



# 中金投集团

China Financial Services Holdings Ltd

## China Financial Services Holdings Limited

*(Incorporated in Hong Kong with limited liability)*

(Stock code: 605)



# 2015<sup>+</sup> ANNUAL REPORT



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## CORPORATE INFORMATION

### DIRECTORS

#### *Executive Directors*

Mr. Luo Rui (*Chief Executive Officer*)  
Madam Guan Xue Ling  
Mr. Cheung Chai Hong

#### *Non-Executive Directors*

Mr. Cheung Siu Lam (*Chairman*)  
Mr. Zhang Xiaobin  
Madam Huang Mei

#### *Independent Non-Executive Directors*

Mr. Chan Chun Keung  
Mr. Wang Jian Sheng  
Mr. Tsang Kwok Wai

### COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, ACA, CTA

### AUDITORS

Crowe Horwath (HK) CPA Limited

### AUDIT COMMITTEE

Mr. Tsang Kwok Wai (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Wang Jian Sheng

### REMUNERATION COMMITTEE

Mr. Tsang Kwok Wai (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Wang Jian Sheng

### NOMINATION COMMITTEE

Mr. Cheung Siu Lam (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Wang Jian Sheng  
Mr. Tsang Kwok Wai

### PRINCIPAL BANKERS

ICBC

### SHARE REGISTRAR

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

### REGISTERED OFFICE

Suite 5606  
56th Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

### STOCK CODE: 605

### WEBSITE

[www.cfsh.com.hk](http://www.cfsh.com.hk)

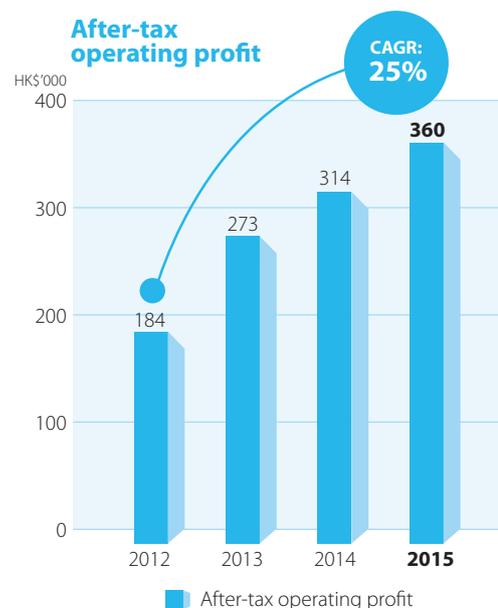
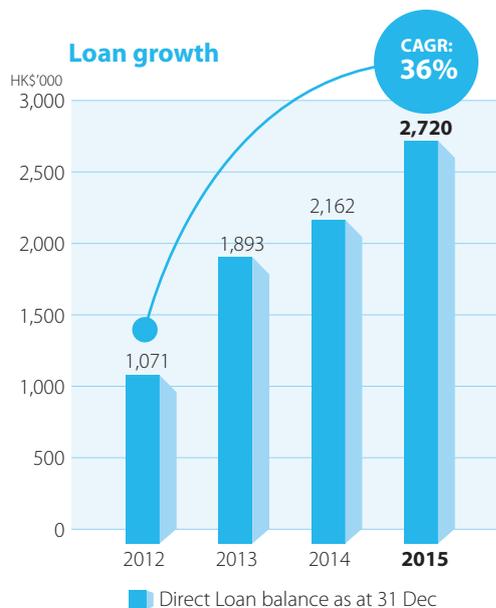
### INVESTORS RELATION

[0605ir@cfsh.com.hk](mailto:0605ir@cfsh.com.hk)



## FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage change %
	2015 HK\$'000	2014 HK\$'000	
Interest and services income	<b>725,490</b>	560,496	29.4
After-tax operating profit attributable to equity shareholders (excluding effect on fair value change on convertible note and share-based payment expenses)	<b>359,964</b>	313,842	14.7
ROE (After tax operating profit attributable to equity shareholders/(Total equity attributable to equity shareholders-Goodwill))	<b>15.4%</b>	16.6%	(7.0)
Profit for the year attributable to equity shareholders of the Company	<b>345,815</b>	293,634	17.8
Basic earnings per share (HK cents)	<b>9.443</b>	8.785	7.5





## CHAIRMAN'S STATEMENT



### Overview

On behalf of the board of directors (the “Board” or the “Directors”) of China Financial Services Holdings Limited (“CFS” or the “Company”, together with its subsidiaries, collectively the “Group”), I am pleased to present to the shareholders the annual results of CFS for the twelve months ended 31 December 2015.

### 2015 Annual Results

For CFS Group, 2015 was a year that we had successfully overcome many daunting challenges and also a year of achieving rapid development. As of 31 December 2015, turnover of the Group surged 29.4% year-on-year to approximately HK\$730 million; profit also maintained strong growth momentum, which amounted to HK\$350 million, representing a year-on-year growth of 17.8%; and basic earnings per share is HK9.44 cents, representing an increase of 7.5% as compared with 2014. Regarding the operating data, accumulated loan size of CFS has reached HK\$6.80 billion in 2015; the monthly average direct loan balance increased 21.8% to approximately HK\$2.30 billion as compared with the corresponding period last year; direct loan balance at the end of period increased 25.8% to HK\$2.72 billion as compared with the corresponding period last year. Meanwhile, the Group actively and strictly approved each loan during the year for control the bad debts risk. Furthermore, the single loan risks were dispersed for the satisfactory development of second lien loan business in Mainland China and Hong Kong, strong performance in newly launched automobile loan business, and the growth in the number of financing customers, which increased 44.2% to 1,040 from 2014, of which the proportion of existing customers accounted for 15.7%.

### Industry Overview

In 2015, global economic upheaval intensified, of which China economy suffered increasing pressure of economic downturn especially in the second half of the year. This includes significant capital market fluctuation and stock market tumbled precipitously. The situation that SMEs were facing was especially grim as perplexed by “financing is both difficult and costly”. In view of this, the People’s Bank of China further expanded its monetary easing measures such as trimming the reserve requirement ratio and interest rate on 7 occasions in total during the whole year, and while generally reducing the deposit reserve ratio of financial institutions, implementing the directional reserve requirement ratio reduction measure with targets several times was also in place, by which these had improved the capacity of financial institutions to support “agriculture, rural areas and farmers” and SMEs.

Furthermore, the national export-oriented strategy layout and the momentum of facilitating the development of cross-border finance for the purpose of establishing new trade finance business market was further implemented and facilitated in 2015. Under the encouraging strategies of “One Belt One Road” and enterprises “going global”, as at the end of 2015, the volume of China’s foreign direct investments was over trillion dollars for the first time. Trade development and industrial prosperity prompted the increase of SMEs financing demands through the supply chain which brought new businesses opportunities for the loan market.

The central government spared no efforts in stimulating the economy, such as striving to promote financial reform, pushing the deepening integration between internet and different industries, enriching the SMEs financing products through regulated development and guiding the inflow of various capital in an orderly manner. In March 2015, Premier Li Keqiang mentioned the “Internet+” vision in his Work Report during the two sessions, which adduced that internet finance had become an important industry in the PRC. It also indicated that the conditions for the development of the internet finance industry is more and more robust. In July, ten major authorities and commissions, including the People’s Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission, jointly issued the Guiding Opinions On Promoting the Healthy Development Of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), in which the boundaries, business rules and regulatory responsibilities for the internet finance industry are first determined and the concept of “Internet+” was fortified vigorously. It filled up the regulatory gaps of internet financing sector and also manifested China’s determination of standardizing this industry.

As a professional SMEs financial service provider, CFS Group endeavored to help business owners to get the funding and financial services they need by providing SMEs financing with an array of diversified financial services and solutions featuring efficiency and flexibility through different licenses in Mainland China and Hong Kong.



## CHAIRMAN'S STATEMENT

### Strategy Implementation

#### *Broadened our sources of funding and optimized shareholder structure*

In order to grasp market opportunities, the Group actively broadened the sources of funding last year. In March 2015, the Group successfully issued RMB300,000,000 with 6.5% coupon rate senior guaranteed bonds due in 2018, and the proceeds was used for the development of Hong Kong business and other general corporate purposes. In addition, the Group entered into placing agreements with Convoy Investment Services Limited in December 2014 and April 2015 respectively, arranging the placee to subscribe for the bonds with total principal amount up to HK\$350,000,000 during the placing periods. The proceeds were used to expand the financing service business to further enhance the liquidity of the Group. In May 2015, CFS introduced China United SME Guarantee Corporation ("Sinoguarantee") as its shareholder. It raised a total of HK\$300,000,000 through the issuance of 400,000,000 shares to Sinoguarantee at HK\$0.75 per share, representing 10.42% of the enlarged share capital, and the proceeds will be used to develop internet financing business and also as general working capital.

#### *Established cooperation relationship with renowned enterprises and extended geographic reach across our business*

The Group owned multi-facet financial service enterprises, including financing guarantee companies, small loan companies, pawnshops, (assets management companies), and lease financing companies. While endeavoring to deepen the concentration on current businesses, we also expanded our geographic presence across our business continuously. Immediately after introducing Sinoguarantee as its shareholders, the Group reached preliminary intention with Sinoguarantee to establish a joint venture company in China to develop the short-term financing service and to issue more offshore bonds when needed. Such cooperation with Sinoguarantee can effectively enhance the Group's credit capability and further reduce its financing costs. Moreover, by leveraging on the various advantages of Sinoguarantee, such as quality SMEs business resources, corporate credit rating, professional team and risk control, not only will it enhance the Group's business and risk management capability, but also strengthen the capacity of the Group to expand into internet financing and other segments in the future development.

To accelerate the pace of internet financial strategy of the Group, in August 2015, CFS entered into a memorandum of understanding with China Integrated Internet Financial Services (Shenzhen) Company Limited (中金聯合互聯網金融服務(深圳)有限公司) ("Zhong Jin Lian He") for the proposed acquisition of part of the direct or indirect equity interest in an internet finance platform developed by Zhong Jin Lian He. Zhong Jin Lian He Internet Finance Platform is an internet investment platform with moderate investment style which in the future will become our strategic partner when appropriate. We wish to widen our channel of obtaining clientele by leveraging its existing clients.



## CHAIRMAN'S STATEMENT

Furthermore, during the year, the Group cooperated with Beijing Phoenix Li Li Ta Information Technology Co, Ltd. (北京鳳凰理理它資訊技術有限公司) (“Phoenix Financial”) to jointly establish an integrated finance information service platform, “Li Li Dai”(理理貸), and jointly launched “Feng Jia Dai”(鳳加貸), a new online lending product targeting for the needs of second mortgage products of real estate market in Beijing. This is another major encouraging news after introducing Sinoguarantee as our strategic investor, taking an important step in moving towards internet financing for CFS Group.

During the year, the Group cooperated with China Development Bank Capital Corporation Limited (“CDBC”) and Beijing Municipal Commission of Development & Reform (“BJMCDR”) to jointly invest and establish CFSH Urban Development (Beijing) Small Loan Co., Ltd. (中金城開(北京)小額貸款有限公司) in Miyun County, Beijing with a registered capital of RMB400,000,000 in which the Group holds 80% equity interest. The focus is to engage in the provision of financial service for the development of SMEs, “agriculture, rural areas and farmers” and small town construction in Beijing area. The successful signing and substantiated development of the project will further improve the influence and attraction of the modern service industry in Beijing particularly Miyun County, and promote the development of related industries.

### Industry Recognition

After many years of cultivation by CFS, its results are already recognized in various aspects. In April 2015, CFS distinguished itself and successfully ranked the 16th Place of the “2015 Top 100 Chinese Listed Enterprises with Tremendous Potential” of Forbes among the numerous high-growth listed enterprises.

In July, the 4th China Finance Summit was held in Beijing. It is a great brainstorming conference that has the most influential impact on domestic economy and CFS Group was honoured to be invited to participate and was awarded the “Enterprise with Highest Growth Potential Award in 2015”.

The “One Belt One Road” (Hong Kong) Summit Forum cum the 5th China Securities Golden Bauhinia Award Presentation Ceremony, co-hosted by Takung News Office in Hong Kong, the Listed Companies Association of Beijing, the Hong Kong Chinese Enterprises Association and Chinese Securities Association of Hong Kong, was held in November. CFS Group won “Best Investment Value Award for Listed Companies” for the year of 2015 with high value because of its sound operating results, promising development prospects and sound social benefits.

### Future Prospects

At the beginning of 2016, the plunge of the Chinese stock market and continuous depreciation of RMB exchange rate concussed a number markets globally, which clearly demonstrated that we are in a new layout of financial globalization and information globalization. We expect that the global economy, including China economy, will continue to be volatile and unpredictable in 2016, however, it also underlays tremendous market opportunities.



