



Enerchina

Holdings Limited

威華達控股有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock Code: 622)



2015

ANNUAL REPORT

* For identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chen Wei (*Chairman*)
Sam Nickolas David Hing Cheong
(*Chief Executive Officer*)
Tang Yui Man Francis
Xiang Ya Bo

Non-executive Director

Xin Luo Lin

Independent Non-executive Directors

Cheung Wing Ping
Chui Kark Ming
Xiang Bing

AUTHORISED REPRESENTATIVES

Tang Yui Man Francis
Xiang Ya Bo

AUDIT COMMITTEE

Cheung Wing Ping (*Chairman*)
Chui Kark Ming
Xiang Bing

NOMINATION COMMITTEE

Cheung Wing Ping
Chui Kark Ming (*Chairman*)
Sam Nickolas David Hing Cheong
Xiang Bing

REMUNERATION COMMITTEE

Chen Wei
Cheung Wing Ping (*Chairman*)
Chui Kark Ming
Xiang Bing
Xiang Ya Bo

COMPANY SECRETARY

Lo Tai On

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

28th Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong
Telephone : (852) 2521 1181
Facsimile : (852) 2851 0970
Stock Code : 622
Website : <http://www.enerchina.com.hk>

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG BRANCH SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

(*As to Hong Kong law*)
Cleary Gottlieb Steen & Hamilton (Hong Kong)
Deacons
Norton Rose Fulbright Hong Kong
Peter C. Wong, Chow & Chow in association
with Guantao Law Firm (Hong Kong)
Woo, Kwan, Lee & Lo

(*As to Bermuda law*)

Conyers Dill & Pearman

PRINCIPAL BANKERS

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

CONTENTS

	Page(s)
CHAIRMAN'S STATEMENT	2
MANAGEMENT DISCUSSION AND ANALYSIS	4
PROFILES OF DIRECTORS AND SENIOR MANAGEMENT	10
REPORT OF THE DIRECTORS	13
CORPORATE GOVERNANCE REPORT	26
INDEPENDENT AUDITOR'S REPORT	37
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	39
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	41
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	43
CONSOLIDATED STATEMENT OF CASH FLOWS	44
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	46
FINANCIAL SUMMARY	106

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Enerchina Holdings Limited ("Enerchina" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2015, the Group's turnover from continuing operations amounted to approximately HK\$981.2 million, an increase of 44% over last year. Profit for the year increased by 39% to HK\$713.1 million. Basic earnings per share rose 39% to HK9.91 cents. The growth in net profit was mainly attributable to gains on financial assets at fair value through profit or loss.

OVERVIEW

Global economic growth saw a slowdown in 2015, reflecting the gruelling and tough road to recovery. Commodity prices continued to sink as produce prices retreated, putting deflationary pressure on some economies. The financial markets were plagued by severe volatility in general, highlighting a strong correlation among them. The risk was further increased by a historically high global debt as concerns centered on the sustainability of such leverage. Alongside these grim developments, the PRC economy experienced significant downward pressure, with gross domestic product ("GDP") growth dropped to 6.9% in 2015. The silver lining is that the country's economic structure is optimizing and growth is gaining quality. Readjustment and enhancement is seen in the industrial and manufacturing sectors under which new growth areas are being formed. The fast growing service industry is accounting for a rising share in GDP with greater tax contribution and job creation. Whereas the reduction of excess capacity will have direct impact on the short-term economy, it will benefit the PRC's long-term sustainable growth.

OUTLOOK

For 2016, the world economy will be affected by a series of uncertain factors and trends. Namely, whether the demand management policies adopted by developed economies would hold their effects; the time, speed and extent of interest rate increases by the United States Federal Reserve; the threat of high global debt on the stability of financial systems; whether emerging markets and developing economies could curb their five-year slowdown in growth; and the extent of damage done by vested interests on the economic policies and structural reforms of countries. In addition, geopolitical changes and natural disasters will have a negative impact on world economic performance. Based on purchasing power parity (PPP), world GDP growth is expected to be around 2.0-3.0% in 2016.

As for the PRC, uncertainties such as economic fluctuations around the world, rising interest rates in the United States, and excess capacity and weak domestic investment will affect the Chinese economy in 2016. Notwithstanding this, there are bright spots in the country, namely the continuous optimization of the economic structure and the gaining of quality growth; the readjustment and enhancement in the industrial and manufacturing sectors under which new growth areas are being formed; the fast growth of the service industry which is accounting for a rising share in GDP with greater tax contribution and job creation; and the reducing of excess capacity that will benefit long-term sustainable growth despite its direct impact on the short-term economy. All in all, while there is downward pressure on the PRC economy, the efficacy of the earlier released steady growth policies plus the further efforts recently made are expected to stabilize the PRC's economic growth following some moderation in 2016.

CHAIRMAN'S STATEMENT

We believe that the PRC's economic development is in a critical transitional stage, and 2016 is an important year therein. The Group will carefully study the relevant policies and long-term plans of the state and keep a close eye on any major investment and development opportunities that may arise from the transition. We will utilize our strong cash position to capture favourable investment and merger and acquisition opportunities and to diversify our operations so as to generate stable and satisfactory long-term returns for the shareholders.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all the staff for their devoted efforts and hard work. I would also like to thank all shareholders for their support over the past years.

CHEN Wei

Chairman

Hong Kong, 17 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally engages in the financial services sector, including the provision of securities brokerage services, placing and underwriting services, the provision of corporate finance advisory services, trading and investment of securities, provision of margin financing, money lending services, investment advisory and management services as well as investment holdings.

BUSINESS REVIEW

For the year ended 31 December 2015, the Group's turnover from continuing operations amounted to approximately HK\$981.2 million, an increase of 44% over last year. Profit for the year increased by 39% to HK\$713.1 million. Basic earnings per share rose 39% to HK9.91 cents. The growth in net profit was mainly attributable to gains on financial assets at fair value through profit or loss.

Brokerage Services

Brokerage commission income generated from provision of securities brokerage services amounted to HK\$4.4 million for the year (2014: HK\$3.2 million).

Interest income generated from provision of margin financing services amounted to HK\$5.9 million for the year (2014: HK\$11.4 million).

Money Lending

Interest income from provision of money lending services increased by 49% to HK\$29.9 million for the year, when compared to HK\$20.1 million in last year as more loans were granted to customers during the year.

Corporate Finance

During the year, Win Wind Securities Limited (formerly known as Enerchine Securities Limited), a wholly-owned subsidiary of the Company, has placed and underwritten securities with a value of HK\$1,176.8 million, and generated placement commission income of HK\$2.7 million (2014: HK\$9.8 million). Win Wind Securities Limited has executed 10 placements and underwritings on behalf of 9 listed company clients during the year.

Corporate finance advisory fees decreased by 35% to HK\$2.9 million as a result of decrease in customers' portfolio, as compared to HK\$4.4 million in last year.

Investment advisory

Investment advisory services income increased by approximately 17% to HK\$7.6 million compared to HK\$6.5 million in last year.

Proprietary Trading

The Group engages in proprietary trading of listed securities, listed bonds and unlisted investment funds, which is classified as financial assets at fair value through profit or loss. The fair value of the portfolio amounted to HK\$2,751.6 million (2014: HK\$2,037.4 million), with a gain on fair value of HK\$927.8 million was recognised, as compared to a gain on fair value of HK\$628.0 million in last year. Dividend income decreased by approximately 67% to HK\$10.7 million when compared to HK\$32.2 million in last year, which was mainly due to lesser dividends were received by the Group from listed securities.

PLACING OF UNLISTED WARRANTS WITH MANDATORY EXERCISE RIGHTS

The Company entered into a conditional placing agreement dated 11 May 2015 (the "Placing Agreement") with Win Wind Securities Limited (the "Placing Agent"), a wholly-owned subsidiary of the Company, pursuant to which the Company agreed to grant and the Placing Agent agreed to procure not less than six professional investors (the "Placees") to subscribe for 1,335,950,132 unlisted transferable warrants ("Warrant(s)") to be issued by the Company at HK\$0.01 per Warrant pursuant to the Placing Agreement (as supplemented by two supplemental agreements dated 20 May 2015 and 15 June 2015). The Warrants entitle the holder thereof to subscribe for one new share to be allotted and issued by the Company upon the exercise of the subscription rights attaching to the Warrants ("Warrant Share(s)") at HK\$0.65 per Warrant Share (subject to adjustment pursuant to the instrument) at any time during a period of 24 months of the issue of the Warrants and subject to the mandatory exercise rights.

MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds from the placing amounts to approximately HK\$13.36 million which will be used as the general working capital of the Group. Any additional proceeds from the issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants with mandatory exercise rights in the future up to a total amount of approximately HK\$846.16 million (after deduction of expenses) will also be applied as the general working capital and/or as funds for the future business development of the Group. Details of the placing was mentioned in the circular to shareholders on 19 June 2015. The placing was approved by shareholders of the Company at a special general meeting on 7 July 2015, authorizing the Board to allot and issue the Warrants and the related Warrant Shares.

As at 31 December 2015, no Warrant Shares has been allotted pursuant to the Warrants.

SIGNIFICANT INVESTMENTS

During the year, the Group had the following significant investments held which were classified as available-for-sale investments and financial assets at fair value through profit or loss:

Name	Principal business	Cost/Market	Cost/Market	Gain/(Loss)	Gain/(Loss)	% of	% of	
		Value as at 31 Dec 2015 HK\$'000	Value as at 30 Jun 2015 HK\$'000	for the year ended 31 Dec 2015 HK\$'000	for the period ended 30 Jun 2015 HK\$'000	shareholding held by the Group as at 31 Dec 2015	shareholding held by the Group as at 30 Jun 2015	
Available-for-sale investments								
1	HEC Capital Limited	Property investment, investment advisory and financial services, investment in securities trading and money lending	500,000	500,000	N/A	N/A	7.990%	9.062%
Financial assets at fair value through profit or loss								
2	HengTen Networks Group Limited (Stock code: 136 HK)	Investment and trading of securities, provision of finance, property investment and manufacturing and sales of accessories for photographic products	719,304	758,723	363,347	426,766	1.737%	7.637%
3	Freeman Finance Corporation Limited (Stock code: 279 HK)	Provision of securities brokerage services and insurance brokerage also financial planning services, trading of securities, provision of finance, as well as investment holding	403,200	588,000	302,400	487,200	8.136%	8.136%
4	Livzon Pharmaceutical Group Inc. (Stock code: 1513 HK)	Research and development, production and sales of pharmaceutical products	222,806	249,732	(2,977)	23,949	4.103%	4.103%
5	China Smarter Energy Group Holdings Limited (Stock code: 1004 HK)	Investment holding and trading in securities, the manufacture and sale of fur garments, the trading of fur skins and business of mining natural resources	209,573	304,164	(46,211)	34,568	2.794%	3.322%

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2015 (the “**Period**”), Hong Kong stock market performed strongly with further supporting measures from Shanghai-Hong Kong Stock Connect in the 2nd quarter.

The performance and prospects of the Group’s significant investments for the Period were detailed as follows:

1. HEC Capital Limited (“**HEC Capital**”)

The Company held 9.06% of HEC Capital, which is a private company, amounting to HK\$500 million, as at 30 June 2015. The investment was booked at cost less any identified impairment losses.

HEC Capital is engaged in integrated financial services, securities, property and other direct investments. Given recent M&A deals of financial related companies by Chinese enterprises and low interest rate environment, HEC Capital has its strategic investment value.

2. HengTen Networks Group Limited (formerly known as “**Mascotte Holdings Limited (“Mascotte”)**”) (136 HK)

During the Period, the stock price rose from HK\$0.26/share (adjusted) to HK\$0.57/share (adjusted) and the value of the position increased from HK\$137 million to HK\$759 million.

In June 2015, Mascotte entered into a subscription agreement with Evergrande Real Estate Group Limited (3333HK) (“**Evergrande**”) and Mount Yandang Investment Limited, a wholly-owned subsidiary of Tencent Holdings Limited (700HK) (“**Tencent**”). Upon completion of the subscription agreement, Evergrande and Tencent became the substantial shareholders of Mascotte.

3. Freeman Financial Corporation Limited (“**FF**”) (279 HK)

The Company has held this position since the beginning of the Period. During the Period, the stock price rose from HK\$0.12/share (adjusted) to HK\$0.70/share (adjusted) and the value of the position increased from HK\$101 million to HK\$588 million.

FF streamlined its principal business and expects to gain more sources of income and funding available for future growth and development under the new banner “**民眾金服**” and is expected to pursue new opportunities in the financial services industry.

4. Livzon Pharmaceutical Group Inc. (“**LP**”) (1513 HK)

During the Period, the stock price dropped from HK\$36.31/share (adjusted) to HK\$32.06/share (adjusted) and the value of the position increased from HK\$71 million to HK\$250 million.

With an exciting drug portfolio, improved sales team and experienced management team, LP is likely to move into China’s underpenetrated antibody drug market currently dominated by international players.

MANAGEMENT DISCUSSION AND ANALYSIS

5. China Smarter Energy Group Holdings Limited (“CSE”) (1004 HK)

During the Period, the stock price rose from HK\$1.23/share (adjusted) to HK\$1.31/share (adjusted) and the value of the position increased from HK\$277 million to HK\$304 million.

CSE focuses on the alternative energy sector including solar energy, renewable energy and energy developed from waste which is supported by the government.

However, there was market correction in the 3rd quarter after the launch of deleveraging measures in China stock market. The performance and prospects of the Group’s significant investments for the year ended 31 December 2015 were detailed as follows:

1. HEC Capital Limited (“HEC Capital”)

The Company held approximately 7.99% of HEC Capital, which is a private company, amounting to HK\$500 million, as at 31 December 2015. The investment was booked at cost less any identified impairment losses.

HEC Capital is engaged in integrated financial services, securities, property and other direct investments. Given recent M&A deals of financial related companies by Chinese enterprises and low interest rate environment, HEC Capital has its strategic investment value.

2. HengTen Networks Group Limited (“Hengten Networks”) (136 HK)

During the year, the stock price rose from HK\$0.26/share (adjusted) to HK\$0.58/share (adjusted) and the value of the position increased from HK\$137 million to HK\$719 million.

After Evergrande Real Estate Group Limited (3333HK) and Tencent Holdings Limited (700HK) had become substantial shareholders, Hengten Networks became an internet service and app provider. The “3+2+x” business structure of Hengten Networks comprises three fundamental segments, being property services, neighborhood social networking and life services, and two value-added segments, being Internet home and community finance as well as those segments as might be derived in the future.

3. Freeman Financial Corporation Limited (“FF”) (279 HK)

The Company has held this position since the beginning of the Period. During the year, the stock price rose from HK\$0.12/share (adjusted) to HK\$0.48/share (adjusted) and the value of the position increased from HK\$101 million to HK\$403 million.

FF streamlined its principal business and expects to gain more sources of income and funding available for future growth and development under the new banner “民眾金服”. FF’s joint venture investments in China could open an opportunity for FF to embark on a new milestone in its business development in the financial services industry.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Livzon Pharmaceutical Group Inc. (“LP”) (1513 HK)

During the year, the stock price rose from HK\$36.31/share (adjusted) to HK\$37.3/share (adjusted) and the value of the position increased from HK\$71 million to HK\$223 million.

LP is trading at 16x 16E PE, while its Hong Kong-listed peers are trading at an average of 19x 16E PE and its A-share peers at 26x 16E PE. We believe LP will re-rate on the back of healthy growth and its rich pipeline.

