holdings Limited	BVI	HK$1 Ordinary Share	–	–	100	100	Trading of held-for-trading investments
Shanghai Lerado Co. Ltd.	PRC	US$6,260,000 Registered Capital	–	–	100	100	Manufacturing and trading of nursery products
Guangzhou Kai Run Corporate Management Services Company Limited	PRC	US$5,000,000 Registered Capital	–	–	100	100	Providing corporate management advisory services
駿勝世紀科技（深圳）有限公司	PRC	RMB1,000,000 Registered Capital	–	–	100	100	Research and development for electric scooters, wheels
Black Marble Securities Limited	HK	HK$330,000,000 Ordinary Share	–	–	100	100	Securities brokerage, margin financing and underwriting and placements
Black Marble Global Investment Fund SPC *(note ii)*	Cayman Islands	N/A	–	–	100	–	Investment fund
Smart Success International Enterprises Limited	HK	HK$1 Ordinary Share	–	–	100	100	Investment holding
Lerado Finance Limited	HK	HK$1 Ordinary Share	–	–	100	–	Money lending

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Note:

(i) The principal activities of the subsidiaries are carried out in the place of incorporation/establishment.

(ii) The Group had consolidated a structured entity which includes asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

Third-party interests in consolidated structured entities consist of third-party unit/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders. There is no third-party interests in the consolidated structured entities as at 31 December 2016.

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

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

44. CONTINGENT LIABILITIES

At the end of the reporting period, the Company and its subsidiaries, together with certain subsidiaries, which were disposed upon the disposal of the Group's Juenile and Infant product business in October 2014 (the "Disposed Subsidiaries") are in litigations with an independent third party. The Company entered into the S&P Agreement (details refer to note 10 to the consolidated financial statements in the annual report for the year ended 31 December 2015), pursuant to which the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the litigation described below.

During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. The next trial date has been set on 24 April 2017. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made to the consolidated financial statements for the year ended 31 December 2016.

45. EVENT AFTER THE REPORTING PERIOD

On 29 December 2016, an indirectly wholly-owned subsidiary of the Company, Black Marble Securities Limited, entered into an agreement in relation to formation of a securities company in the PRC. Upon establishment, Black Marble Securities Limited will hold 19% equity interest of the securities company. A capital commitment of HK$424,818,000 is disclosed in note 40 to these consolidated financial statements. As of the date of this report, the formation of the securities company has not yet been complete as the condition(s) set out in the circular of the Company dated 2 February 2017 has not been satisfied.

On 14 March 2017, the Company has proposed to implement a capital reorganisation which involves (i) capital reduction whereby the issued share capital of the Company will be reduced by a reduction of the par value of each issued share from HK$0.50 to HK$0.01 per issued share which reduction will comprise of a cancellation of such amount of paid-up capital on each issued share and an extinguishment and reduction of any part of the capital not paid up on any issued share so that each existing issued share will be treated as one fully paid up share of par value of HK$0.01 each in the share capital of the Company immediately following the capital reduction and the credits arising from a cancellation of the paid-up on the issued share shall be transferred to the contribution surplus account of the Company and (ii) immediately following the capital reduction, the Company has proposed share subdivision whereby each of the authorised but unissued share of HK$0.5 each will be sub-divided into fifty new shares of HK$0.01 each. The capital reorganisation has not yet been complete up to the date of this report and is subject to, among other things, the fulfillment of the conditions set out in the announcement of the Company dated 14 March 2017.

On 15 March 2017, a wholly-owned subsidiary of the Company Lerado H.K. Limited, has entered into provisional agreements with an independent third party of the Group to sell a property held by Lerado H.K. Limited at the total consideration of approximately HK$61,020,000. Up to the date of this report the transaction has not yet been complete. The formal agreement have been signed and a deposit of HK$6,102,000 has been received.

Financial Summary

RESULTS

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
REVENUE	149,421	147,576	154,676	176,731	**221,811**
PROFIT (LOSS) BEFORE TAXATION	19,480	(25,606)	(17,307)	364,170	**(225,280)**
INCOME TAX EXPENSE	(3,685)	(593)	(373)	(68,970)	**(21,177)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	15,795	(26,199)	(17,680)	295,200	**(246,457)**
PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATION	25,073	6,370	(128,316)	291,524	**–**
PROFIT (LOSS) FOR THE YEAR	40,868	(19,829)	(145,996)	586,724	**(246,457)**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	40,868	(19,829)	(145,996)	586,815	**(246,457)**
NON-CONTROLLING INTERESTS	–	–	–	(91)	**–**
	40,868	(19,829)	(145,996)	586,724	**(246,457)**

ASSETS AND LIABILITIES

	At 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	1,791,616	1,739,949	1,071,816	2,418,080	**2,496,189**
TOTAL LIABILITIES	(689,064)	(601,090)	(438,950)	(643,450)	**(671,390)**
	1,102,552	1,138,859	632,866	1,774,630	**1,824,799**
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	1,102,552	1,138,859	632,866	1,774,721	**1,824,799**
NON-CONTROLLING INTERESTS	–	–	–	(91)	**–**
	1,102,552	1,138,859	632,866	1,774,630	**1,824,799**

Note: The financial information for years ended 31 December 2013 and 2012 has been restated for the operation discontinued in 2014.