## CHAIRMAN'S STATEMENT

In light of market changes, CFS Group will adhere to the business vision of being “Professional, Saneness, Innovative, Practical”, continue to play a catalytical role in helping many quality SMEs on their career paths. Last year, the Group progressively developed the businesses in other regions, stepped up the efforts in product innovation and provided financing by taking full advantage of internet finance platforms. We expect these progresses will provide a solid base for obtaining further development of the Group. Apart from the continuous development of short-term financing services in SMEs and second lien loan, the Group will also develop other standardized products, such as housing loans, car mortgage loans and SMEs micro loans. The Group's financing services and mortgage loan business will continue to develop steadily. To further step up its efforts in product improvement, the Group will continue to strengthen its short-term financing services in Beijing.

In the internet era, the Group will also expand financial channels and reduce expansion costs for the regional internet of things outlets by progressively developing online business expansion, thereby enhancing the competitiveness of the Group. CFS has always paid great attention to the strategic cooperation with other large-scale enterprises and expanded its business to broader customer base through more scalable and effective methods. Since the successive cooperation with Beijing Home Link Group, Weiye Wo Ai Wo Jia Group, Beijing Huichong International Information Company Limited in the beginning of 2014, and also Sinoguarantee, Phoenix Financial and Zhong Jin Lian He Internet Finance Platform last year, the Group will continue to identify suitable partners.

I would like to take this opportunity to express my sincere thanks to all the directors and staffs, thanks for the wise counseling and diligent works last year which was full of challenges. I would also like to express my gratitude to all the shareholders and customers for their continuous trust and support. They are our limitless source of energy in inspiring our growth and innovation.

**Cheung Siu Lam**

*Chairman*

Hong Kong, 21 March 2016

## Corporate Governance

The board of directors (the “Board”) of the Company has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (the “Group”) to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The Board is of the view that throughout the year ended 31 December 2015, the Company has complied with most of the code provisions as set out in the CG Code, except for code provisions A.1.1, A.2.1 and A.6.1 and details will be set out below.

## Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors’ dealings in the Company’s securities (the “Company Code”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made of all directors and directors have confirmed that they have complied with the Company Code throughout the year ended 31 December 2015.

The Company has also established written guidelines no less exacting than the Model Code (the “Employees Written Guidelines”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## Board of Directors

The Board currently comprises nine members, consisting of three executive directors, three non-executive directors and three independent non-executive directors as follows:

### **Executive Directors:**

Luo Rui (*Chief Executive Officer*)

Guan Xue Ling

Cheung Chai Hong



## CORPORATE GOVERNANCE REPORT

### **Non-executive Directors:**

Cheung Siu Lam (*Chairman*)<sup>5</sup>

Zhang Xiaobin

Huang Mei

### **Independent Non-executive Directors:**

Chan Chun Keung<sup>2 4 6</sup>

Wang Jian Sheng<sup>2 4 6</sup>

Tsang Kwok Wai<sup>1 3 6</sup>

- <sup>1</sup> Audit Committee Chairman
- <sup>2</sup> Audit Committee Members
- <sup>3</sup> Remuneration Committee Chairman
- <sup>4</sup> Remuneration Committee Members
- <sup>5</sup> Nomination Committee Chairman
- <sup>6</sup> Nomination Committee Members

The biographical information of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 25 to 29 of the annual report for the year ended 31 December 2015.

The relationships between the members of the Board are disclosed under “Biographical Details of Directors and Senior Management” on pages 25 to 29.

### *Chairman and Chief Executive Officer*

The Chairman of the Board is Mr Cheung Siu Lam, and the Chief Executive Officer is Mr Luo Rui. With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company’s day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board’s approval.

Code provision A.2.1 of the CG Code stipulates that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Board considers that the Chairman’s responsibilities are to manage the Board whereas the Chief Executive Officer’s responsibilities are to manage the Company’s businesses. The responsibilities of the Chairman and the Chief Executive Officer respectively are clear and distinctive and hence written terms thereof are not necessary.



## CORPORATE GOVERNANCE REPORT

### *Independent Non-executive Directors*

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

### *Non-executive Directors and Directors' Re-election*

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the non-executive directors of the Company is appointed for a specific term of 1 year and is subject to retirement by rotation once every three years.

### *Responsibilities, Accountabilities and Contributions of the Board and Management*

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.



## CORPORATE GOVERNANCE REPORT

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

### *Continuous Professional Development of Directors*

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.



## CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, a summary of training received by directors according to the records provided by the directors is as follows:

<b>Directors</b>	<b>Training on Corporate Governance, Regulatory Development and Other Relevant Topics</b>
<i>Executive Directors</i>	
Luo Rui ( <i>Chief Executive Officer</i> )	✓
Guan Xue Ling	✓
Cheung Chai Hong	✓
<i>Non-executive Directors</i>	
Cheung Siu Lam ( <i>Chairman</i> )	✓
Zhang Xiaobin	✓
Huang Mei	✓
<i>Independent Non-executive Directors</i>	
Chan Chun Keung	✓
Wang Jian Sheng	✓
Tsang Kwok Wai	✓

### Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.



## CORPORATE GOVERNANCE REPORT

### *Audit Committee*

The main duties of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual items raised by the chief financial officer or external auditors of the Company before submission to the Board, reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and making recommendation to the Board on the appointment, re-appointment and removal of external auditors, reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee also provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2015 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice.

### *Remuneration Committee*

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the directors and senior management and other related matters.

### *Nomination Committee*

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



## CORPORATE GOVERNANCE REPORT

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive directors, to consider the qualifications of the retiring directors standing for election at the annual general meeting and to consider and recommend to the Board on the resignation of Mr Chan Yuk Ming and Mr Tao Ye as non-executive directors and the appointment of Mr Zhang Xiaobin and Ms Huang Mei as non-executive directors.

### *Corporate Governance Functions*

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

### *Attendance Record of Directors and Committee Members*

Code provision A.1.1 of the CG Code stipulates that at least four regular Board meetings at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary. The Board held two regular board meetings during the year ended 31 December 2015 for approving the final results for the year ended 31 December 2014 and interim results for the period ended 30 June 2015 and transacting other business.



## CORPORATE GOVERNANCE REPORT

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2015 is set out in the table below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee	
Luo Rui	6/13	-	-	-	1/1
Guan Xue Ling	6/13	-	-	-	1/1
Cheung Chai Hong	12/13	-	-	-	1/1
Cheung Siu Lam	11/13	1/1	-	-	1/1
Zhang Xiaobin <sup>a</sup>	0/13	-	-	-	0/1
Huang Mei <sup>a</sup>	0/13	-	-	-	0/1
Chan Chun Keung	2/13	1/1	1/1	1/2	0/1
Wang Jian Sheng	1/13	1/1	1/1	0/2	0/1
Tsang Kwok Wai	3/13	1/1	1/1	2/2	1/1
Chan Yuk Ming <sup>b</sup>	1/13	-	-	-	0/1
Tao Ye <sup>b</sup>	0/13	-	-	-	0/1

<sup>a</sup> Appointed on 30 September 2015.

<sup>b</sup> Resigned on 30 September 2015.

Apart from regular Board meetings, the Chairman also held meetings with the non-executive directors (including independent non-executive directors) without the presence of executive directors during the year.

### Directors' Responsibility in Respect of the Financial Statements

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

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 42 to 43.



## CORPORATE GOVERNANCE REPORT

### Auditors' Remuneration

During the year under review, the remuneration paid to the auditors of the Group, is set out below:

<b>Service Category</b>	<b>Fees Paid/ Payable</b>
	HK\$
Audit Services	1,942,000

### Internal Controls

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

### Shareholders' Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

#### *Convening a General Meeting*

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

#### *Putting Forward Proposals at General Meeting*

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting.



## CORPORATE GOVERNANCE REPORT

### *Putting Forward Enquiries to the Board*

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 5606, 56/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong  
(For the attention of the Company Secretary)  
Fax: (852) 2598 8305  
Email: 0605ir@cfsh.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

### Communication with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including non-executive directors, independent non-executive directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to Articles of Association of the Company. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

On behalf of the Board  
**Cheung Siu Lam**  
*Chairman*



## MANAGEMENT DISCUSSION AND ANALYSIS

### Corporate Calendar

<b>March 2015</b>	Raised approximately RMB300,000,000 by issuing the 3-year senior guaranteed bonds with China United SME Guarantee Corporation (Sinoguarantee) and the Company as joint guarantor, and J.P. Morgan as the Sole Global Coordinator, Sole Lead Manager and Sole Bookrunner;
<b>March 2015</b>	Cooperated with Phoenix Financial Service Platform for promoting jointly internet financing products;
<b>April 2015</b>	Awarded the “China’s Most Promising Listed Companies in 2015” by Forbes;
<b>May 2015</b>	Raised approximately HK\$300,000,000 by private placement of 400,000,000 new shares to Sinoguarantee with a lock-up period of 36 months, evidencing the determination of deepened cooperation by both parties;
<b>July 2015</b>	Accepted the invitation to participate in the Fourth China Finance Summit and awarded the “2015 Most Growth Value Enterprise Award”;
<b>August 2015</b>	Entered into the memorandum of understanding with Zhong Jin Lian He Internet Financial Services (Shenzhen) Company Limited (“Zhong Jin Lian He”) for the proposed acquisition of part of the direct or indirect equity interest in an internet finance platform developed by Zhong Jin Lian He;
<b>November 2015</b>	Accepted the invitation to participate in the “One Belt One Road ” (Hong Kong) Summit Forum cum the Fifth China Securities Golden Bauhinia Awards ceremony and received the highly-valued award of the “2015 Best Investment Value Listed Company”.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

We are one of the major integrated SME financial service providers in China and Hong Kong, which principally engaged in the provision of short-term financing services (primarily comprised of pawn loans and small loans) and financial guarantee services to SMEs, microenterprises and individuals.

The majority of the pawn loans we extend to customers are secured by collateral in the form of real estate and automobiles. Pawn loans secured by real estate property account for the majority of our short-term financing in terms of outstanding loan amounts. We also provide pawn loans secured by automobiles. The Group started its standardized second mortgage loan service the end of last year with Hong Kong and Beijing as starting points. The standardized second mortgage loan service achieved fast and prosperous development during the period. As for our micro-lending loan segment, we engage in both secured and unsecured financing, with the majority of the micro-lending loan we provide are secured by real estate. In recent years, Hong Kong regulatory bodies closely monitored the credit approval conditions of banks to financial institutions, which brought relatively greater impact on small and medium-sized finance companies. Meanwhile, due to more stringent regulatory measures, it is relatively difficult for certain small and medium sized finance companies to grant loans, which results increase in market demand.

To cope with the growth on our loan book, we have increased gearing ratio to about 30% for the year 2015, through different channels such as issuance of senior secured bonds and unsecured bonds, raising fund from online lending platform and bank loans. The management will regularly monitor the gearing ratio for continued value accretion.

### Outlook

The Chinese economy will continue to undergo transformation, however, the management remains optimistic of the Group's long term prospects and will continue to seek new opportunities to maximize shareholder's value.

### Financial review

To further support real economic development and promote structural adjustment, last year, the People's Bank of China announced on several occasions that if the loan ratio provided to "agriculture, rural areas and farmers" or Small and Micro Enterprises by large state-owned commercial banks, joint-stock commercial banks and foreign banks had reached a targeted level for reserve ratio reduction, the deposit reserve ratio of such financial institutions could be reduced by 0.5 percentage point and the deposit reserve ratio of finance companies could be reduced by 3 percentage points. The purpose was to release more credit to reflect government support to the real economic construction such as "New Urbanization" and "One Belt One Road".





## MANAGEMENT DISCUSSION AND ANALYSIS

Despite the frequent easing macro-monetary policy, the Group continued to deliver satisfactory growth for the year ended 31 December 2015. At the end of the year the loans receivable was about HK\$3,316,877,000, up 53.4% as compared to end of last year. The accumulated loan management size at the year ended 31 December 2015 amounted to approximately HK\$2,720 million. The monthly average direct loan balance increased by 21.8% year-on-year to approximately HK\$2,296 million. As at 31 December 2015, the aggregate amount of loan guarantee provided by the Group was approximately HK\$2,387,000. Interest, guarantee and financing consultancy services income for the year amounted to HK\$725,490,000, up 29.4% as compared to the corresponding period last year. Profit attributable to equity shareholders for the year ended 31 December 2015 was HK\$345,815,000, up 17.8% as compared to the corresponding period last year. The increase was mainly attributable to increase in standardized second mortgage loan and micro-lending loans and also our expansion in geographic coverage. During the year, the Group actively and stringently reviewed and approved every loan for the purpose of controlling bad debts risks. We also reduce the average loan size, thus increase number of customers to reduce concentration risk.

### *Interest, guarantee and financing consultancy services income*

Interest, guarantee and financing consultancy services income including interest income for pawn loans, loans receivable from micro-lending and money-lending amounted to approximately HK\$155,036,000, interest income for other loans receivable amounted to approximately HK\$552,385,000, financing guarantee services income amounted to approximately HK\$73,000 and interest on designated loans receivable amounted to approximately HK\$17,996,000.

### *Interest and handling expenses*

Interest and handling expenses represents finance costs for the year ended 31 December 2015. The amount were approximately HK\$105,677,000, representing an increase of 155.3% over the corresponding period in 2014. The increase was attributable to the increase in gearing, mainly from the issuance of bonds.