5. China Smarter Energy Group Holdings Limited (“CSE”) (1004 HK)

During the year, the stock price dropped from HK\$1.23/share (adjusted) to HK\$0.96/share (adjusted) and the value of the position decreased from HK\$277 million to HK\$210 million.

CSE focuses on the alternative energy sector including solar energy, renewable energy and energy developed from waste which is supported by the government.

Going forward, we expect that the capital markets in Hong Kong and China will remain challenging for 2016 amid the unstable global economic environment. In particular, the monetary policies implemented by the U.S., China, European Union and Japan will amplify the volatility of financial markets, resulting in severe turbulence in the market. However, with (i) the promotion of financial industry reforms in China, (ii) the sustainable lower interest rate environment and (iii) the rise of new industries such as O2O and alternative energies, the management team believes that there should be opportunities from risks and will continue taking dynamic approach to our investments so as to maximize shareholders’ interest.

Updates on the previous disposal of shares in Shenzhen Fuhuade Electric Power Co., Ltd. (“Fuhuade”)

During the year ended 31 December 2011, the Group disposed of its 100% equity interest in Fuhuade to CNOOC Gas & Power Group (the “CNOOC Gas” or “Buyer”). The total consideration of the disposal of RMB1,037,642,000 (equivalent to approximately HK\$1,247,166,000) was payable in instalments, the payment of which was subject to finalisation and confirmation of the results of supplemental audit. As at 31 December 2012, the supplemental audit was not yet finalized and the outstanding instalments were not received from the Buyer. In view of this, the Group made a provision for doubtful consideration receivable of HK\$93,132,000 for the year ended 31 December 2012.

As at 31 December 2013, the Group was still not able to secure a satisfactory conclusion on the supplemental audit. Under the circumstances, the Board is of the opinion that the timing and eventual outcome of the finalisation of the supplemental audit and hence the settlement of the outstanding instalments cannot be estimated with reasonable certainty. It is determined that the receivable amount should be fully provided for until such time as the eventual outcome can be reliably estimated. Accordingly, the Group fully wrote down the receivable amount of HK\$255,185,000, being the amount of consideration receivable amounting to HK\$358,921,000 as originally stated after deducting estimated other taxes payable arising from the disposal of the subsidiary of HK\$103,736,000, in the profit and loss account for the year ended 31 December 2013.

During the year, legal recourse has been sought awaiting the decision from the court. Notwithstanding the provision made against the doubtful consideration receivable, the management of the Company will take all necessary measures to defend the interest of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

The Group's financial services business is not exposed to foreign exchange risk as most of the transactions are denominated in HK\$. No financial instruments were used for hedging purposes.

The Group's cash and cash equivalents, represented by bank balances (general accounts) and cash, and short-term bank deposits, amounted to HK\$1,061.9 million as at 31 December 2015 and are mostly denominated in RMB, HK\$ and USD.

Capital commitments

As at 31 December 2015, the Group had capital commitments in respect of the acquisition of property, plant and equipment amounting to HK\$37.2 million that have not been provided for in the financial statements.

PROSPECTS

We expect that the capital markets in Hong Kong and China will remain challenging for 2016, with major economic indicators for both economies continue to show signs of slowing down. In particular, we think that monetary policies that will be implemented by the Governments of U.S., China, European Union and Japan in order to accelerate their economic growth, may cause the capital markets to be volatile, as speculations on the timing and magnitude of these policies by market participants can cause severe turbulence in the market. Apart from concerns in international finance, political factors such as uncertainties in U.S. elections and political instability observed in the Asia region may increase the volatility of the market even further.

Having said that, we believe that there are still opportunities to find decent investments with medium and long term, and with risk management and control measures in place, we are capable of uncovering new investment opportunities that enhance the value of the Company for all shareholders.

The Board is cautiously optimistic with the financial services business in both Hong Kong and China, and have proceeded by enhancing the capability of the Company to develop new businesses.

We will continue to add competent staff to the Group in order to enhance and expand its capability to cope with the ever-changing environment. The Board will also make investments in its infrastructure and keep up with the developments to maintain its competitive edge as well as stay ahead other service providers.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed approximately 45 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Wei, aged 54, was appointed as the chief executive officer and an executive director of the Company since May 2007 and ceased to act as chief executive officer and appointed as the chairman of the board of directors and a member of the remuneration committee of the Company in March 2012. He is currently an executive director of Sinolink Worldwide Holdings Limited (“Sinolink”), a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the People’s Republic of China (the “PRC”). He was previously employed by a number of large organisations and has over 30 years of experience in engineering, business administration, market development and management. Mr. Chen is responsible for the overall business development, management and strategic planning of the Group. Save as disclosed above, Mr. Chen has not held any directorship in other listed public companies in the past three years.

Mr. Sam Nickolas David Hing Cheong, aged 34, has been appointed as an executive director, the chief executive officer and a member of the nomination committee of the Company since March 2012. He holds a Bachelor of Laws with Honours and a Bachelor of Arts from the University of Waikato, New Zealand. Mr. Sam is admitted as a solicitor in the jurisdictions of England and Wales, the British Virgin Islands and New Zealand. Mr. Sam is also a consultant of George & Partners, a specialist corporate law firm principally advising on the laws of the British Virgin Islands. He was formerly an executive director of Radford Capital Investment Limited, a company listed on the Stock Exchange from 30 June 2011 to 15 March 2012, and prior to that appointment, was a lawyer at international law firm Ogier. Before that, Mr. Sam practiced commercial law in New Zealand, and was also previously a regulatory advisor for a government department in New Zealand. Save as disclosed above, Mr. Sam has not held any directorship in other listed public companies in the past three years.

Mr. Tang Yui Man Francis, aged 53, has been appointed as an executive director of the Company since May 2002. Mr. Tang is also an executive director, the chairman of the board of directors and a member of the remuneration committee of Sinolink, a company listed on the Stock Exchange. Mr. Tang holds a Bachelor’s degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang has numerous years of experience in management, accounting and finance. He is responsible for corporate and financial planning, strategic development and management of the Company. Save as disclosed above, Mr. Tang has not held any directorship in other listed public companies in the past three years.

Mr. Xiang Ya Bo, aged 59, has been appointed as an executive director of the Company since May 2002 and a member of remuneration committee of the Company. Mr. Xiang is also an executive director and chief executive officer of Sinolink, a company listed on the Stock Exchange. He is a brother of Mr. Ou Yaping, the former chairman of the Board, a former executive director and a substantial shareholder of the Company. He graduated with an engineering degree. Mr. Xiang has over 30 years of experience in the field of corporate management, investment management and technical administration on computer technologies and e-commerce. Mr. Xiang is responsible for the overall business development and management. Save as disclosed above, Mr. Xiang has not held any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Xin Luo Lin, aged 67 was appointed as an independent non-executive director of the Company in June 2002 and redesignated as a non-executive director and resigned as the chairman of audit committee and remuneration committee and a member of nomination committee of the Company in May 2015. Mr. Xin is a postgraduate from the Peking University in the PRC. He was a research associate at the Waseda University in Japan, an honorary research associate at the University of British Columbia, Canada and a visiting fellow at the University of Adelaide, Australia from 1984 to 1985. He was appointed as a Justice of the Peace in New South Wales of Australia in 1991. Mr. Xin is a co-author of a book titled “China’s iron and steel industry policy: implications for Australia”. Mr. Xin is also an independent non-executive director, chairman of audit committee and remuneration committee and a member of nomination committee of Sinolink; an independent non-executive director, member of audit committee and remuneration committee of Central China Real Estate Limited; a non-executive director and honorary chairman of Asian Capital Holdings Limited and an independent non-executive director, member of audit committee, remuneration committee and nomination committee of ASR Logistics Holdings Limited and a non-executive director of China Trends Holdings Limited, all are listed companies on the Stock Exchange; Mr. Xin is a director of Mori Denki Mfg. Co., Ltd., a public company listed on the Tokyo Stock Exchange and a director and the vice chairman of Oriental Technologies Investment Limited, a listed company on the Australian Stock Exchange. Mr. Xin was an independent non-executive director of China Environmental Technology Holdings Limited, a company listed on the Stock Exchange, from 2011 to 2015. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited, a company listed on the Stock Exchange, from 2010 to 2012. Mr. Xin was an adviser to the chairman of Guangdong Capital Holdings Limited from 1998 to 2000. Save as disclosed above, Mr. Xin has not held any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wing Ping, aged 49, has been appointed as an independent non-executive director of the Company, a member of nomination committee and a member and the chairman of audit committee and remuneration committee of the Company since May 2015. He has over 20 years of experience in auditing and accounting fields. He holds a Bachelor’s degree in Accountancy with honours from City University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is currently an independent non-executive director of Freeman Financial Corporation Limited (Stock Code: 279), China Innovative Finance Group Limited (Stock Code: 412) and China Optoelectronics Holding Group Co., Limited (Stock Code: 1332) and executive director of Mason Financial Holdings Limited (Stock Code: 273), all of which are publicly listed companies in Hong Kong. Mr. Cheung was formerly an executive director of Eagle Ride Investment Holdings Limited (Stock Code: 901) from June 2011 to November 2013 and an independent non-executive director of Mason Financial Holdings Limited (Stock Code: 273) from October 2009 to June 2013, all of which are publicly listed companies in Hong Kong. Save as disclosed above, Mr. Cheung has not held any directorship in other listed public companies in the past three years.

Mr. Chui Kark Ming, aged 57, has been appointed as an independent non-executive director of the Company, a member of audit committee and remuneration committee and a member and the chairman of nomination committee of the Company since May 2015. He holds a Master of Laws degree from the University of London and a Master of Economic Law degree from the Renmin University of China. Mr. Chui is also a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Mr. Chui has over 20 years of experience in accounting, financial management and company secretarial works gained from various listed companies in Hong Kong. Mr. Chui has not held any directorship in listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Xiang Bing, aged 54, has been appointed as an independent non-executive director of the Company since December 2008. He is also a member of audit committee, nomination committee and remuneration committee of the Company. Dr. Xiang obtained a Doctoral degree in accounting from the University of Alberta in Canada. Dr. Xiang is currently the founding dean and a professor of the Cheung Kong Graduate School of Business (長江商學院). He is an independent non-executive director and a member of audit committee and remuneration committee of China Dongxiang (Group) Co., Ltd, Dan Form Holdings Company Limited, Longfor Properties Co., Ltd., and HC International, Inc.; an independent non-executive director and a member of audit committee, nomination committee and remuneration committee of Sinolink; an independent non-executive director and the chairman of audit committee and remuneration committee and a member of nomination committee of Peak Sport Products Co., Limited, all of which are companies listed on the Stock Exchange. Dr. Xiang is also an independent non-executive director and a member of audit committee of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange. He was a director of Jutal Offshore Oil Services Limited, a company listed on the Stock Exchange, a director of Shenzhen Terca Technology Co., Ltd. (深圳市特爾佳科技股份有限公司), TCL Corporation (TCL集團股份有限公司), Shaanxi Qinchuan Machine Development Co., Ltd. (陝西秦川機械發展股份有限公司) and Guangdong Midea Electric Appliances Co. Ltd. (廣東美的電器股份有限公司), all are listed on Shenzhen Stock Exchange, a director of Wuhan Jianmin Pharmaceutical Groups Co., Ltd. (武漢健民藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange. He was an independent non-executive director and the chairman of remuneration committee of Little Sheep Group Limited, a company listed on the Stock Exchange, during 2008-2012. He was an independent non-executive director and a member of audit committee, remuneration committee and nomination committee of LDK Solar Co. Ltd., a company listed on the New York Stock Exchange, until 18 July 2014. He was an independent non-executive director and a member of audit committee and remuneration committee of Perfect World Co., Ltd., a company listed on Nasdaq, until 28 July 2015. He was an independent non-executive director and a member of audit committee and strategic committee and the chairman of remuneration committee of Yunnan Baiyao Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, until 27 November 2015. Save as disclosed above, Dr. Xiang has not held any directorship in other listed public companies in the past three years.

MANAGING DIRECTOR OF INVESTMENT DEPARTMENT

Mr. Alexander Ji, aged 40, joined the Company in February 2008 and was appointed Managing Director of Investment Department of the Company shortly after. He holds a Bachelor of Science Degree in economics and international area studies from University of California, Los Angeles. He has over 14 years of experience in financial planning, investment analysis, project evaluation and strategic planning, as well as project management and investment.

REPORT OF THE DIRECTORS

The directors of the Company (the “Directors”) present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Company and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position as well as the outlook of the Company’s business are provided in the “Chairman’s Statement” and “Management Discussion and Analysis” from pages 2 to 3 and pages 4 to 9 of this Annual Report. An analysis of the Group’s performance during the year using financial key performance indicators is provided in the Financial Summary on page 106 of this Annual Report. Description of the principal risks and uncertainties facing the Company can be found throughout this Annual Report particularly in note 31 to the consolidated financial statements and the “Management Discussion and Analysis” on pages 4 to 9 of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an eco-friendly corporation that tries to reduce the impacts of its operation on the environment.

Currently, the Group implements the following paper-saving measures:

- (a) employees are encouraged to use duplex printing for internal documents;
- (b) facilities and procedures are in place for paper waste recycling; and
- (c) the Group had strived for long to establish a paperless office by using electronic storage and communication whenever possible.

The Group took different measures to minimize environmental impact by saving electricity and encouraging recycle of office supplies and other material.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group’s business are mainly carried out by the Company’s subsidiaries established in Hong Kong, the British Virgin Islands, the Marshall Islands and the PRC while the Company itself is incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Bermuda, the PRC, the British Virgin Islands, the Marshall Islands and Hong Kong.

During the year ended 31 December, 2015 and up to the date of this Annual Report, we have complied with all the relevant rules, laws and regulations in Bermuda, the PRC, the British Virgin Islands, the Marshall Islands and Hong Kong that have a significant impact on the Group.

REPORT OF THE DIRECTORS

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As the Group principally engages in financial services sector, the Group has always paid great attention to and maintained a good relationship with, and has been providing quality professional and customer-oriented services for customers. Since the nature of business of the Group, no specific suppliers will be involved in the operation of business. The aforementioned customers are good working partners creating value for the Group. The Group also values the knowledge and skills of its employees, and continues to provide favourable career development opportunities for its employees.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 39 to 40.

No interim dividend (2014: Nil) was paid to the shareholders during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

The Company had issued warrants during the year and details of which are provided in "Management Discussion and Analysis" on pages 4 to 5 of this Annual Report.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 43.

The Company's reserves available for distribution to shareholders as at 31 December 2015 amounted to HK\$499,610,000 (2014: HK\$483,845,000).