### *General and Administrative Expenses*

General and administrative expenses for the year ended 31 December 2015 were approximately HK\$164,013,000, increased by 14.6%.



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Financial Resources and Capital Structure*

The assets of the Group were mainly comprised of loans receivable of approximately HK\$3,316,877,000, accounting for 68.6% of the total assets of the Group as of 31 December 2015. Other major assets include goodwill of about HK\$616,316,000, accounts receivable of approximately HK\$51,409,000, interests receivable of approximately HK\$33,246,000, pledged bank and security deposits paid of approximately HK\$53,224,000, other receivables, deposits and prepayments of approximately HK\$30,194,000, available-for-sale investments of approximately HK\$42,067,000 and cash and cash equivalents of approximately HK\$668,603,000.

Current liabilities mainly comprised short-term borrowings of approximately HK\$917,789,000, bank loans of approximately HK\$75,745,000, security deposits received of about HK\$5,722,000, other payables, deposits received and accruals of approximately HK\$44,389,000, liabilities arising from loan guarantee contracts of about HK\$59,000, income received in advance of about HK\$8,534,000 and tax payable of about HK\$96,145,000. Non-current liabilities includes bonds of about HK\$602,990,000 and deferred tax liabilities of about HK\$6,770,000.

### *Employee and Remuneration Policies*

As at 31 December 2015, the Group had approximately 159 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the year ended 31 December 2015 including employee share option expenses were about HK\$42,211,000.

## MANAGEMENT DISCUSSION AND ANALYSIS



### *Use of Proceeds*

During the year, the Group raise capital through issuance of several bonds and issuance of new share to Sinoguarantee.

The net proceeds were utilized in accordance with the purposes as set out below:

	<b>Working capital and other general corporate purpose</b>	<b>PRC business development</b>	<b>HK business development</b>
2018 RMB Senior Bonds	155,000,000		200,000,000
2018 HKD unsecured bonds		53,000,000	
2022 HKD unsecured bonds		195,000,000	
New share subscription	190,000,000		110,000,000



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Liquidity and Gearing Ratio*

The Group maintains a healthy liquidity position. As at 31 December 2015, the current ratio of the Group was 3.59 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings (including current and non-current borrowings and security deposits received) less cash and cash equivalents and pledged bank and security deposits paid divided by total equity. As at 31 December 2015, the gearing ratio was about 28.64%.

### *Fair Value Estimation*

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

### *Contingent Liabilities*

Save for the contingent liabilities arising from our financial guarantee business under the heading Financial Guarantee disclosed above, the Group may become involved in certain legal proceedings relating to claims arising out of operations in the normal course of business. However, none of these proceedings, individually or in aggregate, is expected to have material adverse effect on the Group's financial situation or operational results.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Luo Rui**, aged 48, is the chief executive officer of the Group and is responsible for the overall business development and daily operation of the Group. Mr. Luo graduated with a Bachelor and Master's degree in Building Construction of Xi'an University of Architecture and Technology\* (西安建築科技大學). Mr. Luo has over 16 years of experience and a proven track record in commercial real estate investment and financing, assets acquisition, project development, market development and corporate management. Mr. Luo has been the chief architect and deputy general manager of a property developer in Hainan and the deputy general manager of a property management company in Beijing. Mr. Luo has extensive networks with senior management of property developers, major commercial banks and local authorities in Beijing. He is currently a councilor of the Beijing Guarantee Association\* (北京市擔保協會), the Beijing Association of Small and Medium Enterprises\* (北京市中小企業協會), the Beijing Association of Pawn Business\* (北京市典當協會) and the Beijing Microcredit Association\* (北京市小額貸款協會). He joined the Group in June 2011.

Mr. Luo does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

**Madam Guan Xue Ling**, aged 41, is the chief operating officer of the Group. Madam Guan has over 12 years of strategic decision making and practical experiences in listed companies auditing, corporate merger and acquisition, equity acquisition, transfer as well as project investment and financing.

Madam Guan joined the Group in June 2011, mainly responsible for risk management, accounting affairs and treasury management of the Group.

Madam Guan successively held the posts of quality control manager, auditing manager, assessment manager, chief auditor and head of the auditing department in domestic accounting firms, large state-owned enterprises, large private companies and foreign-invested companies. She is familiar with accounting and valuation standards. During her years with accounting firms, she had participated in the auditing work of a number of large state-owned enterprises, foreign-invested enterprises and private enterprises, such as China Resources Land, Sinobo Group and Suning Corporation. She also participated in various initial public offerings audit and internal audit, such as BBMG Corporation, Enlight Media and Ningxia Yellow River Rural Commercial Bank. She had led and participated in various auditing projects spanning across the real estate, manufacturing, media, retail, logistic and finance sectors and has extensive experiences in financial auditing and internal auditing.

Madam Guan graduated from Capital University of Economics and Business with a Postgraduate Degree in Business Administration. She is also a certified public accountant, a qualified asset appraiser in the People's Republic of China (the "PRC") and a party member of China Democratic National Construction Association.

Madam Guan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

**Mr. Cheung Chai Hong**, aged 30, is the executive Vice President of the Group. Mr. Cheung is responsible for the daily operations in Hong Kong and heads the investor relations team of the Group.

\* For identification purposes only



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Prior to joining us, he has been the managing director of POC Holdings (HK) Limited (“POCH”) and the chairman and leading founder of The Wine Company Limited, a fine wine retail and trading company. Mr. Cheung previously worked in PAG Capital, an Asia-focused asset management company which has an asset under management size over US\$4 billion. Prior to joining PAG Capital, he also worked in Barclays Capital and focused on equity research on the retail and FMCG sector. Mr. Cheung Chai Hong holds a Bachelor Degree in Business Studies from University of Warwick and a Master Degree in Analysis, Design and Management of Information Systems from London School of Economics and Political Science.

Mr. Cheung Chai Hong is the son of Mr. Cheung Siu Lam, the Chairman of the Group and Madam Lo Wan, a substantial shareholder of the Company. Save as disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

### Non-Executive Directors

**Mr. Cheung Siu Lam**, aged 57, is a co-founder and Chairman of the Group. Before establishing the Group, Mr. Cheung worked for Beijing Machinery Import & Export Company for many years. Mr. Cheung has extensive experience in trading, retailing, food processing and property management in the PRC. Mr. Cheung is responsible for the overall strategic planning and corporate development of the Group. Mr. Cheung is the chairman of the Nomination Committee of the Company.

Mr. Cheung Siu Lam is the spouse of Madam Lo Wan, a substantial shareholder of the Company and the father of Mr. Cheung Chai Hong, the executive director of the Company and the executive Vice President of the Group. Save as disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

**Mr. Zhang Xiaobin**, aged 62, joined the Group in September 2015. He has over 30-year experience in investment and financial business. From 2010 to 2015, he worked with JPMorgan China as a managing director and China senior advisor. He worked closely with the senior management team in driving JPMorgan’s franchise expansion in China with his deep understanding and knowledge of China’s capital market. From 2012 to 2015, he was the founding chairman of Supervision Board of China United SME Financial Guarantee Corp., which is a joint venture of JPMorgan and local institutions, the largest credit guarantee company in China. Prior to his role with JPMorgan, Mr. Zhang was the chairman of General’s Garden, a non-profit organization.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Before joining JPMorgan, Mr. Zhang was the chairman of Venture Investment Consulting Co. Prior to that, he held various important roles, including one of the founders of Chinese Stock Exchange system, Secretary General of Stock Exchange Executive Council, chairman and chief executive officer of China Venturetech Investment Corp, chairman of China Assets (Holdings) Ltd. (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and China Assets Management Ltd. Before 1985, Mr. Zhang served as deputy director of National Research Center For Science and Technology For Development of China.

Mr. Zhang graduated in 1977 from Xi'an JiaoTong University with a major of Mechanical Engineering. He used to be a UNESCO Scholar from 1981 to 1982, visiting scholar at Stanford University in 1983 and was selected as an Eisenhower Fellow in 1987. In 1994, he studied in Advanced Management Program at Harvard Business School.

Mr. Zhang is currently the chairman and an executive director of Sino Resources Group Limited (a company listed on the Stock Exchange).

Mr. Zhang does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

**Madam Huang Mei**, aged 47, joined the Group in September 2015. She has rich experience in financial management and investment business. She is the chief financial officer of China United SME Guarantee Corporation. From 2000 to 2012, Madam Huang was the financial controller of Shell China Exploration Co., Ltd.\* (殼牌中國勘探有限公司), economic analyst of Shell International Co., Ltd.\* (殼牌國際有限公司), financial controller of Jiangsu Sinopec and Shell Petroleum Marketing Co., Ltd.\* (江蘇中石化殼牌石油銷售有限公司) and internal audit director of Shell (China) Ltd..

From 1998 to 2000, Madam Huang was the accounting manager of Beijing Rhone-Poulenc Pharmaceutical Co., Ltd.\* (北京羅納普朗克製藥有限公司). She was the treasurer of Novartis China Headquarters\* (諾華中國總部) from 1997 to 1998 and manager of the Investment Department of Brilliance (China) Holding Limited\* (華晨(中國)控股有限公司) from 1992 to 1997.

Madam Huang is a fellow member of The Association of Chartered Certified Accountants in England, obtained an EMBA degree from Guanghua School of Management of Peking University, and a graduate student of a master's degree from the Graduate School of the People's Bank of China.

Madam Huang does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Independent Non-Executive Directors

**Mr. Wang Jian Sheng**, aged 63, graduated from Luoyang Industrial Institution (currently known as Henan Technology University) with a degree in engineering. He has been involved in industrial businesses for more than 28 years and has worked in the Project Department of China Everbright Industrial Company for four years. Mr. Wang is the chairman of Strong Petrochemical Holdings Limited (a company listed on the Stock Exchange). Mr. Wang joined the Group in 1996 and was an independent non-executive director of the Company before his retirement at the annual general meeting of the Company held on 20 May 2014. Mr. Wang re-joined the Company in June 2014 and is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Wang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

**Mr. Chan Chun Keung**, aged 65, joined the Group in November 2000. Mr. Chan has extensive experience in trading and investment in the PRC and is currently the vice-chairman of the Fukien Chamber of Commerce in Hong Kong and a committee member of the Foreign Investment Enterprises Association in the PRC. Mr. Chan is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

**Mr. Tsang Kwok Wai**, aged 46, joined the Group in May 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants; The Association of Chartered Certified Accountants; and The Taxation Institute of Hong Kong. Mr. Tsang is also an independent non-executive director of Century Ginwa Retail Holdings Limited (a company listed on the Stock Exchange). At present, Mr. Tsang runs his own firm and practises public accounting. He is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. Tsang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

### Senior Management

**Ms. Fu Jie**, aged 41, is the Vice President of the Group. Ms. Fu joined the Group in 2010, mainly responsible for mid-to-large sized direct loan business in Beijing. Ms. Fu has more than 10 years of experiences in project management and over 6 years of experience in large business operations with large-scale business and 4 years of experience in foreign currency management.

Ms. Fu holds a Bachelors' Degree in Accounting at the University of Financial Accounting Management Training.

**Mr. Lu Wei Jun**, aged 42, is the Vice President of the Group. Mr. Lu has approximately 21 years of working experience in banks and non-bank financial institutions and has over 10 years of practical experience in loan guarantee industry. Mr. Lu is responsible for the Group's loan guarantee business in Beijing. Mr. Lu graduated with a Bachelor degree in Law of Minzu University of China. Mr. Lu joined the Group in 2012.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chung Chin Keung**, aged 48, is the company secretary and financial controller of the Group. He joined the Group in October, 2004. Mr. Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. He has more than 25 years of experience in finance, accounting and management. Before joining the Group, Mr. Chung worked for various listed companies in Hong Kong and overseas and was a company secretary for a listed company in Hong Kong. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong. Mr. Chung is responsible for daily operations and financial operations in Hong Kong.

**Mr. Kan Lap Hung Don**, aged 40, is the chief executive officer of Hong Kong business. He is responsible for the daily operations and business development of Hong Kong. Mr. Kan has more than 14 years of experience in asset management and over 6 years of experience in operations management. Mr. Kan holds a bachelor degree of Accounting & Finance from the Middlesex University and a Master degree in Accounting and Finance from University of Birmingham. He joined the Group in November 2014. Prior to joining the Company, Mr. Kan held the role of managing director at CreditEast Wealth Management (HK) Limited and was the head of investment at Fuh Hwa SITE Asset Management Ltd. Mr. Kan also worked at Morgan Stanley and Bank of Tokyo-Mitsubishi. Mr. Kan is a SFC licensed Responsible Officer for Type 4 and Type 9 regulated activities.

**Ms. Luo Li Jun**, aged 35, is the head of Shanghai office. Ms. Luo is responsible for our daily operations and business development in Shanghai. Ms. Luo joined the Company in September 2014. She has more than 10 years of experience in business development with top tier financial institutions, such as Citibank and Standard Chartered, and 5 years of experience in business operations. Ms. Luo holds a Bachelor's Degree in business administration from East China Normal University.



## REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2015.

### Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries, are set out in note 12 to the financial statements respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap 622 of the laws of Hong Kong), including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on page 19 to 24 of this annual report. This discussion forms part of this director's report.

### Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy.

#### Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Further discussion on financial risk management is outlined in Note 42 to the consolidated financial statements.



## REPORT OF THE DIRECTORS

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Operational risk is mitigated and controlled through establishing robust internal controls, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis.

### Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

### Segment Information

An analysis of the Group's segment revenue, results, assets and liabilities for the year ended 31 December 2015 is set out in note 3 to the financial statements.

### Results and Dividends

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 151. The directors recommend the payment of a final dividend of HK1.36 cents per ordinary share for the year ended 31 December 2015 (2014: HK2.2 cents per ordinary share).

### Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 35 to the financial statements.

### Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

### Share Capital and Share Options

Details of movements in share capital and share options of the Company during the year, together with the reasons therefore, are set out in notes 34 and 37 to the financial statements, respectively.



## REPORT OF THE DIRECTORS

### Distributable Reserves

Profit for the year attributable to equity shareholders of the Company of HK\$105,147,000 (2014: loss of HK\$29,691,000) has been transferred to reserves. As at 31 December 2015, the Company's reserve available for distribution to shareholders amounted to approximately HK\$67,550,000 (2014: HK\$76,880,000) in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance.

### Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2015 are set out in note 23 and 24 to the financial statements.

### Remuneration Policy

The remuneration of employees (including Directors and senior management of the Group) is determined with reference to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions. Employees shall also be eligible to receive a discretionary year-end incentive bonus, which shall be determined by the Group at its absolute discretion taking into account, inter alia, the Group's operating performance, market conditions in which the Group operates and the individual's performance, payable at such time as the Group may consider appropriate, and discretionary share options.

### Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the audited financial statements in this report, is set out on page 152. This summary does not form part of the consolidated financial statements in this annual report.

### Major Customers and Suppliers

The Group is principally engaged in provision of short term financing services. The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's revenue and purchase respectively during the year.

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best of knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers.



## REPORT OF THE DIRECTORS

### Directors

The directors who held office during the year and up to the date of this report were:

#### *Executive Directors*

Luo Rui (*Chief Executive Officer*)

Guan Xue Ling

Cheung Chai Hong

#### *Non-executive Directors*

Cheung Siu Lam (*Chairman*)

Zhang Xiaobin (appointed on 30 September 2015)

Huang Mei (appointed on 30 September 2015)

#### *Independent Non-executive Directors*

Chan Chun Keung

Wang Jian Sheng

Tsang Kwok Wai

According to Article 105(A) of the Company's Articles of Association, Madam Guan Xue Ling, Mr. Chan Chun Keung and Mr. Tsang Kwok Wai shall retire by rotation at the annual general meeting and are eligible to offer themselves for re-election at the annual general meeting. Mr. Tsang Kwok Wai will not offer himself for re-election and will therefore retire at the annual general meeting as he intends to spend more time on his personal business. Madam Guan Xue Ling and Mr. Chan Chun Keung shall offer themselves for re-election at the annual general meeting. According to Article 96 of the Company's Articles of Association, Mr. Zhang Xiaobin and Madam Huang Mei shall retire at the annual general meeting and are eligible to offer themselves for re-election at the annual general meeting. The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").



## REPORT OF THE DIRECTORS

### Directors' Service Contracts

The non-executive director, Mr. Tao Ye has entered into a service contract with the Company for a term of two years commencing on 15 July 2011 and is subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Independent non-executive directors, namely Mr. Wang Jian Sheng and Mr. Chan Chun Keung entered into service contracts with the Company respectively for a term of one year commencing on 9 September 2004. Mr. Tsang Kwok Wai has entered into a service contract with the Company for one year commencing on 28 May 2007. Mr. Liu Hui has entered into a service contract with the Company for one year commencing on 8 October 2007. All of them are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than two months' notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

### Directors' Interests in Contracts

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

### Directors' Interests in Share Capital

As at 31 December 2015, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code"), were as follows:

#### *Long Positions in Shares and Underlying Shares of the Company*

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Cheung Siu Lam	Beneficial owner of 1,710,044,240 ordinary shares and 11,000,000 underlying shares, family interest of 402,640,000 ordinary shares and 11,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,199,084,240	22,000,000	57.48%
Luo Rui	Beneficial owner	3,230,000	20,000,000	0.60%
Guan Xue Ling	Beneficial owner	–	2,000,000	0.05%
Cheung Chai Hong	Beneficial owner	200,000	–	0.01%

Notes:

- The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.
- By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 402,640,000 ordinary shares and 11,000,000 underlying shares held by his spouse, Lo Wan.
- Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
- The percentage is calculated based on the total number of issued shares as at 31 December 2015.



## REPORT OF THE DIRECTORS

### Directors' Rights to Acquire Shares

Save as disclosed under the headings "Directors' Interests in Share Capital" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Interests in Substantial Shareholders

As at 31 December 2015, the following company and person were interested in 5% or more of the issued share capital of the Company according to the register kept by the Company under Section 336 of Part XV of the SFO:

#### *Long Positions in Shares and Underlying Shares of the Company*

Name	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Lo Wan	Beneficial owner of 402,640,000 ordinary shares and 11,000,000 underlying shares, family interest of 1,710,044,240 ordinary shares and 11,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,199,084,240	22,000,000	57.48%
China United SME Guarantee Corporation	Beneficial owner of 400,000,000 ordinary shares and 750,000,000 shares pledged by Cheung Siu Lam	1,150,000,000	–	29.76%

Notes:

- The number of shares represents the shares in which the substantial shareholder is deemed to be interested as a result of holding share options.
- By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 1,710,044,240 ordinary shares and 11,000,000 underlying shares held by Cheung Siu Lam.
- Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
- The percentage is calculated based on the total number of issued shares as at 31 December 2015.



## REPORT OF THE DIRECTORS

Save as disclosed above, no person had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of Part XV of the SFO.

### Share Option Scheme

The Company adopted a share option scheme on 7 June 2004 (the “2004 Scheme”) which was terminated on 6 June 2014. The Company adopted a new share option scheme (the “2014 Scheme”) at the Company’s annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date.

A summary of the 2014 Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the “Invested Entity”).
Participants	<ul style="list-style-type: none"><li>(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity;</li><li>(ii) any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity; any person or entity that provides technical, financial and legal support to the Group or any Invested Entity; and</li><li>(iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.</li></ul>
Total number of ordinary shares available for issue under the 2014 Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	342,908,633 ordinary shares and 8.96% of the existing issued share capital.



## REPORT OF THE DIRECTORS

Maximum entitlement of each participant

Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

such grant or further grant of options must be approved by the shareholders in a general meeting.

Period within which the securities must be taken up under an option

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the 2014 Scheme.

Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

Amount payable on acceptance of the option and the period within which such payment must be made

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK\$1.00 being payable by the grantee.

## REPORT OF THE DIRECTORS

Basis of determining the exercise price

Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options.

The remaining life of the 2014 Scheme

The 2014 Scheme remains in force until 19 May 2024.

During the year under review, 55,000,000 share options were granted under the 2014 Scheme.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2004 Scheme and the 2014 Scheme during the year:

Director	Date of offer	Exercise price HK\$	Outstanding at 1.1.2015	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2015	Exercise period	Closing price of the securities immediately before the date on which the options were offered HK\$	Fair value of each option at the date of grant HK\$
Cheung Siu Lam	04.10.07	0.479	10,000,000	-	-	-	10,000,000	04.10.07 - 03.10.17	0.460	0.235
	22.10.10	0.359	1,000,000	-	-	-	1,000,000	22.10.10 - 21.10.20	0.360	0.216
*Chan Yuk Ming	04.10.07	0.479	10,000,000	-	-	-	10,000,000	04.10.07 - 03.10.17	0.460	0.235
	22.10.10	0.359	2,000,000	-	-	-	2,000,000	22.10.10 - 21.10.20	0.360	0.216
*Tao Ye	04.10.07	0.479	5,000,000	-	-	-	5,000,000	04.10.07 - 03.10.17	0.460	0.235
	22.10.10	0.359	2,000,000	-	2,000,000	-	-	22.10.10 - 21.10.20	0.360	0.216
Luo Rui	22.10.10	0.359	2,000,000	-	2,000,000	-	-	22.10.10 - 21.10.20	0.360	0.216
	11.04.14	0.660	20,000,000	-	-	-	20,000,000	11.04.14 - 10.04.24	0.630	0.4624
Guan Xue Ling	22.10.10	0.359	2,000,000	-	-	-	2,000,000	22.10.10 - 21.10.20	0.360	0.216
Employees in aggregate	04.10.07	0.479	20,000,000	-	5,000,000	-	15,000,000	04.10.07 - 03.10.17	0.460	0.235
	22.10.10	0.359	1,000,000	-	-	-	1,000,000	22.10.10 - 21.10.20	0.360	0.216
Other eligible grantees	11.04.14	0.660	60,000,000	-	15,000,000	-	45,000,000	11.04.14 - 10.04.16	0.630	0.1425
	11.04.14	0.660	20,000,000	-	10,000,000	-	10,000,000	11.04.14 - 10.04.18	0.630	0.1998
	11.04.14	0.660	30,000,000	-	-	-	30,000,000	11.04.14 - 10.04.24	0.630	0.4623
	26.08.15	0.546	-	55,000,000	-	-	55,000,000	26.08.15 - 25.08.25	0.490	0.289

\* Chan Yuk Ming and Tao Ye resigned as non-executive directors of the Company on 30 September 2015.



## REPORT OF THE DIRECTORS

### Continuing Connected Transaction

As disclosed in the announcement dated 25 June 2015, a guarantee is provided by China United SME Guarantee Corporation (“Sinoguarantee”) to the Group in March 2015 for the Senior Bonds issuance. The guarantee is entered on 5 March 2015 between Sinoguarantee and Golden Bauhinia Investment Holdings Company Limited (a wholly-owned subsidiary of the Company incorporated in Hong Kong). The annual guarantee fee is RMB5,100,000 being 1.7% of RMB300 million guaranteed, during the three-year term of the Senior Bonds.

Given that Sinoguarantee has become a substantial shareholder of the Company on 25 June 2015 following the completion of the Subscription Agreement, the guarantee constituted continuing connected transaction for the Company (the “Continuing Connected Transaction”) under Chapter 14A of the Listing Rules. In accordance with the requirements of Rules 14A.49 and 14A.71 of the Listing Rules, details of the said Continuing Connected Transaction are included in this report.

The Company’s auditor was engaged to report on the Group’s Continuing Connected Transaction for the year ended 31 December 2015 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transaction under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transaction in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs, being Mr. Chan Chun Keung, Mr. Tsang Kwok Wai and Mr. Wang Jian Sheng, had reviewed the above Continuing Connected Transaction and confirmed that the transaction was entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the respective agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board of Directors, the Continuing Connected Transaction was entered into in the manners stated above.

### Purchase, Sale or Redemption of the Company’s Listed Securities

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



## REPORT OF THE DIRECTORS

### Retirement Schemes

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

### Corporate Governance

Details of the corporate governance are set out in the section headed “Corporate Governance Report” in this annual report.

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year.

### Auditor

The financial statements have been audited by Crowe Horwath (HK) CPA Limited, Certified Public Accountants. A resolution for their re-appointment as the Company’s auditor for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the board

### **Cheung Siu Lam**

*Chairman*

Hong Kong, 21 March 2016



## INDEPENDENT AUDITOR'S REPORT



國富浩華(香港)會計師事務所有限公司  
**Crowe Horwath (HK) CPA Limited**  
Member Crowe Horwath International

9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA FINANCIAL SERVICES HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of China Financial Services Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 44 to 151, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Directors' responsibility for the consolidated financial statements

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

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



## INDEPENDENT AUDITOR'S REPORT

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

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

### 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 Hong Kong Companies Ordinance.

#### **Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 21 March 2016

#### **Yau Hok Hung**

Practising Certificate Number P04911



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Interest, guarantee and financing consultancy</b>			
<b>services income</b>	3	<b>725,490</b>	560,496
Interest and handling expenses	3	<b>(105,677)</b>	(41,399)
<b>Net interest income and service income</b>			
Other income	3	<b>619,813</b>	519,097
General and administrative expenses	4	<b>37,562</b>	35,496
Share of loss of an associate		<b>(164,013)</b>	(143,176)
		<b>(2)</b>	(4)
<b>Profit before taxation</b>			
Income tax	5 6(a)	<b>493,360</b> <b>(140,308)</b>	411,413 (114,930)
<b>Profit for the year</b>		<b>353,052</b>	296,483
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>345,815</b>	293,634
Non-controlling interests		<b>7,237</b>	2,849
<b>Profit for the year</b>		<b>353,052</b>	296,483
<b>Earnings per share</b>			
	10	<b>HK cents</b>	HK cents
– Basic		<b>9.443</b>	8.785
– Diluted		<b>9.409</b>	8.529

The notes on pages 51 to 151 form an integral part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 35(b).