DIRECTORS

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

Executive Directors:

Chen Wei (*Chairman*)

Sam Nickolas David Hing Cheong (*Chief Executive Officer*)

Tang Yui Man Francis

Xiang Ya Bo

Non-executive Director:

Xin Luo Lin (*redesignated on 21 May 2015*)

Independent Non-executive Directors:

Cheung Wing Ping (*appointed on 21 May 2015*)

Chui Kark Ming (*appointed on 21 May 2015*)

Xiang Bing

Lam Ping Cheung (*resigned on 21 May 2015*)

REPORT OF THE DIRECTORS

In accordance with Bye-law 87(2) of the Bye-laws, Mr. Chen Wei, Mr. Sam Nickolas David Hing Cheong and Mr. Xin Luo Lin shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of Independent Non-executive Directors to be independent.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS

As at 31 December 2015, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Capacity	Interest in shares			Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of issued shares of the Company as at 31.12.2015
		Personal interest	Family interest	Corporate interest				
Chen Wei	Beneficial owner	13,162,500	-	-	13,162,500	41,910,000	55,072,500	0.76%
Tang Yui Man Francis	Beneficial owner	20,840,625	-	-	20,840,625	13,970,000	34,810,625	0.48%
Xiang Ya Bo	Beneficial owner	-	-	-	-	13,970,000	13,970,000	0.19%
Xin Luo Lin	Beneficial owner	9,999,000	-	-	9,999,000	4,191,000	14,190,000	0.19%

Details of the Directors' interests in share options granted by the Company are set out below under the heading "Directors' rights to acquire shares or debentures of the Company and associated corporation".

Save as disclosed above, as at 31 December 2015 none of the Directors and chief executives of the Company had, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

The Company has granted to certain Directors of the Company options to subscribe for the shares of the Company, under the 2002 Share Option Scheme (as hereinafter defined), details of the outstanding options as at 31 December 2015 held by each Director were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK\$	Approximate percentage of the issued shares of the Company as at	
				Number of shares subject to outstanding options as at 31.12.2015	31.12.2015
Chen Wei	13.11.2007	01.01.2010 – 12.11.2017	0.322	20,955,000	0.29%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	20,955,000	0.29%
Tang Yui Man Francis	13.11.2007	01.01.2010 – 12.11.2017	0.322	6,985,000	0.10%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	6,985,000	0.10%
Xiang Ya Bo	13.11.2007	01.01.2010 – 12.11.2017	0.322	6,985,000	0.10%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	6,985,000	0.10%
Xin Luo Lin	13.11.2007	01.01.2010 – 12.11.2017	0.322	2,095,500	0.03%
	13.11.2007	01.01.2011 – 12.11.2017	0.322	2,095,500	0.03%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement date of the exercise period.
2. These options represent personal interest held by the Directors as beneficial owners.
3. Movement of the options held by the Directors during the year is set out below under the heading "Share Option Scheme of the Company".

Save as disclosed above, at no time during the year, the Directors, chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (warrants or debentures of the Company, if applicable) or shares of any of its associated corporation required to be disclosed pursuant to the SFO.

Other than as disclosed above, at no time during the year was the Company, its subsidiaries or holding company or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Xin Luo Lin, a Non-executive Director of the Company, currently serves as a non-executive director of Asian Capital Holdings Limited ("Asian"). Based on public information, Asian carries on activities including the provision of securities brokerage and provision of financial and corporate financial advisory services, securities trading and investments that compete or are likely to compete with the businesses of the Group. Mr. Xin Luo Lin has a personal interest in share options granted by Asian to subscribe for 10,000,000 shares of Asian.

The Board is of the view that when making decision on the above business, Mr. Xin, in the performance of his duty as Director of the Company, has acted and will continue to act in the best interests of the Group.

SHARE OPTION SCHEME OF THE COMPANY

(A) The Company operated a share option scheme adopted by shareholders of the Company on 24 May 2002 (the "2002 Share Option Scheme"), under which the Board might, at its discretion, offer any employee and director of the Company or its subsidiaries or associated companies (the "Participant") options to subscribe for shares subject to the terms and conditions stipulated in the said scheme. The 2002 Share Option Scheme had a life of 10 years and was terminated at the annual general meeting of the Company held on 17 May 2012.

The purpose of the 2002 Share Option Scheme was to encourage the Participants to perform their best in achieving the goals of the Group or its associated companies and at the same time allow the Participants to enjoy the results of the Company attained through their effort and contribution.

The exercise price of the share options would be determined at the highest of (i) the average of closing prices on the Stock Exchange on the five trading days immediately preceding the date of grant; (ii) the closing price of the shares on the Stock Exchange on the date of grant; or (iii) the nominal value of the shares. The share options granted should be taken up within 28 days from the date of grant. A consideration of HK\$1.00 was payable by each Participant for the grant of option.

The maximum entitlement for any one Participant was that the total number of shares issued and to be issued upon exercise of options granted to each Participant (including exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares in issue. The maximum entitlement for any one Participant, who was a substantial shareholder of the Company or an Independent Non-executive Director or any of their respective associates (with the meaning ascribed under the Listing Rules), is that the total number of shares issued and to be issued upon exercise of options granted to each Participant (including exercised, cancelled and outstanding options) in any 12-month period should not exceed 0.1% of the total number of shares in issue and having an aggregate value, based on the closing price of the shares at the date of grant, in excess of HK\$5,000,000.

The share options would be exercisable at any time for a period to be determined by the Directors, which should not be more than 10 years from the date of grant. The minimum period for which a share option should be held before it could be exercised would be determined by the Board of Directors.

No further options should thereafter be offered under the 2002 Share Option Scheme but the options which had been granted during its life should continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2002 Share Option Scheme should remain in full force and effect.

REPORT OF THE DIRECTORS

As at 31 December 2015, a total of 97,790,000 shares (representing approximately 1.359% of the existing issued shares of the Company as at the date of this Annual Report) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2002 Share Option Scheme.

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
2007 Option	13.11.2007	01.01.2010 – 12.11.2017	0.322
	13.11.2007	01.01.2011 – 12.11.2017	0.322

The following table discloses movements in the Company's share options granted under the 2002 Share Option Scheme during the year:

Option type	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015
<i>Category 1: Directors</i>					
Chen Wei	41,910,000	-	-	-	41,910,000
Tang Yui Man Francis	13,970,000	-	-	-	13,970,000
Xiang Ya Bo	13,970,000	-	-	-	13,970,000
Xin Luo Lin	4,191,000	-	-	-	4,191,000
Total for Directors	74,041,000	-	-	-	74,041,000
<i>Category 2: Employees</i>					
2007 Option	27,940,000	-	(4,191,000)	-	23,749,000
Total for employees	27,940,000	-	(4,191,000)	-	23,749,000
All categories	101,981,000	-	(4,191,000)	-	97,790,000

Notes:

1. The vesting period of the share options is from the date of grant until the commencement date of the exercise period.
2. The weighted average closing share price immediately before the date of exercise of share options was HK\$0.78.
3. During the year, no options were lapsed or cancelled under the 2002 Share Option Scheme.
4. During the year, 4,191,000 options were exercised under the 2002 Share Option Scheme.

REPORT OF THE DIRECTORS

- (B) A new share option scheme was adopted by shareholders of the Company on 17 May 2012 (“Date of Adoption”) (the “2012 Share Option Scheme”), under which the Board may, at its discretion, offer any Eligible Persons (as hereinafter mentioned) options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme has a life of 10 years from the Date of Adoption.

The 2012 Share Option Scheme is a share incentive scheme and is established to enable the Group to, (i) recognise and acknowledge the contributions that Eligible Persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible quality of employees and other Eligible Persons; (iii) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to Eligible Persons. The Eligible Persons include (a) any full time or part time employees of the Group or any Directors of the Company or any of its subsidiaries; (b) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any member of the Group; (c) trustee of any trust the principal beneficiary of which is, or discretionary trust the discretionary objects of which include, any person referred to (a) or (b) above; (d) a company wholly beneficially owned by any person referred to in (a) or (b) above, and (e) such other persons (or classes of persons) as the Board may in its absolute discretion determine.

The exercisable period of share options would be determined by the Board of Directors at its absolute discretion and notified by the Board of Directors to each Eligible Person as being the period during which the share options may be exercised, such period to expire not later than 10 years after the date of grant of the share options. The minimum period for which a share option must be held before it can be exercised would be determined by the Board. The share options granted must be taken up within 28 days from the date of grant.

The total number of shares in respect of which options may be granted under the 2012 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue on the Date of Adoption (“Scheme Mandate Limit”), without prior approval from the Company’s shareholders. During the term of the 2012 Share Option Scheme, the Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of shares of the Company in respect of which options may be granted under the 2012 Share Option Scheme of the Company and any other share option schemes of the Company must not exceed 10% of the shares of the Company in issue as at the date of the approval to renew the Scheme Mandate Limit. The number of shares of the Company in respect of which options may be granted to any Eligible Person in any 12-month period 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. In addition, the number of shares of the Company in respect of which options may be granted to any Eligible Person (who is a substantial shareholder or an Independent Non-executive Director of the Company, or any of their associates (within the meaning as ascribed under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of shares of the Company in issue and HK\$5,000,000 in an aggregate value, based on the closing price of the shares of the Company at the date of each grant, without prior approval from the Company’s independent shareholders.

The exercise price for the shares of the Company under the 2012 Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Eligible Persons and shall be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date on which an option is granted, (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share of the Company on the date on which an option is granted.

REPORT OF THE DIRECTORS

Consideration of HK\$1 is payable by each Eligible Person for the grant of option.

As at the date of this Annual Report, a total of 50,000,000 shares (representing approximately 0.695% of the existing issued shares of the Company as at the date of this Annual Report) may be issued upon exercise of all options which may be granted under the 2012 Share Option Scheme and a total of 668,965,566 shares (representing approximately 9.30% of the existing issued shares of the Company) may be granted under the 2012 Share Option Scheme.

Details of specific categories of options granted under 2012 Share Option Scheme are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
2015 Option	15.05.2015	01.08.2015 – 14.05.2018	0.9
		15.11.2015 – 14.05.2018	0.9
		15.05.2016 – 14.05.2018	0.9

The following table discloses movements in the Company's share options granted under the 2012 Share Option Scheme during the year:

Option type	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015
<i>Category: Other Participant</i>					
2015 Option	-	50,000,000	-	-	50,000,000
Total for Other Participant	-	50,000,000	-	-	50,000,000

Notes:

- The vesting period of the share options is from the date of grant until the commencement date of the exercise period.
- During the year, 50,000,000 options were granted under the 2012 Share Option Scheme, the calculation of fair value of the options granted and the basis and assumption used for such calculation are set out in note 29 to the consolidated financial statements.
- The closing price of the share immediately before the date on which the options being granted was HK\$0.80.
- During the year, no options were exercised, lapsed or cancelled under the 2012 Share Option Scheme.

Additional information in relation to the Company's Share Option Schemes are set out in note 29 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed, no transactions, or arrangements or contracts of significance to which the Company, its subsidiaries or holding company or fellow subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to "Share Option Schemes of the Company" and "Placing of Unlisted Warrants with Mandatory Exercise Rights", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

The Bye-Laws of the Company provides that for the time being acting in relation to any of the affairs of the Company, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done about the execution of duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions/continuing connected transactions of the Company during the year were as follows:

(a) Connected transactions

During the year, save as disclosed below, there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Listing Rules.

(b) Continuing connected transactions

On 1 April 2014, Sinolink Worldwide Holdings Limited ("Sinolink") and the Company entered into a Master Lease Agreement for the purpose of regulating the Individual Lease Agreements for leasing of the properties by the Company and its subsidiaries from Sinolink and its subsidiaries, for a fixed term of three years from 1 April 2014 to 31 March 2017 (the "Master Agreement"). The annual cap amount for each of the financial years ended/ending 31 December 2014, 2015, 2016 and 2017 are HK\$6,000,000, HK\$8,000,000, HK\$8,000,000 and HK\$2,000,000 respectively. The total amount of the transactions for the year ended 31 December 2015 was HK\$3,564,000.

REPORT OF THE DIRECTORS

On 1 April 2014, Sinolink and the Company were owned as to approximately 44.08% and 36.40% respectively by Asia Pacific Promotion Limited (“Asia Pacific”). Therefore, Asia Pacific is a substantial shareholder of Sinolink and the Company and thus a connected person of both Sinolink and the Company under the Listing Rules. As Asia Pacific owns more than 30% in both Sinolink and the Company, Sinolink and the Company are associates of Asia Pacific under the Listing Rules.

Accordingly, the Master Agreement between Sinolink and the Company constitutes continuing connected transactions for both Sinolink and the Company under Chapter 14A of the Listing Rules.

As all the relevant percentage ratios for the Master Agreement calculated on an annual basis were more than 0.1% and less than 5% for both Sinolink and the Company, in accordance with Rule 14A.34 of the then Listing Rules (Rule 14A.76(2) of the Listing Rules), the Master Agreement was only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the then Listing Rules (Rule 14A.68 and 14A.71 of the Listing Rules) and was exempted from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company had accordingly published an announcement in respect of the aforesaid continuing connected transactions on 1 April 2014.

Pursuant to Rule 14A.56 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the Board of Directors. The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions pursuant to Rule 14A.55 of the Listing Rules and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

Related Party Transactions

Details of the related party transactions are set out in note 38 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

The register of the interests and short positions maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued shares of the Company as at 31 December 2015:

Long positions in shares of the Company

Name of shareholders	Capacity/ Nature of interest	Aggregate interest	Approximate percentage of the issued shares as at 31.12.2015
Ou Yaping	Interest held jointly with another person and interest of controlled corporations/ Family interest and corporate interest	2,629,140,978 (Note)	36.54%
Asia Pacific Promotion Limited ("Asia Pacific")	Beneficial owner and interest of controlled corporations/Beneficial interest and corporate interest	2,617,180,764 (Note)	36.38%

Note:

2,617,180,764 shares of the Company represent the aggregate of (i) 2,557,105,618 shares of the Company held by Asia Pacific directly; and (ii) 60,075,146 shares of the Company are held by Sinolink Worldwide Holdings Limited ("Sinolink"). Mr. Ou Yaping is the sole shareholder and director of Asia Pacific and through Asia Pacific together with his associates hold a total of 45.11% of the existing issued shares of Sinolink as at 31 December 2015. Therefore, he is deemed to be interested in all these 2,617,180,764 shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2015, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for about 1.3% of the Group's turnover from continuing operations. Sales to the largest customer accounted for 0.3% of the Group's turnover from continuing operations.

As the Group had no significant purchases from continuing operations during the year, the information on major suppliers is not present.

At no time during the year, did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's shares) have an interest in the largest customer or any of the five largest suppliers of the Group for the year ended 31 December 2015.

REPORT OF THE DIRECTORS

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$5,321,000.

EMOLUMENT POLICY

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

The emoluments of the Directors of the Company are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Remuneration Committee will make recommendation to the Board on the emoluments of the Directors.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws although there is no restriction against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company adopted all the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

During the year, the Company has complied with the code provisions as set out in the Code. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 26 to 36 of this Annual Report.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the year ended 31 December 2015 had been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

Details of the Company's Audit Committee are set out in Corporate Governance Report on page 32.

REPORT OF THE DIRECTORS

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2015.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2015 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Enerchina Holdings Limited

CHEN Wei

Chairman

Hong Kong, 17 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Enerchina Holdings Limited is dedicated to maintaining good and credible corporate governance practices with a view to being transparent, open and accountable to our shareholders, as well as to the stakeholders.

STATEMENT OF COMPLIANCE

During the year 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

BOARD OF DIRECTORS

Composition

As at the date of this Annual Report, the Board comprises 8 members (each member of the Board, a “Director”). Mr. Chen Wei acted as the Chairman of the Board, whereas Mr. Sam Nickolas David Hing Cheong acted as Chief Executive Officer of the Company. Other Executive Directors were Mr. Tang Yui Man Francis and Mr. Xiang Ya Bo and Non-executive Director is Mr. Xin Luo Lin. The Company had three Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Chui Kark Ming and Dr. Xiang Bing, all of the Independent Non-executive Directors have appropriate professional accounting experience and related financial management expertise and representing at least one-third of the Board. There is no financial, business, family or other material relationship between any members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed in pages 10 to 12 of this Annual Report.

Each Independent Non-executive Director has confirmed that he is independent of the Company pursuant to Rule 3.13 of the Listing Rules and the Company also considers that they are independent.

Pursuant to the Bye-laws of the Company (the “Bye-laws”), the Directors retire on a rotational basis at least once every three years at the annual general meeting of the Company and are eligible for re-election. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting.

The term of office of each Non-executive Director or Independent Non-executive Director is for a period of 1 year, from 1 January 2016 to 31 December 2016, subject to retirement by rotation and re-election in accordance with the Bye-laws.

Responsibilities of the Board and Management

The Board, headed by the Chairman, is responsible for providing high-level guidance and effective oversight of the management of the Company, and formulation and approval of the Group’s development, business strategies, policies, annual budgets and business plans, recommendation of any dividend, and supervision of management in accordance with the regulations governing the meetings of the Board and the Bye-laws.

The Chief Executive Officer and other Executive Directors are responsible for day-to-day management of the Company’s operations. The Executive Directors conduct meetings with the management of the Company and its subsidiaries (collectively the “Group”), at which operational issues and financial performance are evaluated.

CORPORATE GOVERNANCE REPORT

The Company considers the essential of internal control system and risk management function and the Board plays an important role in the implementation and monitoring of internal control and risk management.

Matters specifically decided by the Board and those reserved for the management, such as daily management administration and operation of the Company, etc., are reviewed by the Board. The management shall report back to the Board. The procedure to enable Directors to seek independent professional advice in appropriate circumstances, at the Company's expenses, was established.

The Bye-laws contain provisions regarding responsibilities and operational procedures of the Board. The Board meets regularly at least four times a year considers operational reports of the Company and policies and financial results of the Company. Significant operational policies have to be discussed and passed by the Board.

During the year 2015, the Board held 4 regular Board meetings (within the meaning of the Code) at approximately quarterly intervals, 6 Board meetings which were convened as necessary. Due notice and the Board papers were given to all Directors prior to each regular meeting in accordance with the Code and the Bye-laws. An annual general meeting and a special general meeting were also held during the year. Details of individual attendance of Directors are set out below:

	No. of regular Board meetings attended	No. of other Board meetings attended	No. of general meetings attended
Executive Directors			
Chen Wei (<i>Chairman</i>)	4	1	1
Sam Nickolas David Hing Cheong (<i>Chief Executive Officer</i>)	4	4	2
Tang Yui Man Francis	4	6	2
Xiang Ya Bo	4	5	1
Non-executive Director			
Xin Luo Lin (<i>re-designated from Independent Non-executive Director to Non-executive Director on 21 May 2015</i>)	4	1	1
Independent Non-executive Directors			
Lam Ping Cheung (<i>resigned on 21 May 2015</i>)	1	2	0
Cheung Wing Ping (<i>appointed on 21 May 2015</i>)	2	0	1
Chui Kark Ming (<i>appointed on 21 May 2015</i>)	2	0	1
Xiang Bing	4	1	2

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written materials to develop and refresh their professional skills; the Company also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Company organised for the Directors and management an in-house workshop on the Listing Rules, the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, Share Buy-Back Rules and the Code on Takeovers and Mergers.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code on continuous professional development during the year:

	Corporate Governance/Updates on laws, rules and regulations	
	Read materials	Attend briefings/ in-house workshop
Executive Directors		
Chen Wei (<i>Chairman</i>)	✓	✓
Sam Nickolas David Hing Cheong (<i>Chief Executive Officer</i>)	✓	✓
Tang Yui Man Francis	✓	✓
Xiang Ya Bo	✓	✓
Non-executive Director		
Xin Luo Lin	✓	✓
Independent Non-executive Directors		
Cheung Wing Ping	✓	✓
Chui Kark Ming	✓	✓
Xiang Bing	✓	✓

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the Chairman, Mr. Chen Wei, remains separate from that of the Chief Executive Officer, Mr. Sam Nickolas David Hing Cheong. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each other.

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development. During the year, the Chairman had met the Independent Non-Executive Directors without the presence of Executive Directors.

The Chief Executive Officer, assisted by other Executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Group. Their responsibilities include:

- attending regular board meetings and focusing on business strategy, operational issues and financial performance;
- active participation on the respective boards of directors of the subsidiaries and associated companies of the Company;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;
- consideration of misuse of corporate assets and abuse in related party transaction; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year, the Board considered the following corporate governance matters:

- review of the policies and practices adopted by the Company, trainings for directors and senior management, and code of conduct and compliance manual, etc;
- review of the usage of annual caps on continuing connected transactions of the Group;
- review of the compliance with the Code and the disclosure of this report;
- review of the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee; and
- adoption of revised corporate governance practices relating to risk management system and internal audit function as well as amendments to the terms of reference of the Audit Committee to reflect the new requirement of risk management system.

Board Committees

A number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee comprises two Executive Directors, Mr. Chen Wei and Mr. Xiang Ya Bo, and three Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Chui Kark Ming and Dr. Xiang Bing and is chaired by Mr. Cheung Wing Ping.

The terms of reference of the Remuneration Committee comply with the Code which are posted on the website of the Company at www.enerchina.com.hk.

The Remuneration Committee's responsibilities mainly include the reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of Non-executive Directors etc.

CORPORATE GOVERNANCE REPORT

During the year 2015, the Remuneration Committee:

- reviewed the remuneration policy for 2015/2016;
- reviewed the remuneration of executive directors, non-executive director, independent non-executive directors and management year-end bonus; and
- made recommendation to the Board on the above matters.

The Remuneration Committee held 2 meetings during 2015 with individual attendance as follows:

Members of Remuneration Committee	No. of meeting(s) attended
Chen Wei	2
Cheung Wing Ping (<i>appointed as chairman on 21 May 2015</i>)	1
Chui Kark Ming (<i>appointed as member on 21 May 2015</i>)	1
Xiang Ya Bo	2
Xiang Bing	2
Xin Luo Lin (<i>resigned as chairman on 21 May 2015</i>)	1
Lam Ping Cheung (<i>resigned as member on 21 May 2015</i>)	1

The remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration bands (HK\$)	Number of person(s)
1,000,001 to 2,000,000	3
2,000,001 to 3,000,000	2

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 12 to the consolidated financial statements.

Audit Committee

As at the date of this Annual Report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Wing Ping, Mr. Chui Kark Ming and Dr. Xiang Bing and is chaired by Mr. Cheung Wing Ping.

The Audit Committee reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor twice a year to discuss audit process and accounting issues, and reviews effectiveness of internal control and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

CORPORATE GOVERNANCE REPORT

During 2015, the Audit Committee:

- reviewed financial statements for the year ended 31 December 2014 and for the six months ended 30 June 2015;
- reviewed the effectiveness of the internal control system and risk management;
- reviewed the external auditor's audit findings;
- reviewed and approved remuneration of auditor for 2014 and recommended the reappointment of auditor;
- reviewed the continuing connected transactions and the annual cap; and
- reviewed the implementation of policy for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

As at 31 December 2015, the arrangement for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters was in place. No reporting has been received by Audit Committee during the year.

The Audit Committee held 3 meetings during the year. Details of individual attendance of its members are as follows:

Members of Audit Committee	No. of meeting(s) attended
Cheung Wing Ping (<i>appointed as chairman on 21 May 2015</i>)	2
Chui Kark Ming (<i>appointed as member on 21 May 2015</i>)	2
Xiang Bing	3
Xin Luo Lin (<i>resigned as chairman on 21 May 2015</i>)	1
Lam Ping Cheung (<i>resigned as member on 21 May 2015</i>)	0

Nomination Committee

As at the date of this Annual Report, a Nomination Committee comprises one Executive Director, Mr. Sam Nickolas David Hing Cheong and three Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Chui Kark Ming and Dr. Xiang Bing and is chaired by Mr. Chui Kark Ming.

The terms of reference of the Nomination Committee have complied with the Code which are posted on the website of the Company at www.enerchina.com.hk.

The Nomination Committee's responsibilities mainly include the reviewing and recommending the structure, size and composition of the Board and recommending any change thereon; assessing the independence of Independent Non-executive Directors and recommending the re-election of Directors, etc.

CORPORATE GOVERNANCE REPORT

During the year 2015, the Nomination Committee:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- reviewed the board diversity policy;
- assessed the independence of Independent Non-executive Directors; and
- reviewed and made recommendations to the Board on re-election of retiring Directors at the 2016 annual general meeting.

The Nomination Committee held 2 meetings during the year 2015 with individual attendance as follows:

Members of Nomination Committee	No. of meeting(s) attended
Cheung Wing Ping (<i>appointed as member on 21 May 2015</i>)	1
Chui Kark Ming (<i>appointed as chairman on 21 May 2015</i>)	1
Sam Nickolas David Hing Cheong	2
Xiang Bing	2
Xin Luo Lin (<i>resigned as member on 21 May 2015</i>)	1
Lam Ping Cheung (<i>resigned as chairman on 21 May 2015</i>)	1

In 2015, Mr. Cheung Wing Ping and Mr. Chui Kark Ming were appointed as Independent Non-executive Directors, the Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively as well as the independent factors set out in the Listing Rules, etc., and made recommendation to the Board for approval.

The Nomination Committee nominated and the Board recommended Mr. Chen Wei, Mr. Sam Nickolas David Hing Cheong and Mr. Xin Luo Lin, being Directors longest in office since their last re-election, to retire by rotation, being eligible, will offer themselves for re-election by shareholders of the Company.

BOARD DIVERSITY POLICY

The Company formulated the board diversity policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company.

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities, etc of Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and reviewing effectiveness of the Board.

The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to Board diversity.

CORPORATE GOVERNANCE REPORT

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

Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidate will bring to the Board.

The Board considers that Board diversity, including gender diversity, is a vital asset to the business.

At present, the Nomination Committee has not set any measurable objectives to implement the Board diversity policy. However, it will consider and review the Board diversity policy and setting of any measurable objectives from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2015, all Directors have complied with the required standard set out in the Model Code.

The Company has also established written guidelines regarding securities transaction on no less exacting than the terms of the Model Code for senior management and specific individual who may have access to inside information in relation to the securities of the Company.

EXTERNAL AUDITOR

The external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). Deloitte provided professional services in respect of the audit of the Company's consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2015. Deloitte also reviewed the 2015 unaudited interim financial report of the Company, prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2015 amounted to HK\$1,500,000. Non-audit services fees charged by Deloitte were as follows:

Description of professional services rendered in connection with:

	Fee <i>HK\$'000</i>
— Reviews of the interim financial report of the Company for the six months ended 30 June 2015	450

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Audit Committee and the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Based on the results of the review, the system was satisfactory with no major irregularities reported and the Group would take steps to further enhance the effectiveness of the internal control system.

CORPORATE GOVERNANCE REPORT

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

COMPANY SECRETARY

The Company has engaged and appointed a representative from an external secretarial services provider as the company secretary of the Company. The primary contact person of the Company with the company secretary is Mr. Tang Yui Man Francis, an Executive Director of the Company. The company secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum of association and bye-laws of the Company during the year.

A copy of memorandum of association and bye-laws of the Company is posted on the website of the Company at www.enerchina.com.hk.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

Shareholder(s) of the Company ("Shareholder(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the Bye-laws and Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 Shareholders may, at their expense, provide a written request to the attention of the company secretary of the Company signed and deposited in accordance with the Bermuda Companies Act 1981.

(c) Communication with shareholders and investors

Shareholders are provided with detailed information about the Company in the announcement, annual/interim report and/or circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the chairman of the meeting at the general meetings of the Company held during the year.

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereof and the Chairman of the Board, or in his absence, an Executive Director of the Company, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the Independent Board Committee, will commonly be present and available to answer questions and Shareholders may also contact the company secretary of the Company to direct their written enquiries.

CORPORATE GOVERNANCE REPORT

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

At the 2015 Annual General Meeting, a resolution was proposed by the chairman of the meeting in respect of each separate issue itemized in the notice, including re-election of retiring Directors. The Chairman of the Board and certain members of all committees or their duly appointed delegates and representatives of Deloitte attended the 2015 Annual General Meeting and answered questions from the Shareholders.

At the Special General Meeting held on 7 July 2015, a resolution was proposed by the chairman of the meeting in respect of the issuance of warrants. Certain Independent Non-executive Directors participated through conference telephone in the meeting and answered the question of the Shareholders.

The Company also maintains a website at www.enerchina.com.hk, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Address: 28th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong

Fax: (852) 2851 0970

Email: contact@enerchina.com.hk

In addition, procedure for Shareholders to propose a person for election as a Director of the Company is available on the Company's website at www.enerchina.com.hk. The above procedures are subject to the Bye-laws and applicable laws and regulations.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES IN PREPARING AND REPORTING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the profit and cash flows of the Group for the year. The statement of the auditor regarding reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 37 to 38.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF ENERCHINA HOLDINGS LIMITED

威華達控股有限公司

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Enerchina Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 39 to 105, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Turnover			
Revenue from money lending		29,944	20,079
Revenue from financial services		23,485	35,280
Gains on financial assets at fair value through profit or loss		927,818	627,967
		981,247	683,326
Continuing operations			
Revenue	5	53,429	55,359
Other income	6	55,024	79,905
Other gains and losses	7	4,373	(16,975)
Gains on financial assets at fair value through profit or loss		927,818	627,967
Depreciation of property, plant and equipment		(13,770)	(7,723)
Employee benefits expenses		(39,640)	(22,571)
Other expenses		(104,834)	(54,983)
Share of results of an associate		(2,844)	(3,416)
Finance costs	8	(15,472)	(195)
Profit before taxation		864,084	657,368
Taxation	9	(151,013)	(141,474)
Profit for the year from continuing operations	10	713,071	515,894
Discontinued operation			
Loss for the year from discontinued operation	11	-	(4,618)
Profit for the year		713,071	511,276
Other comprehensive (expense) income for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		(57,434)	(327)
Item that may be subsequently reclassified to profit or loss:			
Fair value change in available-for-sale investments		3,883	870
		(53,551)	543
Total comprehensive income for the year		659,520	511,819

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTE	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company			
– Profit for the year from continuing operations		713,071	515,894
– Loss for the year from discontinued operation		–	(4,618)
Non-controlling interests		–	–
		713,071	511,276
Total comprehensive income attributable to:			
Owners of the Company		659,520	511,819
Non-controlling interests		–	–
		659,520	511,819
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	14		
From continuing and discontinued operations			
Basic		9.91	7.11
Diluted		9.88	7.11
From continuing operations			
Basic		9.91	7.18
Diluted		9.88	7.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15	189,327	26,269
Available-for-sale investments	16	973,765	595,013
Interests in an associate	17	–	48,478
Intangible assets	18	3,908	3,908
Other deposits	19	535	280
Deposit paid for acquisition of property, plant and equipment	36	37,248	2,451
Deposit paid for an investment		–	6,708
		1,204,783	683,107
Current assets			
Trade and other receivables, deposits and prepayments	20	487,551	651,937
Entrusted loans receivable	21	–	28,308
Taxation recoverable		–	107
Financial assets at fair value through profit or loss	22	2,751,599	2,037,384
Short-term bank deposits	23	63,246	–
Bank balances – trust and segregated accounts	23	17,114	29,651
Bank balances (general accounts) and cash	23	998,659	1,127,641
		4,318,169	3,875,028
Current liabilities			
Trade and other payables	24	40,584	50,985
Taxation payable		66,372	14,673
		106,956	65,658
Net current assets		4,211,213	3,809,370
Total assets less current liabilities		5,415,996	4,492,477
Non-current liabilities			
Deferred taxation	25	216,406	130,091
Convertible notes liability	26	101,150	–
		317,556	130,091
Net assets		5,098,440	4,362,386