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Profit for the year</b>		<b>353,052</b>	296,483
<b>Other comprehensive loss for the year, net of nil income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		(171,339)	(4,626)
Available-for-sale investments: net movement in the fair value reserve	9	809	790
<b>Other comprehensive loss for the year, net of nil income tax</b>		<b>(170,530)</b>	(3,836)
<b>Total comprehensive income for the year</b>		<b>182,522</b>	292,647
<b>Attributable to:</b>			
Equity shareholders of the Company		183,024	289,860
Non-controlling interests		(502)	2,787
<b>Total comprehensive income for the year</b>		<b>182,522</b>	292,647

The notes on pages 51 to 151 form an integral part of these financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	5,265	5,148
Goodwill	13	616,316	654,528
Interest in an associate	14	3,705	3,856
Available-for-sale investments	15	42,067	31,832
Loans receivable	17	22,699	–
		<b>690,052</b>	695,364
<b>Current assets</b>			
Financial assets at fair value through profit or loss	16	15,291	–
Loans receivable	17	3,294,178	2,162,264
Accounts receivable	18(a)	51,409	20,631
Interests receivable	18(b)	33,246	14,443
Other receivables, deposits and prepayments	19	30,194	7,892
Tax recoverable	6(c)	–	151
Pledged bank and security deposits paid	20	53,224	146,383
Cash and cash equivalents	21	668,603	153,014
		<b>4,146,145</b>	2,504,778
<b>Current liabilities</b>			
Short-term borrowings	22	917,789	430,735
Bank loans	23	75,745	68,452
Convertible note	24	–	26,728
Security deposits received	25	5,722	–
Amount due to an associate	28	3,151	3,549
Other payables, deposits received and accruals	26	44,389	15,388
Liabilities arising from loan guarantee contracts	27	59	639
Income received in advance		8,534	7,461
Financial derivatives	29	493	266
Tax payable	6(c)	96,145	69,808
		<b>1,152,027</b>	623,026
<b>Net current assets</b>		<b>2,994,118</b>	1,881,752
<b>Total assets less current liabilities</b>		<b>3,684,170</b>	2,577,116



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current liabilities</b>			
Senior bonds	31	355,233	–
Unsecured bonds due 2018	32	53,112	–
Unsecured bonds due 2022	33	194,645	–
Deferred tax liabilities	30	6,770	6,421
		<b>609,760</b>	6,421
<b>NET ASSETS</b>		<b>3,074,410</b>	2,570,695
<b>EQUITY</b>			
Share capital	34	1,746,674	1,420,378
Reserves	35	1,201,735	1,125,257
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>2,948,409</b>	2,545,635
Non-controlling interests		126,001	25,060
<b>TOTAL EQUITY</b>		<b>3,074,410</b>	2,570,695

The consolidated financial statements on pages 44 to 151 were approved and authorised for issue by the board of directors on 21 March 2016 and were signed on its behalf by:

**Cheung Siu Lam**  
Director

**Cheung Chai Hong**  
Director

The notes on pages 51 to 151 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity shareholders of the Company										
	Note	Share capital HK\$'000	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve HK\$'000	Statutory surplus reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2014		312,908	943,981	12,919	39,013	(1,453)	18,768	764,329	2,090,465	40,746	2,131,211
Changes in equity in 2014:											
Profit for the year		-	-	-	-	-	-	293,634	293,634	2,849	296,483
Other comprehensive loss	9	-	-	-	(4,564)	790	-	-	(3,774)	(62)	(3,836)
Total comprehensive income		-	-	-	(4,564)	790	-	293,634	289,860	2,787	292,647
Transition to no-par value regime on 3 March 2014		943,981	(943,981)	-	-	-	-	-	-	-	-
Equity settled share-based transactions		-	-	20,316	-	-	-	-	20,316	-	20,316
Shares issued under share option scheme		575	-	(216)	-	-	-	-	359	-	359
Shares issued under Top-up placement		165,000	-	-	-	-	-	-	165,000	-	165,000
Share issue expenses in relation to Top-up placement		(2,086)	-	-	-	-	-	-	(2,086)	-	(2,086)
Dividend paid		-	-	-	-	-	-	(34,291)	(34,291)	-	(34,291)
Acquisition of non-controlling interests in a subsidiary		-	-	-	-	-	-	16,012	16,012	(18,473)	(2,461)
Transfer to reserve		-	-	-	-	-	2,374	(2,374)	-	-	-
Balance at 31 December 2014 and 1 January 2015		1,420,378	-	33,019	34,449	(663)	21,142	1,037,310	2,545,635	25,060	2,570,695
Changes in equity in 2015:											
Profit for the year		-	-	-	-	-	-	345,815	345,815	7,237	353,052
Other comprehensive loss	9	-	-	-	(163,600)	809	-	-	(162,791)	(7,739)	(170,530)
Total comprehensive income		-	-	-	(163,600)	809	-	345,815	183,024	(502)	182,522
Equity settled share-based transactions		-	-	14,149	-	-	-	-	14,149	-	14,149
Shares issued under share option scheme		26,549	-	(6,218)	-	-	-	-	20,331	-	20,331
Shares issued under subscription agreement		300,000	-	-	-	-	-	-	300,000	-	300,000
Share issue expenses in relation to subscription agreement		(253)	-	-	-	-	-	-	(253)	-	(253)
Capital contribution from non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	-	101,443	101,443
Dividend paid		-	-	-	-	-	-	(114,477)	(114,477)	-	(114,477)
Transfer to reserve		-	-	-	-	-	7,691	(7,691)	-	-	-
<b>Balance at 31 December 2015</b>		<b>1,746,674</b>	<b>-</b>	<b>40,950</b>	<b>(129,151)</b>	<b>146</b>	<b>28,833</b>	<b>1,260,957</b>	<b>2,948,409</b>	<b>126,001</b>	<b>3,074,410</b>

The notes on pages 51 to 151 form an integral part of these financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Operating activities</b>			
Profit before taxation		493,360	411,413
Adjustments for			
Depreciation of property, plant and equipment	5(b)	2,455	4,940
Impairment loss for available-for-sale investments	5(b)	17,039	5,936
Gain on disposal of available-for-sale investments	4	(503)	(4,902)
Gain on disposal of property, plant and equipment	4	(115)	–
Impairment loss for loans receivable	17(b)	9,141	1,269
Reversal of provision for undue liability and guarantee compensation	5(b)	(564)	(3,150)
Bank interest income	4	(5,319)	(5,299)
Interest and handling expenses	3	105,677	41,399
Dividend income from available-for-sale investments	4	(917)	(1,302)
Share of loss of an associate		2	4
Equity-settled share-based payment expenses	5(b)	14,149	20,316
Fair value change of financial derivatives	4	227	(734)
Fair value change of convertible note	4	–	(108)
Loss/(gain) on redemption of convertible note	4	1,192	(2,053)
Loss on translation of convertible note at FVTPL denominated in a foreign currency into the functional currency	4	–	170
		<b>635,824</b>	467,899
Changes in working capital			
Increase in loans receivable		(1,338,289)	(272,077)
Increase in financial assets at FVTPL		(15,782)	–
(Increase)/decrease in accounts receivable		(33,285)	1,892
(Increase)/decrease in interests receivable		(20,209)	1,131
Decrease in security deposits paid		25,602	33,461
Decrease in forfeited collateral held for sales		–	533
(Increase)/decrease in other receivables, deposits and prepayments		(28,123)	1,724
Increase in security deposit received		5,955	–
Increase/(decrease) in other payables, deposits received and accruals		30,022	(2,827)
Decrease in liabilities arising from loan guarantee contracts		–	(2,509)
Increase in income received in advance		1,632	2,100
		<b>(736,653)</b>	231,327
<b>Cash (used in)/generated from operations</b>		<b>(736,653)</b>	231,327
Taxation paid			
– PRC enterprise income tax	6(c)	(107,814)	(108,896)
Taxation refund			
– PRC enterprise income tax	6(c)	10	16
<b>Net cash (used in)/generated from operating activities</b>		<b>(844,457)</b>	122,447



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Investing activities</b>			
Purchase of property, plant and equipment	11	(2,818)	(3,023)
Proceeds from disposal of property, plant and equipment		118	–
Purchase of available-for-sale investments		(30,717)	(56)
Proceeds from sale of available-for-sale investments		4,755	11,685
Payment for acquisition of non-controlling interests in a subsidiary	12	–	(2,461)
Decrease/(increase) in pledged bank deposits		63,748	(76,674)
Bank interest received		5,319	5,299
Dividend received from available-for-sale investments	4	917	1,302
<b>Net cash generated from/(used in) investing activities</b>		<b>41,322</b>	<b>(63,928)</b>
<b>Financing activities</b>			
Capital contribution from non-controlling shareholders of subsidiary		101,443	–
Proceeds from new bank loans		77,690	50,705
Repayment of bank loans		(67,082)	(22,953)
Proceeds from new short-term borrowings		2,903,872	230,652
Repayment of short-term borrowings		(2,378,743)	(215,638)
Security deposit refunded		–	(109,833)
Payment for redemption of convertible note		(26,750)	(23,400)
Proceeds from the issue of senior bonds		355,892	–
Proceeds from the issue of unsecured bonds due 2018		52,200	–
Proceeds from the issue of unsecured bonds due 2022		192,600	–
Repayment to an associate		(174)	–
Proceeds from Top-up placement		–	162,914
Proceeds from shares issued under subscription agreement		300,000	–
Proceeds from exercise of share option		20,331	359
Coupon interest paid for convertible note		(1,170)	(5,683)
Other interest paid		(79,341)	(41,718)
Dividends paid		(114,477)	(34,291)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,336,291</b>	<b>(8,886)</b>
<b>Increase in cash and cash equivalents</b>		<b>533,156</b>	<b>49,633</b>
<b>Effect of foreign exchange rate changes</b>		<b>(17,567)</b>	<b>93</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>153,014</b>	<b>103,288</b>
<b>Cash and cash equivalents at end of the year</b>	21	<b>668,603</b>	<b>153,014</b>

The notes on pages 51 to 151 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 1. Corporate Information

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office and the principal place of business are Suite 5606, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

## 2. Significant Accounting Policies

### a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale investments or financial assets at fair value through profit or loss (see note 2(j));
- derivative financial instruments (see note 2(g)); and
- convertible note (see note 2(n)).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *b) Basis of preparation of the financial statements (Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 41.

#### *c) Changes in accounting policies*

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19 "*Employee Benefits*": *Defined benefit plans: Employee contributions*
- Annual Improvements to *HKFRSs 2010-2012 Cycle*
- Annual Improvements to *HKFRSs 2011-2013 Cycle*



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### c) *Changes in accounting policies (Continued)*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

##### *Amendments to HKAS 19 “Employee Benefits”: Defined benefit plans: Employee contributions*

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group did not have any defined benefit plans for its employees.

##### *Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle*

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24 “Related Party Disclosures” has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

#### d) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### d) *Subsidiaries and non-controlling interests (Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets, however, the choice of measuring non-controlling interests is limited to those types of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation. All other types of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(m), (n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(j)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### d) *Subsidiaries and non-controlling interests (Continued)*

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

#### e) *Associates*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *e) Associates (Continued)*

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(j)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

#### *f) Goodwill*

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On the disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

#### *g) Derivative financial instruments*

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *h) Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Leasehold improvements      3 years or over the remaining term of the lease, if shorter
- Furniture and equipment      3 to 5 years
- Motor vehicles                  3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *i) Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *i) Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

#### *ii) Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

#### *j) Financial assets*

Financial assets are recognised in the statement of financial position when an entity within the Group becomes a party to the contractual provisions of a financial instrument.

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

The Group's financial assets are classified into one of the three categories, including available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *j) Financial assets (Continued)*

##### *i) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

As an exception to this, available-for-sale financial assets that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)).

Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(t)(ii) and 2(t)(iii) respectively.

When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or when they expire.

##### *ii) Financial assets at fair value through profit or loss*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *j) Financial assets (Continued)*

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are stated at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Assets in this category are classified as current assets if expected to be settled within 12 months after the end of the reporting period; otherwise, they are classified as non-current.

##### *iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such case, loan and receivables are stated at cost less allowance for impairment of doubtful debts. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *j) Financial assets (Continued)*

##### *iii) Loans and receivables (Continued)*

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset 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 financial asset, 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.

#### *k) Impairment of assets*

##### *i) Impairment of investments in equity securities and other financial assets*

Investments in equity securities and other current and non-current financial assets that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### k) *Impairment of assets (Continued)*

##### i) *Impairment of investments in equity securities and other financial assets (Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).
- For available-for-sale securities that are measured at fair value at the end of the reporting period, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

- For available-for-sale equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured and are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### k) *Impairment of assets (Continued)*

##### i) *Impairment of investments in equity securities and other financial assets (Continued)*

- For loans and receivables, the Group use two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

- Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The impairment losses are recognised in profit or loss.