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTE	2015 HK\$'000	2014 HK\$'000
Capital and reserves			
Share capital	27	71,939	71,897
Reserves		4,970,017	4,282,855
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,041,956	4,354,752
Non-controlling interests		56,484	7,634
		<hr/>	<hr/>
Total equity		5,098,440	4,362,386

The consolidated financial statements on pages 39 to 105 were approved and authorised for issue by the Board of Directors on 17 March 2016 and are signed on its behalf by:

Chen Wei
DIRECTOR

Tang Yui Man Francis
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company								Non-controlling interests			
	Share capital	Share premium	Translation reserve	Contribution surplus	Warrant reserve	Investment revaluation reserves	Share options reserves	Retained earnings	Total	Share of net assets	Convertible notes reserve	Total
	HK\$'000	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 2014	71,897	3,041,421	29,034	544	-	-	7,547	692,490	3,842,933	7,634	-	3,850,567
Exchange differences arising on translation to presentation currency	-	-	(327)	-	-	-	-	-	(327)	-	-	(327)
Fair value change in available-for-sale investments	-	-	-	-	-	870	-	-	870	-	-	870
Profit for the year	-	-	-	-	-	-	-	511,276	511,276	-	-	511,276
Total comprehensive income for the year	-	-	(327)	-	-	870	-	511,276	511,819	-	-	511,819
Transfer of translation reserve to retained earnings upon disposal of subsidiaries	-	-	(5,943)	-	-	-	-	5,943	-	-	-	-
Transfer upon lapse of share options	-	-	-	-	-	-	(3,619)	3,619	-	-	-	-
At 31 December 2014	71,897	3,041,421	22,764	544	-	870	3,928	1,213,328	4,354,752	7,634	-	4,362,386
Exchange differences arising on translation to presentation currency	-	-	(57,434)	-	-	-	-	-	(57,434)	-	-	(57,434)
Fair value change in available-for-sale investments	-	-	-	-	-	3,883	-	-	3,883	-	-	3,883
Profit for the year	-	-	-	-	-	-	-	713,071	713,071	-	-	713,071
Total comprehensive income for the year	-	-	(57,434)	-	-	3,883	-	713,071	659,520	-	-	659,520
Issue of new shares upon exercise of share options	42	1,308	-	-	-	-	-	-	1,350	-	-	1,350
Transfer upon exercise of share options	-	162	-	-	-	-	(162)	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	12,974	-	12,974	-	-	12,974
Issue of warrants	-	-	-	-	13,360	-	-	-	13,360	-	-	13,360
Issue of convertible notes by a subsidiary of the Company	-	-	-	-	-	-	-	-	-	-	48,850	48,850
At 31 December 2015	71,939	3,042,891	(34,670)	544	13,360	4,753	16,740	1,926,399	5,041,956	7,634	48,850	5,098,440

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	864,084	652,750
Adjustments for:		
Depreciation of property, plant and equipment	13,770	12,931
Release of prepaid lease payments	–	459
Interest expenses	15,472	5,205
Interest income	(40,621)	(41,721)
Gain on disposal of subsidiaries	–	(5,445)
(Gain) loss on disposal of property, plant and equipment	(2,608)	50
Impairment loss in respect of trade receivables	4,231	–
Loss on disposal of an associate	3,218	–
Gain on disposal of an available-for-sale investment	(3,313)	–
Impairment loss in respect of an available-for-sale investment	–	5,000
(Release of) provision of financial guarantees	(4,293)	8,629
Share of results of an associate	2,844	3,416
Dividend income	(10,702)	(32,200)
Share-based payment expenses	12,974	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	855,056	609,074
Increase in other deposits	(255)	(25)
Decrease in inventories	–	6,316
Increase in financial assets at fair value through profit or loss	(714,215)	(1,073,422)
Decrease (increase) in trade and other receivables, deposits and prepayments	160,155	(78,781)
Decrease (increase) in bank balances – trust and segregated accounts	12,537	(11,128)
(Decrease) increase in trade and other payables	(6,108)	34,613
	<hr/>	<hr/>
Cash from (used in) operations	307,170	(513,353)
Interest paid on borrowings	(15,472)	(5,205)
Income tax (paid) refunded	(12,892)	829
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	278,806	(517,729)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Pledged bank deposits made		–	(28,516)
Deposits paid for proposed investment		–	(6,708)
Placement of short-term bank deposits		(63,246)	–
Deposits paid for acquisition of property, plant and equipment		(37,248)	(234)
Dividend received		10,702	32,200
Interest received		40,621	41,721
Proceeds from disposal of property, plant and equipment		61,630	129
Purchase of available-for-sale investments		(379,204)	(64,992)
Investment in entrusted loans receivable		–	(61,413)
Receipts from entrusted loans receivable		28,308	33,105
Purchase of property, plant and equipment		(171,807)	(2,131)
Net cash flows arising from disposal of subsidiaries	33	–	22,794
Net cash flows arising from acquisition of subsidiaries	34	(54,474)	–
Investment in an associate		–	(8,618)
Disposal of an investment in an associate		42,416	–
Disposal of available-for-sale investment		5,944	–
NET CASH USED IN INVESTING ACTIVITIES		(516,358)	(42,663)
FINANCING ACTIVITIES			
New bank and other loans raised		600,000	44,248
Repayment of bank loans		(600,000)	(65,386)
Issue of warrants		13,360	–
Issue of convertible notes by a subsidiary		150,000	–
Issue of shares		1,350	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		164,710	(21,138)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(72,842)	(581,530)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,127,641	1,709,265
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(56,140)	(94)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances (general accounts) and cash		998,659	1,127,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to this Annual Report.

Prior to the disposal of Deluxe International Investment Limited (“Deluxe”), the Group was principally engaged in investment holdings, manufacturing and sales of electrical and energy-related products, provision of securities brokerage services, placing and underwriting services, provision of corporate finance advisory services, trading and investment of securities, provision of margin financing, money lending services, investment advisory and management services. During the year ended 31 December 2014, the Group discontinued its operation in manufacturing and sales of electrical and energy-related products upon the disposal of Deluxe in December 2014. Details of the disposal of Deluxe are disclosed in note 33.

In prior years and up to the disposal of Deluxe in December 2014, the Company’s functional currency was Renminbi (“RMB”). The directors of the Company had evaluated the primary economic environment in which the Company operates, including the underlying investment activities and strategy of the Company after the disposal of Deluxe in December 2014 and have determined that the functional currency of the Company changed from RMB to Hong Kong Dollars (“HK\$”). The effects of the change of the functional currency of the Company had been accounted for prospectively during the year. The consolidated financial statements are continued to be presented in HK\$.

2. APPLICATION OF NEW AND REVISED 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”).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers 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 HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ²
Amendments to HKAS 1	Disclosure initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ²
Amendments to HKAS 27	Equity method in separate financial statements ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include a) impairment requirements for financial assets; b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ measurement category for certain simple debt instruments.

All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued) HKFRS 9 Financial instruments (Continued)

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

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group’s financial assets (e.g. the Group’s unlisted shares in overseas and the People’s Republic of China (the “PRC”) that are currently classified as available-for-sale investments at cost will may have to be measured at fair value upon the adoption of HKFRS 9). 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.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

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 and by the Hong Kong Companies Ordinance.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Interests in associates

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 associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an 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 exceeds the Group's interest in that associate or joint venture (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.

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 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) 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 a group entity transacts with an associate of the Group (such as a sale or contribution of assets), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and title has passed.

Commission income for broking business is recognised when the services are provided.

Advisory and other fee income are recognised when the relevant services have been rendered.

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

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

Property, plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets

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

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 other deposits, trade and other receivables, entrusted loans receivable, pledged bank deposits, bank balances – trust and segregated accounts and bank balances (general accounts) and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated equity securities (e.g. unlisted shares and investment fund, listed shares in Hong Kong) as available-for-sale financial assets on initial recognition of those items.

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

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

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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, 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 or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recovery 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes containing liability and equity components and early redemption option

Convertible notes issued by the Group that contain both the liability (together with the early redemption option which is closely related to the host liability component) and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of a subsidiary, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables and convertible notes liability are subsequently measured at amortised cost, using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts (the liability component) and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, 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 obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of 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 estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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 for the year” as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

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

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange 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 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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. On disposal of subsidiaries which are not foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company is transferred to retained earnings.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

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).

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 estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability, aged analysis of accounts, the values of underlying collateral and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those clients in default of settlement. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2015, the aggregate carrying amount of trade receivables arising from secured margin clients and loans to independent third parties are HK\$38,319,000 and HK\$308,456,000 (2014: HK\$110,339,000 and HK\$465,665,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION

(A) Revenue

	2015	2014
	HK\$'000	HK\$'000
An analysis of the Group's revenue from continuing operations for the year is as follows:		
Fee and commission income	7,116	12,924
Interest income from margin clients	5,894	11,412
Interest income from loans receivable	29,944	20,079
Advisory and other fee income	10,475	10,944
	53,429	55,359

(B) Segment information

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment. During the year ended 31 December 2014, operations regarding the manufacture and sale of electrical and energy-related products were discontinued as a result of disposal of Deluxe. The segment information reported below does not include any amounts for the discontinued operation. Details of the discontinued operation are set out in note 11.

Subsequent to the disposal of Deluxe, the Group's reportable and operating segments are as follows:

- (a) the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services ("Financial Services");
- (b) securities trading and investments; and
- (c) money lending.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment turnover and results

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

For the year ended 31 December 2015

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Turnover				
Revenue from financial services	23,485	-	-	23,485
Revenue from money lending	-	-	29,944	29,944
Total revenue	23,485	-	29,944	53,429
Gains on financial assets at fair value through profit or loss	-	927,818	-	927,818
Total turnover, representing segment revenue	23,485	927,818	29,944	981,247
Segment (loss) profit	(51,355)	929,328	3,611	881,584
Unallocated other income				38,107
Net exchange gain				1,608
Release of provision of financial guarantees				4,293
Loss on disposal of an associate				(3,218)
Share of results of an associate				(2,844)
Central corporate expenses				(55,446)
Profit before taxation from continuing operations				864,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment turnover and results (Continued)

For the year ended 31 December 2014

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Turnover				
Revenue from financial services	35,280	–	–	35,280
Revenue from money lending	–	–	20,079	20,079
Total revenue	35,280	–	20,079	55,359
Gains on financial assets at fair value through profit or loss	–	627,967	–	627,967
Total turnover, representing segment revenue	35,280	627,967	20,079	683,326
Segment profit	116	660,167	16,584	676,867
Unallocated other income				38,468
Net exchange loss				(3,296)
Impairment losses in respect of an available-for-sale investment				(5,000)
Provision of financial guarantees				(8,629)
Share of results of an associate				(3,416)
Central corporate expenses				(37,626)
Profit before taxation from continuing operations				657,368

Segment turnover from continuing operations includes revenue from financial services and money lending operations. In addition, the chief operation decision makers also consider gains on financial assets at fair value through profit or loss as segment turnover.

The accounting policies of the reportable and operating segment are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses, impairment loss in respect of an available-for-sale investment, release of (provision of) financial guarantees, loss on disposal of an associate, share of results of an associate and central corporate expenses. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment assets and liabilities

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

At 31 December 2015

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Segment assets	<u>240,252</u>	<u>3,830,029</u>	<u>312,570</u>	<u>4,382,851</u>
Unallocated property, plant and equipment				21,974
Deposit paid for acquisition of property, plant and equipment				37,248
Unallocated other receivables, deposits and prepayments				18,974
Short-term bank deposits				63,246
Bank balances (general accounts) and cash				<u>998,659</u>
Consolidated assets				<u>5,522,952</u>
Segment liabilities	<u>32,379</u>	<u>-</u>	<u>2,236</u>	<u>34,615</u>
Unallocated other payables				5,969
Taxation payables				66,372
Deferred tax liabilities				216,406
Convertible notes liability				<u>101,150</u>
Consolidated liabilities				<u>424,512</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2014

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Segment assets	150,643	2,666,945	503,969	3,321,557
Unallocated property, plant and equipment				25,942
Deposit paid for acquisition of property, plant and equipment				2,451
Deposit paid for an investment				6,708
Unallocated other receivables, deposits and prepayments				25,251
Interests in an associate				48,478
Tax recoverable				107
Bank balances (general accounts) and cash				1,127,641
Consolidated assets				4,558,135
Segment liabilities	32,539	–	1,207	33,746
Unallocated other payables				17,239
Taxation payables				14,673
Deferred tax liabilities				130,091
Consolidated liabilities				195,749

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

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, deposit paid for acquisition of property, plant and equipment, deposit paid for an investment, interests in an associate, certain other receivables, deposits and prepayments, tax recoverable, short-term bank deposits and bank balances (general accounts) and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables, taxation payables, deferred tax liabilities and convertible notes liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION (Continued)

(B) Segment information (Continued)

Other segment information

For the year ended 31 December 2015

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Total HK\$'000
Continuing operations					
Amounts included in the measure of segment profit or segment assets:					
Additions of property, plant and equipment	170,478	-	-	3,780	174,258
Gain on disposal of property, plant and equipment	2,478	-	-	130	2,608
Depreciation of property, plant and equipment	6,022	-	-	7,748	13,770

For the year ended 31 December 2014

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Total HK\$'000
Continuing operations					
Amounts included in the measure of segment profit or segment assets:					
Additions of property, plant and equipment	388	-	-	19,160	19,548
Loss on disposal of property, plant and equipment	-	-	-	50	50
Depreciation of property, plant and equipment	497	-	-	7,226	7,723

Geographical information

The Group's continuing operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets (excluding financial assets) are located in Hong Kong.

Information about major customers

There is no single customer contributing over 10% of total sales from continuing operations of the Group for the year ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

6. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Interest income on:		
– bank deposits	31,889	31,775
– entrusted loans receivable	2,519	2,826
– listed bonds at fair value through profit or loss	5,482	6,116
– others	731	577
	40,621	41,294
Dividend income from financial assets at fair value through profit or loss:		
– listed investments held for trading	10,702	30,677
– unlisted investment funds	–	1,523
Others	3,701	6,411
	55,024	79,905

7. OTHER GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Net exchange gain (loss)	1,608	(3,296)
Gain (loss) on disposal of property, plant and equipment	2,608	(50)
Impairment losses in respect of an available-for-sale investment	–	(5,000)
Gain on disposal of an available-for-sale investment	3,313	–
Loss on disposal of an associate	(3,218)	–
Release of (provisions of) financial guarantees	4,293	(8,629)
Impairment loss in respect of trade receivables	(4,231)	–
	4,373	(16,975)

8. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Interest on other borrowings	15,472	195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

9. TAXATION

Continuing operations

Taxation for the year comprises:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong Profits Tax	64,698	11,383
Deferred tax charge (note 25)	86,315	130,091
	151,013	141,474

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2015 (2014: 16.5%).

Taxation for the year can be reconciled to the profit before taxation from continuing operations per consolidated statement of profit or loss and other comprehensive income as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation from continuing operations	864,084	657,368
Tax charge at applicable tax rate of 16.5% (2014: 16.5%)	142,574	108,466
Tax effect of expenses not deductible for tax purpose	10,790	9,427
Tax effect of income not taxable for tax purpose	(9,426)	(5,945)
Tax effect of tax losses not recognised	10,527	1,540
Tax effect of share of results of an associate	469	564
Utilisation of tax losses previously not recognised	(3,921)	–
Others	–	27,422
Taxation for the year from continuing operations	151,013	141,474

Deferred tax asset has not been recognised in the consolidated financial statements in respect of the estimated tax losses of HK\$872,056,000 (2014: HK\$832,020,000) available to offset the future assessable profit due to the unpredictability of future profits streams. Estimated tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

10. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	1,500	1,550
Minimum lease payments under operating leases in respect of rented premises	14,575	9,772
Gains on financial assets at fair value through profit or loss	(927,818)	(627,967)
Entertainment expenses included in other expenses	32,027	17,723
Legal and professional fee included in other expenses	6,795	9,616
Rebates included in other expense (note)	22,362	–

Note: Amount represents the rebates granted to the Group's financial services and money lending clients during the current year based on certain percentage of the income generated from the customers during the year ended 31 December 2014 and three months ended 31 March 2015. The rebates granted in relation to the income generated during the year ended 31 December 2014 and three months ended 31 March 2015 are HK\$16,669,000 and HK\$5,693,000, respectively.

Net realised gain of approximately HK\$278,700,000 (2014: HK\$30,749,000) on disposal of investments held for trading is included in gains on financial assets at fair value through profit or loss.

11. DISCONTINUED OPERATION

On 7 October 2014, Enerchina Investments Limited, a wholly-owned subsidiary of the Company, signed an asset sale agreement with an independent third party and Enerchina Investments Limited agreed to sell entire equity interest in Deluxe at a consideration of HK\$25,500,000 in cash. This disposal was completed on 3 December 2014. Deluxe and its subsidiary were principally engaged in operation of manufacture and sale of electrical and energy-related products. Upon the disposal of Deluxe, the directors of the Company considered that the operation of manufacture and sale of electrical and energy-related products is discontinued. Details of the disposal of Deluxe are disclosed in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

11. DISCONTINUED OPERATION (Continued)

The results of and loss for the year from the discontinued operation for the year ended 31 December 2014 are analysed as follows:

	<i>HK\$'000</i>
Revenue	54,735
Other income	428
Impairment loss on property, plant and equipment	–
Changes in inventories of finished goods and work in progress	(6,062)
Raw materials and consumables used	(31,787)
Depreciation of property, plant and equipment	(5,208)
Release of prepaid lease payments	(459)
Employee benefit expenses	(12,895)
Administrative and other expenses	(3,805)
Finance costs	(5,010)
	<hr/>
Loss before taxation	(10,063)
Taxation	–
	<hr/>
Loss for the year	(10,063)
Gain on disposal of subsidiaries	5,445
	<hr/>
Loss for the year from discontinued operation	<u><u>(4,618)</u></u>

Loss for the year ended 31 December 2014 from discontinued operation included the following:

	<i>HK\$'000</i>
Interest income	<u><u>213</u></u>

During the year ended 31 December 2014, the operation of manufacture and sale of electrical and energy-related products generated HK\$28,012,000 in respect of the Group's net operating cash flows, paid HK\$30,046,000 in respect of investing activities and paid HK\$2,127,000 in respect of financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the 9 (2014: 7) directors were as follows:

	Year ended 31 December 2015									
	Mr. Chen Wei	Mr. Cheng Wing Ping	Mr. Chui Kark Ming	Mr. Lam Ping Cheung	Mr. Sam Nickolas David Hing Cheong	Mr. Tang Yui Man, Francis	Dr. Xiang Bing	Mr. Xiang Ya Bo	Mr. Xin Luo Lin	Total
	HK\$'000	HK\$'000 (Note d)	HK\$'000 (Note d)	HK\$'000 (Note d)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note d)	HK\$'000
Fees (Note a)	-	154	154	125	-	-	250	-	250	933
Other emoluments										
- salaries and other benefits (Note b)	1,120	-	-	-	1,596	1,793	-	1,560	-	6,069
- contributions to retirement benefit schemes	42	-	-	-	36	18	-	113	-	209
- performance and discretionary bonus (Note c)	-	-	-	-	200	700	-	700	-	1,600
Total emoluments	1,162	154	154	125	1,832	2,511	250	2,373	250	8,811

	Year ended 31 December 2014							Total HK\$'000	
	Mr. Chen Wei	Mr. Lam Ping Cheung	Mr. Sam Nickolas David Hing Cheong	Mr. Tang Yui Man, Francis	Dr. Xiang Bing	Mr. Xiang Ya Bo	Mr. Xin Luo Lin		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fees (Note a)	-	250	-	-	-	250	-	250	750
Other emoluments									
- salaries and other benefits (Note b)	1,058	-	1,596	1,800	-	1,560	-	6,014	
- contributions to retirement benefit schemes	40	-	34	17	-	103	-	194	
- performance and discretionary bonus (Note c)	-	-	200	500	-	500	-	1,200	
Total emoluments	1,098	250	1,830	2,317	250	2,163	250	8,158	

Notes:

- The directors' fee of independent non-executive directors are determined by the board of directors with recommendation from the remuneration committee of the Company with reference to their duties and responsibilities with the Company, the Company's performance and the prevailing market situation and to be authorised by the shareholders of the Company at the annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (Continued)

Notes: (Continued)

- b. The emoluments of the directors are covered by their respective service contracts and/or supplemental agreements or letters of appointment entered into with the Company.
- c. The performance and discretionary bonus are determined by the board of directors from time to time with reference to the directors' duties and responsibilities and the Company's performance and profitability.
- d. Mr. Lam Ping Cheung resigned as independent non-executive director on 21 May 2015. Mr. Xin Luo Lin was redesignated as non-executive director on 21 May 2015. Mr. Cheng Wing Ping and Mr. Chui Kark Ming were appointed as independent non-executive directors on 21 May 2015.
- e. The emoluments of executive directors, including Mr. Chen Wei, Mr. Sam Nickolas David Hing Cheong, Mr. Tang Yui Man, Francis and Mr. Xiang Ya Bo were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of remaining directors were mainly for their services as directors of the Company.
- f. Mr. Sam Nickolas David Hing Cheong is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.
- g. The emoluments of Mr. Xin Luo Lin as non-executive director was mainly for his services as director of the Company or its subsidiaries.
- h. The emoluments of independent non-executive directors, including Mr. Cheng Wing Ping, Mr. Chui Kark Ming, Mr. Lam Ping Cheung and Dr. Xiang Bing were mainly for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The five highest paid individuals of the Group included 4 (2014: 4) directors of the Company. Details of their emoluments are included above.

The emoluments of the remaining 1 (2014: 1) highest paid individual for the year are set out as follows:

	2015	2014
	HK\$'000	HK\$'000
Employees		
Salaries and other benefits	1,000	1,150
Contributions to retirement benefit scheme contributions	18	17
	1,018	1,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (Continued)

The emoluments are within the following band:

	2015 Number of employees	2014 <i>Number of</i> <i>employee</i>
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</u>

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to 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. None of the directors has waived or agreed to waive any emoluments during both years.

13. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014: nil).

14. EARNINGS PER SHARE

For continuing and discontinued operations

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

Earnings

	2015 HK\$'000	2014 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	713,071	511,276
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries due to the potential exercise of convertible notes of a subsidiary	-	-
Earnings for the purpose of diluted earnings per share	<u>713,071</u>	<u>511,276</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

14. EARNINGS PER SHARE (Continued) For continuing and discontinued operations (Continued)

Number of shares

	2015	2014
Weighted average number of ordinary shares in issue during the year, for the purpose of basic earnings per share	7,192,239,157	7,189,655,664
Effect of dilutive potential ordinary shares: – share options	28,117,893	–
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue during the year, for the purpose of diluted earnings per share	<u>7,220,357,050</u>	<u>7,189,655,664</u>

For the year ended 31 December 2015, the computation of diluted earnings per share has not assumed the exercise of the Company's warrants and certain of the Company's share options as the exercise price was higher than the average market price of shares during the period that the warrants and share options were in issue.

For the year ended 31 December 2014, the computation of diluted earnings per share has not assumed the exercise of the Company's share options as the exercise price was higher than the average market price of shares during the year.

From continuing operations

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings are calculated as follows:		
Profit for the year attributable to the owners of the Company	713,071	511,276
Add: loss for the year from discontinued operation	–	4,618
	<hr/>	<hr/>
Earnings for the purposes of basic and diluted earnings per share from continuing operations	<u>713,071</u>	<u>515,894</u>

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

From discontinued operation

During the year ended 31 December 2014, basic and diluted loss per share from discontinued operation is HK0.07 cents per share, based on the loss for the year from discontinued operation of HK\$4,618,000 and the denominators detailed above for basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC HK\$'000	Leasehold improvement HK\$'000	Yacht HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST								
At 1 January 2014	58,165	730	-	22,058	47,037	2,593	443	131,026
Currency realignment	(368)	-	-	(23)	(301)	(7)	(2)	(701)
Additions	17	-	-	19,698	458	546	572	21,291
Transfers	474	-	-	-	42	-	(516)	-
Disposals	-	-	-	-	-	(315)	-	(315)
Disposal of subsidiaries	(58,288)	-	-	(3,764)	(47,236)	(1,145)	(497)	(110,930)
At 31 December 2014	-	730	-	37,969	-	1,672	-	40,371
Currency realignment	-	-	410	-	-	-	-	410
Additions	-	-	154,100	2,806	-	17,352	-	174,258
Disposals	-	-	(61,592)	-	-	(1,178)	-	(62,770)
Acquisition of a subsidiary (note 34)	-	-	61,182	-	-	-	-	61,182
At 31 December 2015	-	730	154,100	40,775	-	17,846	-	213,451
DEPRECIATION AND IMPAIRMENT								
At 1 January 2014	22,586	660	-	6,911	26,526	2,392	-	59,075
Currency realignment	(142)	-	-	(15)	(173)	(7)	-	(337)
Provided for the year	2,422	17	-	7,827	2,531	134	-	12,931
Eliminated on disposals	-	-	-	-	-	(136)	-	(136)
Eliminated on disposal of subsidiaries	(24,866)	-	-	(2,970)	(28,884)	(711)	-	(57,431)
At 31 December 2014	-	677	-	11,753	-	1,672	-	14,102
Provided for the year	-	16	5,139	7,575	-	1,040	-	13,770
Eliminated on disposals	-	-	(2,570)	-	-	(1,178)	-	(3,748)
At 31 December 2015	-	693	2,569	19,328	-	1,534	-	24,124
CARRYING VALUES								
At 31 December 2015	-	37	151,531	21,447	-	16,312	-	189,327
At 31 December 2014	-	53	-	26,216	-	-	-	26,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	Over the lease term of the land
Leasehold improvement	15% to 20%
Yacht	10%
Furniture, fixtures and equipment	18% to 20%
Plant and machinery	6% to 10%
Motor vehicles	20%

The buildings are situated in the PRC.

16. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK\$'000	HK\$'000
Unlisted shares in overseas, at cost (Note i)	777,151	520,068
Unlisted shares in the PRC, at cost (Note i)	27,446	29,151
Unlisted shares in overseas, at fair value (Note ii)	100,000	–
Unlisted investment fund, at fair value	42,068	39,658
Listed shares in Hong Kong, at fair value	27,100	6,136
	973,765	595,013

Notes:

- (i) Investments in unlisted equity securities issued by private entities are held for an identified long term strategic purpose. The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2015, the Group subscribed for the following investments in overseas unlisted shares:

- (a) 7.07% of the enlarged share capital of an entity incorporated in the Marshall Islands, which is principally engaged in investment in private equities and money lending business in Hong Kong, with a cash consideration of HK\$209,000,000; and
- (b) 1.99% of the enlarged share capital of an entity incorporated in the British Virgin Island ("BVI"), which is principally engaged in property investment and investment in artworks in Hong Kong and other investment in private entities in overseas, with a cash consideration of HK\$50,713,000.

The Group has disposed of its interests in an unlisted equity instruments incorporated in overseas with the carrying amount of HK\$2,631,000 at a consideration of HK\$5,944,000 during the year ended 31 December 2015. There is a gain of HK\$3,313,000 recognised upon the disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

16. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(i) (Continued)

As at 31 December 2015, the Group owns approximately 7.99% (2014: 9.07%) of the issued share capital of HEC Capital Limited ("HEC Capital"), an unlisted private company incorporated in Cayman Islands, with a carrying amount of HK\$500,000,000 (2014: HK\$500,000,000). The principal activities of HEC Capital and its subsidiaries are in property investment, securities trading, investment in private equities and funds, provision of securities brokerage services, money lending business in Hong Kong and investment in forest assets in PRC.

For the available-for-sale investments at cost less impairment, the management reviews the latest available financial information about the investees' financial positions, observable data such as net asset value per share and consequently considers no objective evidence of impairment was identified at 31 December 2015 and 2014 for these investments, except as disclosed below.

During the year ended 31 December 2014, an impairment loss of HK\$5,000,000 was recognised to fully write down the entire carrying amount of the unlisted investment in a private entity due to the insolvent financial position of that private entity. Other than this, the directors of the Company consider no further impairment should be recognised during the year ended 31 December 2014 and no impairment should be recognised during the year ended 31 December 2015.

(ii) During the year ended 31 December 2015, the Group subscribed for the investment in overseas unlisted share of 5.48% of the enlarged share capital of another entity incorporated in the BVI, which is principally engaged in securities investment in Hong Kong, with a cash consideration of HK\$100,000,000.

The investment is measured at fair value subsequent to initial recognition.

17. INTERESTS IN AN ASSOCIATE

	2015 HK\$'000	2014 HK\$'000
Cost of investment in an associate		
Unlisted shares	-	53,620
Share of post-acquisition losses	-	(5,142)
	<hr/>	<hr/>
	-	48,478
	<hr/>	<hr/>

During the year ended 31 December 2015, the Group disposed of its interests in the associate to an independent third party at a cash consideration of HK\$42,416,000 which resulted in a loss of HK\$3,218,000 upon disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

17. INTERESTS IN AN ASSOCIATE (Continued)

As at 31 December 2014, the Group had interests in the following associate:

Name of entity	Form of business structure	Country of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activities
					%		%		
					2015	2014	2015	2014	
Gain All Investments Limited	Incorporated	BVI	BVI/ Hong Kong	Ordinary	-	49	-	49	Investment holding in a yacht

The summarised financial information as at 31 December 2014 in respect of the Group's associate prepared in accordance with HKFRS is set out below:

	<i>HK\$'000</i>
Non-current assets	115,166
Current assets	1,934
Current liabilities	(9,259)
Net assets	<u>107,841</u>
Group's share of net assets of associate	<u>48,478</u>
Revenue	<u>-</u>
Loss and total comprehensive expense for the year	<u>(9,769)</u>
Group's share of losses and total comprehensive expense of an associate for the year	<u>(3,416)</u>

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

18. INTANGIBLE ASSETS

The amount represented trading rights that confer eligibility on the Group to trade on the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until its useful life is determined to be finite.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

19. OTHER DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Statutory and other deposits with exchanges and clearing houses	535	280

The above deposits are non-interest bearing.