Cash flows relating to loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

- Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provisions for impairment losses.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### k) *Impairment of assets (Continued)*

##### i) *Impairment of investments in equity securities and other financial assets (Continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the Group determines that a loan or receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loan is written off against its provisions for impairment losses upon necessary approval.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against financial assets directly and any amounts held in the allowance account relating to that assets are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

##### ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- goodwill; and
- investments in subsidiaries and an associate in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### k) *Impairment of assets (Continued)*

##### ii) *Impairment of other assets (Continued)*

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies (Continued)

#### k) Impairment of assets (Continued)

##### iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

##### l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

##### m) Accounts and other payables

Accounts and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(q), accounts and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *n) Convertible note*

The convertible note consists of liability component, conversion option and other embedded derivatives which are not closely related to the host liability contract. Conversion options that will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's own equity instruments are not equity instruments and are considered as embedded derivatives not closely related to the host contract.

The Group has elected to designate its convertible note with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible note contains one or more embedded derivatives. Subsequent to initial recognition, the convertible note is measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The change in fair value recognised in profit or loss includes any interest paid for the convertible note.

Transaction costs that are directly attributable to the issue of the convertible note designated as financial liabilities at FVTPL are recognised immediately in profit or loss.

#### *o) Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

#### *p) Employee benefits and share-based payment arrangements*

##### *i) Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *p) Employee benefits and share-based payment arrangements (Continued)*

##### *ii) Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

##### *iii) Share-based payments to employees*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value is measured at grant date using the option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

##### *iv) Share-based payments to consultants*

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *q) Financial guarantees issued*

A loan guarantee contract is a contract that requires the issuer (that is, the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within liabilities arising from loan guarantee contracts. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(r) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in liabilities from guarantees in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

#### *r) Provisions and contingent liabilities*

##### *(i) Provisions for guarantee losses*

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect the profit or loss in future years.

Undue liability provision is recognised at 50% of the guarantee income in the year it is generated.

Guarantee compensation provision is recognised at 1% of the year-end balance of the guarantee liability in the year it arose.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *r) Provisions and contingent liabilities (Continued)*

##### *(ii) Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### *s) Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### s) *Income tax (Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### s) *Income tax (Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

#### t) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

##### i) *Revenue from short-term financing services*

- 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 revenue can be measured reliably. Interest income from a financial assets 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 assets to that asset's net carrying amount on initial recognition.
- Loan guarantee service income, consists of guarantee fee and related service income and is recognised in profit or loss on a straight-line basis over the guarantee period.
- Financing consulting service income is recognised when the services are rendered.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### t) *Revenue recognition (Continued)*

##### ii) *Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

##### iii) *Other interest income*

Other interest income is recognised as it accrues using the effective interest method.

##### iv) *Service income*

Revenue arising from the provision of the services is recognised when the relevant services are rendered.

##### v) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

#### u) *Translation of foreign currencies*

##### i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### *u) Translation of foreign currencies (Continued)*

##### *ii) Transactions and balances*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of foreign operation.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), the cumulative amount of the exchange differences in respect of that operation attributable to the equity shareholders of the Company are reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### v) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

#### w) *Related parties*

- a) A person, or a close member of that person's family, is related to the Group if that person:
  - i) has control or joint control over the Group;
  - ii) has significant influence over the Group; or
  - iii) is a member of the key management personnel of the Group or the Group's parent.
- b) An entity is related to the Group if any of the following conditions applies:
  - i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii) Both entities are joint ventures of the same third party.
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Significant Accounting Policies *(Continued)*

#### w) *Related parties (Continued)*

##### b) *(Continued)*

- v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- vi) The entity is controlled or jointly controlled by a person identified in (a).
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or the Group's parent.

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

#### x) *Segment reporting*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 3. Revenue and Segment Reporting

#### a) Revenue

The amount of each significant category of revenue during the year is as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Interest, guarantee and financing consultancy services income</b>		
Pawn loans, loans receivable from micro-lending and money-lending	155,036	71,453
Designated loan receivable (see note 17(iv))	17,996	–
Other loans receivable	552,385	485,846
Financing guarantees	73	3,197
	<b>725,490</b>	560,496
<b>Interest and handling expenses arising from:</b>		
Bank loans	(11,192)	(2,155)
Short-term borrowings	(50,508)	(39,244)
Senior bonds	(28,097)	–
Unsecured bonds due 2018	(2,589)	–
Unsecured bonds due 2022	(10,033)	–
Other finance costs	(3,258)	–
	<b>(105,677)</b>	(41,399)
<b>Net interest income and service income</b>	<b>619,813</b>	519,097

For the year ended 31 December 2015, the total amount of interest income on financial assets not at fair value through profit or loss, including bank interest income (note 4), was HK\$730,736,000 (2014: HK\$562,598,000).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 3. Revenue and Segment Reporting *(Continued)*

#### *b) Segmental Information*

##### *(i) Operating segment information*

For the years ended 31 December 2015 and 2014, the directors of the Company have determined that the Group has only one component/reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group.

##### *(ii) Geographical information*

The geographical location of customers is based on the location at which the services are rendered. Substantially over 90% of the Group's revenue from external customers, non-current assets and capital expenditure are located in the People's Republic of China ("PRC"), no analysis on revenue from external customers and non-current assets by location are presented.

##### *(iii) Information about major customers*

The Group's customer base is diversified, thus no single customer of the Group contributed 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 4. Other Income

	2015 HK\$'000	2014 HK\$'000
Bank interest income	5,319	5,299
Dividend income from available-for-sale investments	917	1,302
Income from government subsidies	18,883	19,535
Available-for-sale investments: reclassified from equity		
– Gain on disposal (note 9)	503	4,902
Gain on fair value change of financial assets at FVTPL		
– Gain on disposal	1,702	–
– Change on fair value of financial assets at FVTPL	1,022	–
	2,724	–
Gain on disposal of property, plant and equipment	115	–
Gain on fair value change on convertible note	–	108
(Loss)/gain on redemption of convertible note	(1,192)	2,053
Loss on translation of convertible note at FVTPL denominated in a foreign currency into the functional currency	–	(170)
	(1,192)	1,991
(Loss)/gain on fair value change of financial derivatives in respect of accumulator/decumulator contracts	(227)	734
Gain on disposal of forfeited collateral held for sales	1	4
Exchange gain/(loss), net	8,013	(817)
Others	2,506	2,546
	37,562	35,496



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 5. Profit Before Taxation

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

	2015 HK\$'000	2014 HK\$'000
<b>(a) Staff costs (including directors' emoluments):</b>		
Salaries, allowances and other benefits	35,098	28,285
Equity-settled share-based payment expenses	3,338	4,236
Contributions to defined contribution retirement plans	3,775	4,477
	<b>42,211</b>	36,998
<b>(b) Other items:</b>		
Depreciation	2,455	4,940
Operating lease charges in respect of properties (see note (ii) below)	9,998	6,487
Auditors' remuneration	1,942	1,538
Reversal of undue liability provision and guarantee compensation provision	(564)	(3,150)
Impairment losses		
– loans receivable	9,141	1,269
– available-for-sale investments (note 9)	17,039	5,936
Equity-settled share-based payment expenses (see note (i) below)	14,149	20,316

Notes:

- (i) Equity-settled share-based payment expenses include HK\$3,338,000 (2014: HK\$4,236,000) relating to staff costs which amount is also included in the total amount disclosed in note 5(a) for staff costs.
- (ii) For the year ended 31 December 2015, the Group paid operating lease charges (in respect of properties) of approximately HK\$1,484,000 (2014: HK\$1,486,000) and HK\$2,239,000 (2014: HK\$2,242,000) to 北京元長厚茶葉有限公司 and 北京東皇物業管理有限公司, respectively, of which a director of the Company is their legal representatives. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 6. Income Tax

a) *Taxation in the consolidated statement of profit or loss represents:*

	2015 HK\$'000	2014 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	1,403	–
<b>Current tax – PRC Enterprise Income Tax</b>		
Provision for the year	137,719	113,360
Under-provision in respect of prior years	434	492
<b>Deferred tax</b>		
Origination of temporary differences	752	1,078
	<b>140,308</b>	<b>114,930</b>

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.
- (ii) The provision for the Hong Kong Profits Tax of the subsidiaries established in HK and the Company are calculated at 16.5% (2014: 16.5%) of the estimated taxable profit for the year.
- (iii) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.
- (iv) The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2014: 25%) of the estimated taxable profits for the year.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 6. Income Tax (Continued)

b) *Reconciliation between tax expense charged to profit or loss and accounting profit at the applicable tax rates:*

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	<b>493,360</b>	411,413
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	<b>128,713</b>	105,603
Tax effect of non-taxable income	<b>(1,171)</b>	(751)
Tax effect of non-deductible expenses	<b>6,495</b>	5,691
Tax effect of temporary differences not recognised	<b>(33)</b>	11
Tax effect of tax losses not recognised	<b>6,688</b>	–
Tax effect of utilisation of unused tax losses previously not recognised	<b>(149)</b>	(188)
Under-provision of PRC Enterprise Income Tax in prior years	<b>434</b>	492
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	<b>752</b>	1,078
Others	<b>(1,421)</b>	2,994
Actual tax expense	<b>140,308</b>	114,930



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 6. Income Tax (Continued)

c) Current taxation in the consolidated statement of financial position represents:

	2015 HK\$'000	2014 HK\$'000
At 1 January	(69,657)	(64,880)
Provision for the year		
– PRC Enterprise Income Tax	(137,719)	(113,360)
– Hong Kong Profits Tax	(1,403)	–
Under-provision in respect of prior years	(434)	(492)
Taxation paid for PRC Enterprise Income Tax	107,814	108,896
Tax refunded from PRC Enterprise Income Tax	(10)	(16)
Exchange adjustment	5,264	195
At 31 December	(96,145)	(69,657)
Analysed for reporting propose as:		
Tax recoverable	–	151
Tax payable	(96,145)	(69,808)
	(96,145)	(69,657)



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 7. Directors' And Chief Executive's Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, and the chief executive's emoluments are as follows:

	Year ended 31 December 2015						
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-Total	Share-based payments (note viii)	Total	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors</b>							
Luo Rui ( <i>Chief executive officer</i> )	240	1,267	66	1,573	3,338	4,911	
Guan Xue Ling	240	507	-	747	-	747	
Cheung Chai Hong (note i)	240	-	-	240	-	240	
<b>Non-executive directors</b>							
Cheung Siu Lam ( <i>Chairman</i> ) (note ii)	-	2,540	18	2,558	-	2,558	
Chan Yuk Ming ( <i>Vice chairman</i> ) (note iii)	-	610	14	624	-	624	
Zhang Xiao Bin (note iv)	30	-	-	30	-	30	
Huang Mei (note iv)	30	-	-	30	-	30	
Tao Ye (note v)	90	-	-	90	-	90	
<b>Independent non-executive directors</b>							
Wang Jian Sheng	120	-	-	120	-	120	
Chan Chun Keung	120	-	-	120	-	120	
Tsang Kwok Wai	120	-	-	120	-	120	
	1,230	4,924	98	6,252	3,338	9,590	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 7. Directors' And Chief Executive's Emoluments (Continued)

	Year ended 31 December 2014					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-Total	Share-based payments (note viii)	Total
		HK\$'000	HK\$'000		HK\$'000	
<b>Executive directors</b>						
Luo Rui ( <i>Chief executive officer</i> )	163	853	67	1,083	4,236	5,319
Guan Xue Ling	163	303	-	466	-	466
Cheung Chai Hong (note i)	148	-	-	148	-	148
<b>Non-executive directors</b>						
Cheung Siu Lam ( <i>Chairman</i> ) (note ii)	-	2,978	17	2,995	-	2,995
Chan Yuk Ming ( <i>Vice chairman</i> ) (note iii)	-	949	17	966	-	966
Lo Wan (note vi)	15	-	-	15	-	15
Tao Ye (note v)	89	-	-	89	-	89
<b>Independent non-executive directors</b>						
Wang Jian Sheng	76	-	-	76	-	76
Chan Chun Keung	89	-	-	89	-	89
Tsang Kwok Wai	105	-	-	105	-	105
Liu Hui (note vii)	20	-	-	20	-	20
	868	5,083	101	6,052	4,236	10,288

Notes:

- (i) Mr. Cheung Chai Hong was appointed as the director of the Company during the year ended 31 December 2014. The amount for the relevant year represented his emoluments from the date of appointment.
- (ii) Mr. Cheung Siu Lam was re-designated from executive director to non-executive director on 20 May 2014.
- (iii) Mr. Chan Yuk Ming was re-designated from executive director to non-executive director on 20 May 2014 and resigned as captioned position on 30 September 2015. The amount for the relevant year represented his emoluments from 1 January 2015 to the date of resignation.
- (iv) Mr. Zhang Xiao Bin and Ms. Huang Mei were appointed as non-executive directors on 30 September 2015. The amounts for the relevant year represented their emoluments from the date of appointment.
- (v) Mr. Tao Ye resigned as non-executive director on 30 September 2015. The amount for the relevant year represented his emoluments from 1 January 2015 to the date of resignation.
- (vi) Ms. Lo Wan resigned as non-executive director on 20 May 2014. The amount for the relevant year represented her emoluments from 1 January 2014 to the date of resignation.
- (vii) Mr. Liu Hui resigned as independent non-executive director on 30 June 2014. The amount for the relevant year represented his emoluments from 1 January 2014 to the date of resignation.
- (viii) These represents the estimated value of share options granted to a director under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for share-based payments transactions as set out in note 2(p)(iii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Scheme" in the directors' report and note 37.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 7. Directors' And Chief Executive's Emoluments *(Continued)*

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

### 8. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments in the Group, three (2014: three) were directors of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2014: two) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and other benefits	2,674	1,480
Retirement scheme contributions	36	34
	<b>2,710</b>	1,514

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2015	2014
HK\$Nil up to HK\$1,000,000	1	2
HK\$1,500,001 to HK\$2,000,000	1	-

During the year ended 31 December 2015 and 2014, no emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 9. Other Comprehensive Loss

Components of other comprehensive loss, including re-classification adjustments, are as follows:

	Note	2015 HK\$'000	2014 HK\$'000
<b>Exchange differences on translation into presentation currency</b>		<b>(171,339)</b>	(4,626)
<b>Available-for-sale investments:</b>			
Changes in fair value recognised during the year		(15,727)	(244)
Reclassification adjustments for amounts transferred to profit or loss:			
– gain on disposal	4	(503)	(4,902)
– impairment losses	5(b)	17,039	5,936
Net movement in fair value reserve during the year recognised in other comprehensive income		809	790
		<b>(170,530)</b>	(3,836)

### 10. Earnings Per Share

#### a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$345,815,000 (2014: HK\$293,634,000) and the weighted average number of 3,662,195,925 ordinary shares (2014: 3,342,447,980 ordinary shares) in issue during the year, calculated as follows:

#### (i) Profit attributable to equity shareholders of the Company

	2015 HK\$'000	2014 HK\$'000
Profit attributable to equity shareholders	345,815	293,634

#### (ii) Weighted average number of ordinary shares (basic)

	2015 Number of Shares	2014 Number of Shares
Issued ordinary shares at 1 January	3,430,086,336	3,129,086,336
Effect of shares issued under subscription agreement	211,506,849	–
Effect of share options exercised	20,602,740	484,932
Effect of Top-up placement	–	212,876,712
Weighted average number of ordinary shares at 31 December	3,662,195,925	3,342,447,980



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 10. Earnings Per Share (Continued)

#### b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$345,815,000 (2014: HK\$291,643,000) and the weighted average number of ordinary shares of 3,675,386,648 shares (2014: 3,419,494,030 shares), calculated as follows:

#### (i) Profit attributable to equity shareholders of the Company (diluted)

	2015 HK\$'000	2014 HK\$'000
Profit attributable to equity shareholders	345,815	293,634
Effect of gain recognised on convertible note*	-	(1,991)
Profit attributable to equity shareholders (diluted)	345,815	291,643

#### (ii) Weighted average number of ordinary shares (diluted)

	2015 Number of Shares	2014 Number of Shares
Weighted average number of ordinary shares (basic) at 31 December	3,662,195,925	3,342,447,980
Effect of deemed issue of shares under the Company's share option scheme	13,190,723	13,417,398
Effect of conversion of convertible note*	-	63,628,652
Weighted average number of ordinary shares (diluted) at 31 December	3,675,386,648	3,419,494,030

\* For the year ended 31 December 2015, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding convertible note since the conversion would result in an increase in diluted earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 11. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1/1/2014	7,527	7,162	2,976	17,665
Additions	207	1,725	1,091	3,023
Disposals	–	–	(1,435)	(1,435)
Exchange adjustment	(24)	(2)	(13)	(39)
At 31/12/2014 and 1/1/2015	7,710	8,885	2,619	19,214
Additions	909	616	1,293	2,818
Disposals	–	(591)	(136)	(727)
Exchange adjustment	(450)	(240)	(93)	(783)
<b>At 31/12/2015</b>	<b>8,169</b>	<b>8,670</b>	<b>3,683</b>	<b>20,522</b>
<b>Accumulated depreciation and impairment</b>				
At 1/1/2014	5,159	3,458	1,959	10,576
Charge for the year	2,376	1,791	773	4,940
Disposals	–	–	(1,435)	(1,435)
Exchange adjustment	(8)	–	(7)	(15)
At 31/12/2014 and 1/1/2015	7,527	5,249	1,290	14,066
Charge for the year	43	1,654	758	2,455
Disposals	–	(591)	(133)	(724)
Exchange adjustment	(415)	(70)	(55)	(540)
<b>At 31/12/2015</b>	<b>7,155</b>	<b>6,242</b>	<b>1,860</b>	<b>15,257</b>
<b>Carrying amounts</b>				
<b>At 31/12/2015</b>	<b>1,014</b>	<b>2,428</b>	<b>1,823</b>	<b>5,265</b>
At 31/12/2014	183	3,636	1,329	5,148



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 12. Investments in Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
K.P.B. Group Holdings Limited	British Virgin Islands ("BVI")/Hong Kong	Ordinary US\$12	100%	–	Investment holding
K.P.B. Trading Limited	BVI/Hong Kong	Ordinary US\$4	–	100%	Investment holding
K.P.B. – T.C. Holdings Limited	BVI/Hong Kong	Ordinary US\$1	–	100%	Investment holding
K.P.B. Asset Holdings Limited	BVI/Hong Kong	Ordinary US\$6	–	100%	Investment holding
K.P.B. Marketing Limited	BVI/Hong Kong	Ordinary US\$2	–	100%	Investment holding
K.P.I. Convenience Retail Company Limited	BVI/Hong Kong	Ordinary US\$76,563	–	100%	Investment holding
K.P. Financial Group Limited	BVI/Hong Kong	Ordinary US\$1	–	100%	Investment holding
Charter Merit Limited	Hong Kong	2 ordinary shares	–	100%	Holding of a club membership
Charter Paradise Limited	Hong Kong	2 ordinary shares	–	100%	Holding of a club membership
K.P.A. Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Dormant
K.P.I. Development Limited	Hong Kong	2 ordinary shares and 10,000 non-voting deferred shares	–	100%	Securities trading
K.P.I. Industries Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Investment holding
K.P.I. International Trading Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Holding of a club membership and securities trading
K.P.I. Property Investment Company Limited	Hong Kong	2 ordinary shares	–	100%	Investment holding
KP Financial Holdings Limited	Hong Kong	1 ordinary share	–	100%	Investment holding
KP Financial Services Limited	Hong Kong	1 ordinary share	–	100%	Money lending

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 12. Investments in Subsidiaries (Continued)

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
QL Finance Company Limited	Hong Kong	1 ordinary share	–	100%	Money lending
Qian Long Assets Management Company Limited	Hong Kong	5,000,000 ordinary shares	–	100%	Assets management
Golden Bauhinia Investment Holdings Co., Ltd	Hong Kong	1,000,000 ordinary shares	–	100%	Investment holding
北京華夏興業融資擔保有限公司 (note a)	The PRC	Registered capital RMB300,000,000	100%	–	Provision of loan guarantee services and financing consultancy services
北京中嘉利通商貿有限公司 (note b)	The PRC	Registered capital RMB30,000,000	–	100%	Investment holding
北京中港佳鄰商業有限公司 (note c)	The PRC	Registered capital US\$13,000,000	–	100%	Provision of financing consultancy services
北京中金投財務諮詢有限公司 (note d)	The PRC	Registered capital US\$300,000	–	100%	Provision of financing consultancy services
北京中金港資產管理有限公司 (note e)	The PRC	Registered capital RMB500,000	–	100%	Provision of financing consultancy services
北京中金投典當行有限公司 (note f)	The PRC	Registered capital RMB150,000,000	–	100%	Money lending
北京惠豐融金小額貸款有限公司 (note g)	The PRC	Registered capital RMB50,000,000	–	70%	Micro-lending
北京中金城開小額貸款有限公司 (note h)	The PRC	Registered capital RMB400,000,000	80%	–	Micro-lending
上海安金金融信息服務有限公司 (note i)	The PRC	Registered capital RMB500,000	–	100%	Provision of financing consultancy services
北京融信嘉資產管理有限公司 (note j)	The PRC	Registered capital RMB5,000,000	–	100%	Provision of financing consultancy services
北京中金投商業經紀有限公司 (note k)	The PRC	Registered capital RMB500,000	–	100%	Provision of rental services



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 12. Investments in Subsidiaries *(Continued)*

Notes:

- a) 北京華夏興業融資擔保有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to June 2031.
- b) 北京中嘉利通商貿有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 15 years up to March 2023.
- c) 北京中港佳鄰商業有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to March 2028.
- d) 北京中金投財務諮詢有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to December 2030.
- e) 北京中金港資產管理有限公司 (“中金港” or “Zhongjingang”) is a limited liability company established in the PRC.
- f) 北京中金投典當行有限公司 (“典當行”) is a limited liability company established in the PRC. During the year ended 31 December 2014, its registered capital had been increased to RMB150,000,000 from RMB80,000,000.
- g) 北京惠豐融金小額貸款有限公司 (“惠豐小貸”) is a limited liability company established in the PRC.
- h) 北京中金城開小額貸款有限公司 is a sino-foreign enterprise established in the PRC.
- i) 上海安金金融信息服務有限公司 is a limited liability company established in the PRC.
- j) 北京融信嘉資產管理有限公司 (“融信嘉” or “Rongxinjia”) is a limited liability company established in the PRC.
- k) 北京中金投商業經紀有限公司 is a limited liability company established in the PRC.
- l) In prior years, the Group held 72% equity interests in K.P.I. Convenience Retail Company Limited, which held 100% equity interests in 北京中港佳鄰商業有限公司. During the year ended 31 December 2014, the Group acquired the remaining 28% equity interests in K.P.I. Convenience Retail Company Limited from its non-controlling shareholder, which is Mr. Cheung Siu Lam, the Chairman of the Company, at a consideration of HK\$2,461,000. The directors of the Company are of the opinion that such transaction was conducted on mutually-agreed terms in the ordinary course of business.
- m) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2015 and 2014.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 13. Goodwill

	2015 HK\$'000	2014 HK\$'000
<b>Cost and carrying amount</b>		
At 1 January	654,528	656,730
Exchange adjustment	(38,212)	(2,202)
At 31 December	616,316	654,528

#### *Impairment test for cash-generating unit containing goodwill*

Goodwill is allocated to the Group's cash-generating unit ("CGU") of financing business in the PRC.

The recoverable amount of the CGU is determined based on the value in use calculations, which are based on a business valuation report on the CGU prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2014: Peak Vision Appraisals Limited). These calculations use cash flow projections based on financial budgets approved by management covering a three-year period (2014: three-year period). Cash flows beyond the three-year period (2014: three-year period) are extrapolated using an estimated growth rate stated below which is by reference to the forecasts based on the funds available for the Group's loan financing business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating unit.

Key assumptions used for the value-in-use calculations are as follows:

	2015	2014
Growth rate	3%	3%
Gross margin	84%	80%
Discount rate	12.67%	10.87%

Management determined the budgeted gross margin based on past performance and its expectation for market development.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 14. Interest in An Associate

The following list contains the particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available.

Name of associate	Place of incorporation and business	Particulars of registered capital	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
北京中匯豐源融資租賃有限公司 (see note below)	The PRC	Registered capital USD10,000,000	25%	25%	Not yet commence operation

Note: 北京中匯豐源融資租賃有限公司 is established in the PRC in the form of sino-foreign equity enterprise.

The Company shall contribute an amount of US\$2,500,000 as its capital contribution, representing 25% equity interest in the associate. As at 31 December 2015 and 2014, the Company had contributed US\$500,000 (equivalent to approximately HK\$3,900,000). The Company has an obligation to settle the remaining amount of US\$2,000,000 (equivalent to approximately HK\$15,600,000).

The above associate is accounted for using the equity method in the consolidated financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 14. Interest in An Associate (Continued)

Financial information about the Group's interest in the above associate, that is not material, is disclosed below:

	北京中匯豐源 融資租賃有限公司	
	2015	2014
	HK\$'000	HK\$'000
Carrying amount of the associate in the consolidated financial statements	3,705	3,856
Amount of the Group's share of this associate's loss and total comprehensive loss for the year	(10)	(16)

### 15. Available-for-Sale Investments

	2015	2014
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong, at fair value	39,614	29,071
Unlisted investments:		
– Golf club memberships, at cost	2,453	2,761
Total	42,067	31,832

As at 31 December 2015, certain listed available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost which indicated that the cost of the Group's investments in them may not be recovered. Impairment losses on these investments (see note 5(b)) were recognised in profit or loss in accordance with the policy set out in note 2(k)(i).