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Trade receivables arising from the business of advisory for corporate finance and investment management	1,900	370
Trade receivables from cash clients	9,584	89
Trade receivables from margin clients	38,319	110,339
Trade receivables arising from the provision of securities brokerage business with Hong Kong Securities Clearing Company Limited ("HKSCC")	-	1,885
Deposits with securities brokers (note (c))	100,215	33,790
Loans to independent third parties (note (a))	308,456	465,665
Amount due from Deluxe (note (b))	10,000	20,000
Other receivables, deposits and prepayments	19,077	19,799
	487,551	651,937

Notes:

- (a) Loans receivables as at 31 December 2015 include fixed rate loan advances to independent third parties of HK\$56,905,000 (2014: HK\$81,840,000) which are secured by the pledge of certain collaterals and personal guarantees, and have contractual loan period between 3 months and 1 year as at 31 December 2015 and 2014 under the Group's money lending operation. The management of the Group believes that the amount is considered recoverable given the fair value of the collaterals is sufficient to cover the entire loan balance for each of the secured loan advances. The remaining balance of HK\$251,551,000 (2014: HK\$383,825,000) is unsecured, a substantial portion of which was settled subsequent to year end. The average interest rate for the loans receivable was ranging from 7.5% to 24% (2014: 7% to 36%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) (Continued)

The amount granted to individuals depends on management's assessment of credit risk on the customers by evaluation on background check (such as their professional, their salaries and current working position) and repayment abilities by means by analysis of the market value of the securities portfolio of the customers in the Group's brokerage accounts. The Group determines the allowance of impaired debts based on the evaluation of collectability and aged analysis of accounts and on the management's judgement, including assessment of change of credit quality and the past collection history of each customer. There are no loans receivables which were past due at the end of reporting period and the directors of the Company consider that no impairment was necessary. There is no concentration of credit risk on loans receivable as the exposure spread over a number of customers.

(b) The amount is unsecured and interest-free. HK\$10,000,000 was to be repaid six months after the completion of disposal of Deluxe which was settled during the year ended 31 December 2015. The remaining HK\$10,000,000 is subsequently settled after 31 December 2015.

(c) Deposits with securities brokers represented the funds deposits with the brokers' houses for securities trading purpose.

Trade receivables from margin clients are repayable on demand and bear interest ranging from 8% to 24% (2014: 8% to 24%) per annum for year ended 31 December 2015. The loans are secured by pledged marketable securities with a total fair value of approximately HK\$190,197,000 (2014: HK\$964,784,000). The fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans. The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value. Entire amount of trade receivables from margin clients are neither past due nor impaired as at 31 December 2015 and 2014.

The settlement terms of trade receivables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of brokerage business.

Movement in allowance for bad and doubtful debts

	2015 HK\$'000	2014 HK\$'000
Balance at the beginning of the year	-	-
Impairment loss recognised	4,231	-
	<hr/>	<hr/>
Balance at the end of the year	4,231	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$4,231,000 (2014: nil) as at 31 December 2015, mostly representing loans to independent third parties which have been in severe financial difficulties in repaying their outstanding balances. The Group does not hold any collateral over these balances.

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted, subsequent settlement and the fair value of pledged marketable securities up to the reporting date. In the opinion of the directors of the Company, no further impairment is required in excess of the allowance for bad and doubtful debt.

21. ENTRUSTED LOANS RECEIVABLE

The balance represented unsecured entrusted loans receivable from numerous individuals who are independent third parties through a financial institution acting as entrustment agent amounting to approximately RMB22,335,000 (equivalent to HK\$28,308,000) as at 31 December 2014. The interest rate was fixed at 9.24% per annum, deducting the management fee of 0.5% per annum charged by the financial institution, insurance charges and other related fee.

The independent third party individuals are credit card customers of the bank acting as entrustment agent and the aggregate amount of loan granted to them is limited to the unutilised credit card limit of the respective individuals granted by the bank. As at 31 December 2014, no entrusted loans receivable was past due or impaired. Management of the Group assessed the impairment on this amount based on any past due receivable.

All the Group's entrusted loans receivable is denominated in RMB, which is the functional currency of the respective group companies.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Investments held for trading:		
Listed shares in Hong Kong	2,560,790	1,818,351
Listed shares in elsewhere	34,376	16,084
Unlisted investment funds	89,043	127,040
Listed bonds in overseas issued by listed companies (note)	44,460	63,645
Listed bonds in Hong Kong issued by listed companies (note)	22,930	12,264
	<u>2,751,599</u>	<u>2,037,384</u>

Note: These bonds bear interest from 5.35% to 13% per annum and mature from year 2016 to year 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

23. SHORT-TERM BANK DEPOSITS/BANK BALANCES (GENERAL ACCOUNTS) AND CASH/BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS

Short-term bank deposits

Short-term bank deposits are deposits with banks with a maturity period of more than three months when acquired. Short-term bank deposits will mature within 12 months from the reporting date and are therefore classified as current assets as at 31 December 2015. The deposits carry interest at prevailing market rate ranging from 3.30% to 3.50% (2014: nil) per annum.

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 recognised the corresponding accounts payable to respective clients and other institutions (note 24). 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 amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Bank balances carry interest at prevailing market rate ranging from 0.01% to 3.50% (2014: 0.01% to 3.30%) per annum.

24. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables arising from the provision of securities brokerage business with HKSCC	11,308	–
Trade payables to cash clients	3,455	1,841
Trade payables to margin clients	13,413	28,550
Provision of financial guarantee (note 39)	–	8,629
Other payables and accrued charges	12,408	11,965
	40,584	50,985

The settlement terms of trade payables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of brokerage business.

Trade payables to cash and margin clients are repayable on demand. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

25. DEFERRED TAXATION

The following are the deferred tax liability recognised and the movements thereon during the current year and prior reporting period:

	Unrealised gain on financial assets at fair value through profit or loss HK\$'000
At 1 January 2014	–
Charge to profit or loss for the year (note 9)	130,091
At 31 December 2014	130,091
Charge to profit or loss for the year (note 9)	86,315
At 31 December 2015	<u>216,406</u>

26. CONVERTIBLE NOTES

On 28 December 2015, Win Wind Capital Limited (“Win Wind”), a wholly-owned subsidiary of the Company, issued 2% per annum convertible notes with a principal amount of HK\$150,000,000 which will mature on their third anniversary following the issue of convertible notes (“Convertible Notes”) at 100% of principal amount to an independent third party (“Noteholder”). The Convertible Notes are denominated in HK\$ and will be redeemed at 100% of the principal amount upon maturity.

The Noteholder has the right to convert, the whole or any part of the outstanding principal amount of the Convertible Notes into the ordinary shares of Win Wind at HK\$30 per share (subject to adjustments) for the period commencing on the date of issue and ending on the maturity date (“Conversion Period”).

Also, the Company may redeem the Convertible Notes in whole or in part, at an amount equal to the principal amount outstanding and interest accrued up to redemption date, any time before maturity. This early redemption option is closely related to the host liability component.

The Convertible Notes contain two components, liability (together with the closely related early redemption option) and equity component. The equity component is presented in equity under the heading convertible notes reserve. The effective interest rate of the liability component is approximately 13.8% per annum. The convertible notes have been valued as at 28 December 2015 by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group.

The fair value of the liability component was HK\$101,150,000 as at the date of issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

27. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	12,000,000,000	120,000
Issued and fully paid:		
At 1 January 2014 and 31 December 2014	7,189,655,664	71,897
Issue of shares on exercise of share options	4,191,000	42
At 31 December 2015	7,193,846,664	71,939

28. WARRANTS

On 11 May 2015, the Company entered into a conditional warrant placing agreement (the "Warrant Placing Agreement") with Win Wind Securities Limited (the "Warrant Placing Agent"), a wholly-owned subsidiary of the Company, pursuant to which the Company agreed to grant and the Warrant Placing Agent agreed to procure not less than six professional investors (the "Warrant Placees") in relation to the placing of a total of 1,335,950,132 warrants (the "Warrants") at the placing price of HK\$0.01 per warrant (the "Warrant Placings"). The Warrants entitle the Warrant Placees to subscribe for in aggregate 1,335,950,132 shares in the Company at the subscription price of HK\$0.65 per new share (subject to anti-dilutive adjustment) for a period 24 months after the date of issue of the Warrants. By the end of 24 months after the issue of the Warrants, the Company must exercise the mandatory exercise rights to request all Warrants holders who hold any unexercised Warrants to exercise the subscription right. The conditions set out in the Warrant Placing Agreement were fulfilled and the Warrant Placings took place on 7 July 2015. The net proceeds from the Warrant Placings were approximately HK\$13,360,000.

29. SHARE OPTION SCHEMES

The Company has a share option scheme (the "2002 Scheme") which will remain in force for a period of ten years. The Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares in respect of which 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. SHARE OPTION SCHEMES (Continued)

A nominal consideration of HK\$1 is payable on the grant of an option. The exercise price is the highest of the closing price of the shares of the Company as stated on the Stock Exchange on the date of grant, the average of the closing prices of the share of the Company as stated on the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the share of the Company.

A share option scheme was adopted by shareholders of the Company on 17 May 2012 (the "2012 Scheme"), under which the board of directors may, at its discretion, offer any eligible persons (including directors and employees) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2012 Scheme has a life of 10 years. On 15 May 2015, the Group granted 50,000,000 share options to the eligible persons of the Group.

The following tables disclose details of the Company's share options held by directors, employees and eligible persons and movement in such holdings during the year ended 31 December 2015 and 2014:

Option scheme	Number of the share options				
	Outstanding at 1.1.2015	Granted during 2015	Exercised during 2015	Outstanding at 31.12.2015	Exercisable at the end of the year
2002 Scheme	101,981,000	–	(4,191,000)	97,790,000	97,790,000
2012 Scheme	–	50,000,000	–	50,000,000	37,500,000
Total	101,981,000	50,000,000	(4,191,000)	147,790,000	135,290,000
Weighted average exercise price	HK\$0.32	HK\$0.90	HK\$0.32	HK\$0.52	HK\$0.48

Option scheme	Number of the share options			
	Outstanding at 1.1.2014	Lapsed during 2014	Outstanding at 31.12.2014	Exercisable at the end of the year
2002 Scheme	172,410,289	(70,429,289)	101,981,000	101,981,000
Weighted average exercise price	HK\$0.32	HK\$0.32	HK\$0.32	HK\$0.32

In relation to the options granted to eligible persons during the year ended 31 December 2015, 25% of the options will vest three months after the grant date, 50% of the options will vest six months after the grant date and remaining 25% of the options will vest twelve months after the grant date. The exercisable periods are 1 August 2015 to 14 May 2018, 15 November 2015 to 14 May 2018 and 15 May 2016 to 14 May 2018 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. SHARE OPTION SCHEMES (Continued)

The fair value of the options determined at the date of grant using the Binomial model was approximately HK\$14,333,000.

The following assumptions were used to calculate the fair values of share options:

15 May 2015

Grant date share price	HK\$0.79
Exercise price	HK\$0.90
Expected life	3 years
Expected volatility (note a)	63.29%
Risk-free rate (note b)	0.708%
Dividend yield (note c)	0%

Notes:

- (a) Expected volatility is estimated by calculating the historical daily share price volatility of the stock price of the Company over a historical period of 3 years.
- (b) Risk-free rate is determined by reference to the yield of 3-year Hong Kong government bonds.
- (c) Estimated by reference to the historical dividend payment of the Company.

During the year ended 31 December 2015, total share-based payments of HK\$12,974,000 has been recognised in the profit or loss. The corresponding amount of HK\$12,974,000 has been credited to share options reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Financial assets		
FVTPL		
Held for trading	2,751,599	2,037,384
Loans and receivables (including cash and cash equivalents)	1,564,994	1,823,747
Available-for-sale investments	973,765	595,013
Financial liabilities		
Amortised cost	<u>141,734</u>	<u>50,985</u>

Financial risk management objectives and policies

The Group's major financial instruments include other deposits, financial assets at fair value through profit or loss, trade and other receivables, available-for-sale investments, entrusted loans receivable, short-term bank deposits, bank balances – trust and segregated accounts, bank balances (general accounts) and cash, trade and other payables and convertible notes liability. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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. The risks associated and the management policies remain unchanged from prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Foreign currency risk

Certain other receivables and bank balances are denominated in foreign currencies which expose the Group to foreign currency risk.

At the end of the reporting period, the Group had the following amounts denominated in currency other than the functional currency of the relevant entity to which it relates.

	Assets	
	2015	2014
	HK\$'000	HK\$'000
United States Dollar ("USD")	100,359	13,378
Euro ("EUR")	12,742	–

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

Since the exchange rate of HK\$ is pegged with US\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rates. Therefore, the following sensitivity analysis does not include the effect between US\$ and HK\$.

The following table details the Group's sensitivity to a reasonably possible change of 5% in the EUR against HK\$. 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% change in foreign currency rates. A positive number below indicates an increase in profit for the year where EUR strengthens 5% against the relevant foreign currencies. For a 5% weakening of EUR against HK\$, there would be an equal but opposite impact on the profit for the year, and the balances below would be negative.

	2015	2014
	HK\$'000	HK\$'000
Increase in profit for the year		
EUR	637	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate convertible notes liability (see note 26), fixed-rate loans to independent third parties (see note 20) and cash flow interest rate risk in relation to and variable-rate bank balances and deposits. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate bank balances as a result of the change of market interest rate is insignificant due to its short-term maturity and thus no sensitivity analysis is prepared for interest rate risk.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, listed bonds, unlisted investment funds and convertible notes issued by the Group as well as investments in unlisted equity investments whereby the fair value cannot be measured reliably and thus stated at cost less impairment. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's other price risk is mainly concentrated on the fluctuation of market price of equity securities listed in Hong Kong and overseas. Other than this, the Group does not have any concentration on price risk in listed shares or unlisted investment funds.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date from financial assets at fair value through profit or loss (including investments in listed equity securities, unlisted investment fund and listed bonds) and available-for-sale investments.

If the prices of the respective equity securities, unlisted investment fund and listed bonds had been 15% (2014: 15%) higher/lower, profit for the year ended 31 December 2015 would increase/decrease by HK\$344,638,000 (2014: HK\$255,183,000) as a result of the changes in fair value of financial assets at fair value through profit or loss and investment revaluation reserve for the year ended 31 December 2015 would increase/decrease by HK\$25,375,000 (2014: HK\$6,869,000) as a result of the changes in unlisted shares in overseas, listed equity securities and unlisted investment funds classified as available-for-sale investments carried at fair value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations 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 and the financial guarantee made to an investee as at 31 December 2014. In order to minimise the credit risk, the 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. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on entrusted loans receivable, the management of the Group set up criteria to the financial institution (such as the customers with no history of default payment). The customers of the financial institution should meet these criteria before they are granted such loan. Also, management of the Group purchased insurance so as to secure the entire principal amount of entrusted loans receivable. In this regard, the directors of the Company consider the credit risk on entrusted loans receivable is significantly reduced. There are no concentration risk on entrusted loans receivable as the receivables consist of a large number of customers.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the management of the Group is responsible to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, management of the Group reviews the recoverable amount of loans receivable and trade receivables from provision of financial, consultancy and corporate finance advisory services and secured margin clients as disclosed in note 20 on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on listed bonds classified as investments held for trading as at 31 December 2015 and 2014 was limited because the counterparties were companies listed in the stock exchange in Hong Kong and Singapore. The directors consider the default in payment upon maturity to be low. In addition, management of the Group reviewed the public announcements and financial information of these listed companies in order to assess their credit quality. In this regard, the directors of the Company considered that the Group's credit risk was significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than the amount due from Deluxe, there are no concentration risk in the trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

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 following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1 – 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2015 HK\$'000
2015						
Non-derivative financial liabilities						
Amounts due to cash and margin clients	-	16,868	-	-	16,868	16,868
Trade payables arising from provision of securities brokerage business with HKSCC	-	11,308	-	-	11,308	11,308
Other payables and accrued charges	-	12,408	-	-	12,408	12,408
Convertible notes (note)	13.8	3,000	3,000	153,000	159,000	101,150
		43,584	3,000	153,000	199,584	141,734

Note: The amount of undiscounted cash flows represents the redemption amount including the relevant interest payment of the convertible notes required on the assumption that no early conversion and redemption would take place before its maturity.

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1 – 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
2014						
Non-derivative financial liabilities						
Amounts due to cash and margin clients	-	30,391	-	-	30,391	30,391
Other payables and accrued charges	-	11,965	-	-	11,965	11,965
Financial guarantee liability (note)	-	11,500	-	-	11,500	8,629
		53,856	-	-	53,856	50,985

Note: The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Details of the financial guarantees are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial assets.

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

The Group's financial assets 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 are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2015	2014		
1) Investments in listed equity securities classified as financial assets at fair value through profit or loss	Listed equity securities in: – Hong Kong HK\$2,560,790,000 – Overseas HK\$34,376,000	Listed equity securities in: – Hong Kong HK\$1,818,351,000 – Overseas HK\$16,084,000	Level 1	Quoted bid prices in an active market
2) Investments in listed bonds issued by listed companies classified as financial assets at fair value through profit or loss	Listed bonds in – Hong Kong HK\$22,930,000 – Overseas HK\$44,460,000	Listed bonds in – Hong Kong HK\$12,264,000 – Overseas HK\$63,645,000	Level 2	Recent transaction prices or derived from quoted prices from inactive market
3) Investments in unlisted investment funds classified as financial assets at fair value through profit or loss	HK\$89,043,000	HK\$127,040,000	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds
4) Investments in unlisted funds classified as available-for-sale investments	HK\$42,068,000	HK\$39,658,000	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds
5) Investments in listed equity securities classified as available-for-sale investments	Listed equity securities in Hong Kong – HK\$27,100,000	Listed equity securities in Hong Kong – HK\$6,136,000	Level 1	Quoted bid prices in an active market
6) Investment in unlisted equity interest classified as available-for-sale investments	HK\$100,000,000	Nil	Level 2	Recent transaction price

There were no transfers between Level 1 and 2 during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Valuation process

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation. The chief financial officer works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the continuous net settlement arrangement, money obligations receivable and payable with HKSCC due to or from the Group entity on the same settlement date are settled on a net basis. The Group has legally enforceable right to set off the amounts of receivables and payables with cash clients and margin clients that are due to be settled on the same date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position are as follows:

	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amount not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral received HK\$'000	
As at 31 December 2015						
Other deposits with HKSCC	535	-	535	(535)	-	-
Trade receivables from margin clients	38,419	(100)	38,319	-	(38,319)	-
Trade receivables from cash clients	9,702	(118)	9,584	-	-	9,584
Trade receivables arising from the provision of securities business with HKSCC	62	(62)	-	-	-	-
Deposits with securities brokers	100,215	-	100,215	-	-	100,215
As at 31 December 2014						
Other deposits with HKSCC	280	-	280	-	-	280
Trade receivables from margin clients	111,946	(1,607)	110,339	-	(110,339)	-
Trade receivables from cash clients	89	-	89	-	-	89
Trade receivables arising from the provision of securities business with HKSCC	2,070	(185)	1,885	-	-	1,885
Deposits with securities brokers	33,790	-	33,790	-	-	33,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (Continued)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (Continued)

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognised financial liabilities HK\$'000	set off in the consolidated statement of financial position HK\$'000	of financial position HK\$'000	Financial instruments HK\$'000	Collateral received HK\$'000	HK\$'000
As at 31 December 2015						
Trade payables to cash clients	(3,573)	118	(3,455)	-	-	(3,455)
Trade payables arising from the provision of securities business with HKSCC	(11,370)	62	(11,308)	535	-	(10,773)
Trade payables to margin clients	(13,513)	100	(13,413)	-	-	(13,413)
As at 31 December 2014						
Trade payables to cash clients	(1,841)	-	(1,841)	-	-	(1,841)
Trade payables arising from the provision of securities business with HKSCC	(185)	185	-	-	-	-
Trade payables to margin clients	(30,157)	1,607	(28,550)	-	-	(28,550)

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position are measured on the same basis as the recognised financial assets and financial liabilities, which is amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

33. DISPOSAL OF SUBSIDIARIES

As described in note 11, Enerchina Investments Limited, a wholly owned subsidiary of the Company, disposed the entire equity interest in Deluxe at a consideration of HK\$25,500,000 in cash to an independent third party. The net assets of Deluxe and its subsidiary at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	53,499
Prepaid lease payments	17,462
Inventories	18,886
Tax recoverable	111
Trade and other receivables, deposits and prepayments	31,748
Pledged bank deposits	29,305
Bank balances (general accounts) and cash	2,706
Trade and other payables	(69,414)
Amount due to the Group	(20,000)
Borrowings	(44,248)
	<u>20,055</u>
Gain on disposal of subsidiaries:	
Cash consideration	25,500
Net assets disposed of	(20,055)
	<u>5,445</u>
Gain on disposal of subsidiaries	
Net cash inflow arising on disposal:	
Cash consideration	25,500
Less: bank balances and cash disposed of	(2,706)
	<u>22,794</u>

The impact of Deluxe on the Group's results and cash flows for the year ended 31 December 2014 are disclosed in note 11.

34. ACQUISITION OF A SUBSIDIARY

On 24 December 2014, Enerchina Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in High Gear Limited ("High Gear"), an entity incorporated in the British Virgin Islands, at a consideration of Euro 7.1 million (equivalent to HK\$61,202,000) ("Acquisition") which was to be satisfied by cash. The Acquisition was completed on 15 April 2015. The main asset of High Gear is a yacht in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

34. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired at the date of Acquisition:

	<i>HK\$'000</i>
Property, plant and equipment	61,182
Bank balances (general accounts) and cash	20
	<hr/>
	61,202
	<hr/> <hr/>

Net cash outflow arising on acquisition:

	<i>HK\$'000</i>
Cash consideration paid	(61,202)
Amount paid in previous period (note)	6,708
Less: Bank balances (general accounts) and cash acquired	20
	<hr/>
	(54,474)
	<hr/> <hr/>

Note: A deposit of Euro 0.71 million (equivalent to HK\$6,708,000) was paid by the Group as at 31 December 2014 and included in deposits paid for an investment in the consolidated statement of financial position.

There is no revenue for year contributed by High Gear. Included in the profit for the year ended 31 December 2015 is a loss of HK\$1,895,000 contributed by High Gear.

35. OPERATING LEASE ARRANGEMENT

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	11,482	10,288
In the second to fifth year inclusive	4,807	5,630
	<hr/>	<hr/>
	16,289	15,918
	<hr/> <hr/>	<hr/> <hr/>

Leases are negotiated for terms up to 3 years (2014: 3 years) and rentals are fixed over the respective leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

36. CAPITAL COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	37,248	–
– acquisition of an entity incorporated in the BVI	–	60,372
	<u>–</u>	<u>60,372</u>

In December 2014, Win Wind Group Limited, the wholly-owned subsidiary of the Company, signed a sale and purchase agreement with an independent third party to acquire the entire issued equity of a private entity incorporated in the BVI (“Target Company”) at a consideration of Euro 7.1 million in cash. As at 31 December 2014, the Group paid Euro 0.71 million (equivalent to HK\$6,708,000). The remaining consideration was paid in February 2015 and March 2015.

37. RETIREMENT BENEFIT SCHEMES

In December 2000, the Group enrolled all non-PRC employees in a Mandatory Provident Fund (“MPF”) Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid and payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The Group’s subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 13 to 15 per cent (2014: 13 to 15 per cent) of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made.

During the year ended 31 December 2015, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income are HK\$580,000 (2014: HK\$2,272,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

38. RELATED PARTY TRANSACTIONS

The Group does not have any related party transactions and balances for both years.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 12.

39. CONTINGENT LIABILITIES AND PROVISION

As at 31 December 2014, a financial guarantee of HK\$11,500,000 has been provided by the Group to a bank in respect of a banking facility granted to an investee incorporated in Hong Kong held by the Group. As at 31 December 2014, HK\$9,267,000 of the bank facility has been utilised. In addition, pursuant to a deed of undertaking for the banking facility among shareholders of the investee, three other shareholders of the investee agreed to bear the amount demanded in the event of the claim by the bank.

During the year ended 31 December 2014, the investee decided to liquidate voluntarily because of the insolvent financial position as well as recurring loss on its business. Thus, the directors of the Company considered that it is probable that an outflow of resources will be required from the Group to settle the obligations arising from the Group's financial guarantee. In view of this, a provision of HK\$8,629,000 has been recognised as at 31 December 2014. The amount provided is based on the directors' best estimate of the amount required to settle to obligation. The related cost of investment has been fully impaired.

During the year ended 31 December 2015, the Group fully settled the obligation of HK\$8,629,000 to the bank and HK\$4,293,000 was refunded from two other shareholders which is recognised in other gains and losses. HK\$2,328,000 was subsequently refunded by another shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Ace Energy Holdings Limited	BVI – Limited liability company	US\$1	100	–	Investment holding
Enerchina Investments Limited	BVI – Limited liability company	US\$1	100	–	Investment holding
Enerchina Oil and Petrochemical Company Limited	BVI – Limited liability company	US\$1	100	–	Dormant
Enerchina Resources Limited	Hong Kong – Limited liability company	HK\$2	100	–	Provision of management services
Win Wind Capital Limited (previously known as Enerchine Capital Limited)	BVI – Limited liability company	US\$249,659,464	100	–	Investment holding
Enerchine Corporate Finance Limited	Hong Kong – Limited liability company	HK\$10,000,000	–	100	Corporate finance advisory services
Enerchine Investment Management Limited	Hong Kong – Limited liability company	HK\$1,000,000	–	100	Consultancy services and investment management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Win Wind Resources Limited (previously known as Enerchine Resources Limited)	Hong Kong – Limited liability company	HK\$150,000,001	–	100	Money lending
Enerchine Nominee Limited	Hong Kong – Limited liability company	HK\$1	–	100	Provision of nominee services
Win Wind Securities Limited (previously known as Enerchine Securities Limited)	Hong Kong – Limited liability company	HK\$589,000,000	–	100	Securities brokerage and financial services
Goodunited Holdings Limited	BVI – Limited liability company	US\$1	–	100	Investment holding
Ideal Principles Limited	BVI – Limited liability company	US\$1	–	100	Investment holding
Kenson Investment Limited	BVI – Limited liability company	US\$1	100	–	Investment holding
Kenson Investment Limited	Republic of the Marshall Islands	US\$1	–	100	Investment holding
Million Profits Investments Limited	BVI – Limited liability company	US\$1	–	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Moreluck Enterprises Limited	BVI – Limited liability company	US\$1	100	–	Investment holding
Rado International Limited	BVI – Limited liability company	US\$1	100	–	Investment holding
Roxy Link Limited	BVI – Limited liability company	US\$1	–	100	Investment holding
Sinolink Electric Power Company Limited 百仕達電力有限公司	Hong Kong – Limited liability company	HK\$2 ordinary shares and HK\$100,000 non-voting deferred shares	–	100	Investment holding
Sinolink Industrial Limited	BVI – Limited liability company	US\$50,000	100	–	Investment holding
Supreme All Investments Limited	BVI – Limited liability company	US\$1	100	–	Investment holding
威華達信息管理(深圳)有限公司	PRC – Limited liability company	RMB10,000,000	100	–	Investment holding
深圳威華軒信息諮詢有限公司(“威華軒”)	PRC – Limited liability company	RMB24,000,000	–	75	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

A majority of these subsidiaries operate in the financial services, securities trading and investments and money lending in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2015	2014
Financial services	Hong Kong	3	3
Securities trading and investments	Hong Kong	6	5
Money lending	Hong Kong	1	1
		10	9

The table below shows details of non-wholly-owned subsidiaries of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
威華軒	Hong Kong/PRC	25%	25%	-	-	7,634	7,634

Summarised financial information for the years ended 31 December 2015 and 2014 in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2015 HK\$'000	2014 HK\$'000
Current assets and total equity	30,534	30,534
Total comprehensive income for the year	-	-
Net cash inflow from financing activities and net cash inflow	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
Assets		
Non-current assets		
Investments in subsidiaries	3,795,213	3,795,213
Amounts due from subsidiaries	402,319	363,529
	<u>4,197,532</u>	<u>4,158,742</u>
Current assets		
Other receivables, deposits and prepayments	2,505	2,491
Bank balances and cash	59,828	73,547
	<u>62,333</u>	<u>76,038</u>
Liabilities		
Current liabilities		
Other payables and accrued charges	2,234	1,719
Amounts due to subsidiaries	1,740,334	1,739,590
	<u>1,742,568</u>	<u>1,741,309</u>
Net current liabilities	<u>(1,680,235)</u>	<u>(1,665,271)</u>
Total assets less total liabilities	<u>2,517,297</u>	<u>2,493,471</u>
Capital and reserves		
Share capital	71,939	71,897
Reserves (Note)	2,445,358	2,421,574
Total equity	<u>2,517,297</u>	<u>2,493,471</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Note:

Reserves

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	3,041,421	44,396	–	7,547	(676,571)	2,416,793
Profit for the year	–	–	–	–	4,781	4,781
Transfer upon lapse of share options	–	–	–	(3,619)	3,619	–
At 31 December 2014	3,041,421	44,396	–	3,928	(668,171)	2,421,574
Loss for the year	–	–	–	–	(3,858)	(3,858)
Issue of new shares upon exercise of share options	1,308	–	–	–	–	1,308
Transfer upon exercise of share options	162	–	–	(162)	–	–
Recognition of equity – settled share-based payments	–	–	–	12,974	–	12,974
Issue of warrants	–	–	13,360	–	–	13,360
At 31 December 2015	3,042,891	44,396	13,360	16,740	(672,029)	2,445,358

FINANCIAL SUMMARY

	For the year ended 31 December				
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
RESULTS					
Turnover	110,316	40,360	414,097	683,326	981,247
Profit before taxation	647,397	158,577	144,398	652,750	864,084
Taxation	–	–	(3,054)	(141,474)	(151,013)
Profit for the year	647,397	158,577	141,344	511,276	713,071
Attributable to:					
Owners of the Company	647,397	158,577	141,344	511,276	713,071
Non-controlling interests	–	–	–	–	–
Profit for the year	647,397	158,577	141,344	511,276	713,071
As at 31 December					
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES					
Total assets	3,771,726	3,880,887	3,995,841	4,558,135	5,522,952
Total liabilities	(230,789)	(181,466)	(145,274)	(195,749)	(424,512)
	3,540,937	3,699,421	3,850,567	4,362,386	5,098,440
Equity attributable to owners of the Company	3,540,937	3,699,421	3,842,933	4,354,752	5,041,956
Non-controlling interests	–	–	7,634	7,634	56,484
	3,540,937	3,699,421	3,850,567	4,362,386	5,098,440