As at 31 December 2015 and 2014, the Group's investments in golf club memberships were not stated at fair value but at cost because it did not have a quoted market price in an active market and the fair value cannot be reliably measured. No impairment is recognised since there is no objective evidence that investments in golf club memberships was impaired.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 16. Financial Assets at Fair Value Through Profit or Loss

	2015 HK\$'000	2014 HK\$'000
Listed debt securities at fair value – held-for-trading		
– outside Hong Kong	15,291	–

### 17. Loans Receivable

	2015 HK\$'000	2014 HK\$'000
Pawn loans receivable	260,276	302,724
Loans receivable arising from:		
– Micro-lending	448,220	78,340
– Money-lending	223,560	76,188
Designated loan receivable (note (iv))	596,815	–
Other loans receivable	1,800,591	1,708,822
	<b>3,329,462</b>	2,166,074
Less: Allowance for doubtful debts		
– Collectively assessed	(7,085)	(3,810)
– Individually assessed	(5,500)	–
	<b>(12,585)</b>	(3,810)
	<b>3,316,877</b>	2,162,264
Amounts due within one year included under current assets	3,294,178	2,162,264
Amounts due after one year included under non-current assets	22,699	–
	<b>3,316,877</b>	2,162,264



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 17. Loans Receivable (Continued)

Notes:

i) Approximately HK\$3,098,817,000 (2014: HK\$2,086,075,000) of the Group's loans receivable were arising from the PRC and are denominated in RMB. The loans receivable in the PRC carry interest plus service charge at a monthly effective rate of 0.1% to 3.0% (2014: 1.0% to 4.5%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 1.0% to 2.5% (2014: 1.5% to 3.0%). As at 31 December 2015 and 2014, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the loans receivable.

ii) A loan receivable from 中金佳晟投資基金管理(北京)有限公司("中金佳晟"), of which certain directors of the Company are its key management personnel, was included in other loans receivable as at 31 December 2014, and those directors resigned as key management personnel on 20 April 2015. The carrying amount of loan receivable from 中金佳晟 as at 31 December 2015 was approximately HK\$377,904,000 (2014: HK\$128,085,000), the loan carried service charge at a monthly effective rate of 1.8% and, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the loan. The maximum outstanding balance due from 中金佳晟 during the year was HK\$377,904,000 (2014: HK\$151,342,000). The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business. The loan receivable was fully settled after the end of reporting period.

The income earned from 1 January 2015 to the date of resignation as the key management personnel of 中金佳晟, amounting to approximately HK\$7,353,000 (2014: HK\$11,452,000), is included in "Interest, guarantee and financing consultancy services income" (note 3(a)).

iii) A typical loan generally has a term of 30 days to 10 years (2014: 30 days to 365 days).

iv) During the year ended 31 December 2015, the Group lent an amount of RMB500,000,000 (equivalent to approximately HK\$596,815,000) (2014: HK\$Nil) through an asset management company to an independent third party. The designated loan receivable was secured by land held for development. This designated loan receivable bore interest at 7.5% per annum, and the principal and corresponding interest were expected to be repaid on 12 August 2016.

On 24 February 2016, the Group assigned this designated loan receivable with its risk and rewards to an independent third party at the consideration of RMB520,195,000 (approximately HK\$620,920,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 17. Loans Receivable (Continued)

#### a) Maturity profile

As at the end of the reporting period, the maturity profile of loans receivable, based on maturity date, is as follows:

	Pawn loans receivable HK\$'000	2015		Other loans receivable HK\$'000	Total HK\$'000	Pawn loans receivable HK\$'000	2014		Other loans receivable HK\$'000	Total HK\$'000
		Loans receivable arising from micro-lending HK\$'000	Loans receivable arising from money-lending HK\$'000				Loans receivable arising from micro-lending HK\$'000	Loans receivable arising from money-lending HK\$'000		
Due within 1 month or on demand	19,199	5,431	37,011	515,297	576,938	15,009	-	30,000	30,729	75,738
Due after 1 month but within 3 months	62,367	12,772	32,900	285,842	393,881	13,437	-	-	403,923	417,360
Due after 3 months but within 6 months	44,558	74,960	39,050	440,235	598,803	39,322	18,824	1,200	334,149	393,495
Due after 6 months but within 12 months	134,152	355,057	91,900	559,217	1,140,326	234,956	59,516	44,988	940,021	1,279,481
Due after 12 months	-	-	22,699	-	22,699	-	-	-	-	-
Allowance for doubtful debts	(2,603)	(4,482)	(5,500)	-	(12,585)	(3,027)	(783)	-	-	(3,810)
	<b>257,673</b>	<b>443,738</b>	<b>218,060</b>	<b>1,800,591</b>	<b>2,720,062</b>	<b>299,697</b>	<b>77,557</b>	<b>76,188</b>	<b>1,708,822</b>	<b>2,162,264</b>
Add: Designated loan receivable (see note (iv) above) - Due after 6 months but within 12 months					596,815					-
					<b>3,316,877</b>					<b>2,162,264</b>

#### b) Impairment of loans receivable

Impairment losses in respect of loans receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loans receivable directly (see note 2(k)(i)).

The movements in allowance for doubtful debts during the year is as follows:

	2015		Total HK\$'000	Collectively assessed HK\$'000	2014 Individually assessed HK\$'000	Total HK\$'000
	Collectively assessed HK\$'000	Individually assessed HK\$'000				
At 1 January	3,810	-	3,810	2,545	-	2,545
Impairment loss/(reversal of impairment loss) recognised	3,641	5,500	9,141	1,269	-	1,269
Exchange adjustment	(366)	-	(366)	(4)	-	(4)
At 31 December	<b>7,085</b>	<b>5,500</b>	<b>12,585</b>	<b>3,810</b>	<b>-</b>	<b>3,810</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 17. Loans Receivable (Continued)

#### b) Impairment of loans receivable (Continued)

At 31 December 2015, loans receivable of HK\$5,500,000 (2014: HK\$Nil) were individually determined to be impaired. The individually impaired receivables related to customers that refused to pay and the Group has taken legal actions against them, and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK\$5,500,000 (2014: HK\$Nil) were recognised.

#### c) Analysed by credit quality

	2015					Total	2014					Total
	Pawn loans receivable	Loans receivable arising from micro-lending	Loans receivable arising from money-lending	Designated loan receivable	Other loans receivable		Pawn loans receivable	Loans receivable arising from micro-lending	Loans receivable arising from money-lending	Designated loan receivable	Other loans receivable	
<b>Loans receivable that are not impaired</b>												
- Neither past due nor impaired	-	-	195,259	596,815	1,771,802	2,563,676	-	-	76,188	-	1,701,450	1,777,638
- Less than 1 month past due	-	-	10,850	-	1,158	12,008	-	-	-	-	-	-
- 1 to 3 months past due	-	-	2,966	-	6,088	9,054	-	-	-	-	-	-
- Over 3 months past due	-	-	8,985	-	21,743	30,728	-	-	-	-	7,372	7,372
	-	-	218,060	596,815	1,800,591	2,615,466	-	-	76,188	-	1,708,822	1,785,010
<b>Loans receivable that are impaired collectively</b>												
- Not past due	280,276	447,265	-	-	-	707,541	302,724	78,340	-	-	-	381,064
- Less than 1 month past due	-	955	-	-	-	955	-	-	-	-	-	-
- 1 to 3 months past due	-	-	-	-	-	-	-	-	-	-	-	-
- Over 3 months past due	-	-	-	-	-	-	-	-	-	-	-	-
- Allowance for doubtful debts	(2,603)	(4,482)	-	-	-	(7,085)	(3,027)	(783)	-	-	-	(3,810)
	257,673	443,738	-	-	-	701,411	299,697	77,557	-	-	-	377,254
<b>Total</b>	<b>257,673</b>	<b>443,738</b>	<b>218,060</b>	<b>596,815</b>	<b>1,800,591</b>	<b>3,316,877</b>	<b>299,697</b>	<b>77,557</b>	<b>76,188</b>	<b>-</b>	<b>1,708,822</b>	<b>2,162,264</b>

Loans receivable that were neither past due nor impaired relate to recognised and creditworthy borrowers for whom there was no recent history of default.

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 18. Accounts Receivable and Interests Receivable

#### a) *Accounts Receivable*

	2015 HK\$'000	2014 HK\$'000
Accounts receivable	51,409	20,631

All of the Group's accounts receivable were arising from the PRC and are denominated in Renminbi ("RMB") and are expected to be recovered within one year.

#### i) *Ageing analysis*

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the revenue recognition date, is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 month	11,109	8,067
1 to 3 months	16,299	7,401
3 to 6 months	18,200	5,163
Over 6 months	5,801	–
	51,409	20,631

Accounts receivable are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in the note 42(a).

#### ii) *Accounts receivable that are not impaired*

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	11,109	8,067
Less than 1 month past due	8,295	4,489
1 to 3 months past due	12,832	8,075
4 to 6 months past due	16,727	–
Over 6 months past due	2,446	–
	51,409	20,631



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 18. Accounts Receivable and Interests Receivable (Continued)

#### a) Accounts Receivable (Continued)

##### ii) Accounts receivable that are not impaired (Continued)

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

Accounts receivable that was neither past due but nor impaired relates to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

#### b) Interests Receivable

	2015 HK\$'000	2014 HK\$'000
Interests receivable	<b>33,246</b>	14,443

Approximately HK\$27,770,000 (2014: HK\$13,706,000) of the Group's interests receivable were arising from the PRC and are denominated in RMB. All of the interests receivable are expected to be recovered within one year.

As at 31 December 2015, included in interests receivable was approximately HK\$5,177,000 (2014: HK\$11,503,000) and HK\$17,291,000 (2014: HK\$Nil) relating to loan to 中金佳晟 and designated loan receivable, respectively. Details of the transactions are set out in note 17 to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 18. Accounts Receivable and Interests Receivable (Continued)

#### b) Interests Receivable (Continued)

##### i) Ageing analysis

As at the end of the reporting period, the ageing analysis of interests receivable, based on the revenue recognition date, is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 month	15,455	14,443
1 to 3 months	9,867	–
3 to 6 months	7,473	–
Over 6 months	451	–
	<b>33,246</b>	14,443

Interests receivable are due within 30 days from the date of billing (or on maturity date of loans receivable according to the relevant loan agreements).

##### ii) Interests receivable that are not impaired

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	27,871	14,443
Less than 1 month past due	2,910	–
1 to 3 months past due	971	–
4 to 6 months past due	1,433	–
Over 6 months past due	61	–
	<b>33,246</b>	14,443

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 19. Other Receivables, Deposits and Prepayments

	2015 HK\$'000	2014 HK\$'000
Other receivables	20,202	4,437
Amounts due from related parties (note 40(d)(i))	358	380
	20,560	4,817
Prepayments	7,823	1,334
Utility and sundry deposits	1,811	1,741
	30,194	7,892

The amount of utility and sundry deposits expected to be recovered or recognised as expense after more than one year is HK\$1,310,000 (2014: HK\$1,092,000). All of the other receivables (including amounts due from related parties), deposits and prepayments are expected to be recovered or recognised as expense within one year.

### 20. Pledged Bank and Security Deposits Paid

- a) Security deposits of RMB4,090,000 (equivalent to approximately HK\$4,882,000) (2014: RMB24,048,000 (equivalent to approximately HK\$30,484,000)) are placed by the Group with the financial institutions according to the requirements of the financial institutions for credit guarantees that the Group provides to third parties for their borrowings from the financial institutions.
- b) Pledged bank deposits of RMB40,500,000 (equivalent to approximately HK\$48,342,000) (2014: RMB40,600,000 (equivalent to approximately HK\$51,466,000)) are placed by the Group with a bank to secure a bank loan of RMB39,000,000 (equivalent to approximately HK\$47,745,000) (2014: RMB40,000,000 (equivalent to approximately HK\$50,705,000)).
- c) At 31 December 2014, pledged bank deposits of RMB51,546,000 (equivalent to approximately HK\$64,433,000) were placed by the Group with a bank to secure a short-term borrowing from the bank of RMB50,000,000 (equivalent to approximately HK\$63,382,000) which was assigned to an independent third party (note 22(g)). During the year ended 31 December 2015, such pledged bank deposits were released.
- d) All of the pledged bank and security deposits paid as at 31 December 2015 and 2014 are expected to be recovered within one year.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 21. Cash and Cash Equivalents

	2015 HK\$'000	2014 HK\$'000
Cash and cash equivalents in the consolidated statements of financial position and cash flows		
– Cash at financial institutions and on hand	668,603	153,014

- a) Deposits with financial institutions carry interest at market rates ranging from 0.01% to 0.385% (2014: 0.01% to 0.385%) per annum.
- b) Cash at financial institutions as at 31 December 2015 include HK\$358,042,000 (2014: HK\$147,675,000) placed with financial institutions in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

### 22. Short-Term Borrowings

	Note	2015 HK\$'000	2014 HK\$'000
Entrusted loan	a	–	65,759
Borrowings under a strategic cooperation and investment agreements	b	–	196,621
Borrowings under contractual agreements with:			
– 找銀子	c	248,098	83,838
– 理理貸	d	43,448	–
– 招財寶	e	614,030	–
Borrowings from employees	f	12,213	21,135
Other borrowings	g	–	63,382
		<b>917,789</b>	430,735

- a) As at 31 December 2014, the Group had an outstanding entrusted loan which was borrowed through a bank in the PRC, with the effective interest rate (which also equals to contractual interest rates) of 15% per annum. The amount was fully repaid during the year ended 31 December 2015.

The amount of finance costs incurred during the year in relation to entrusted loans amounting to HK\$1,727,000 (2014: HK\$2,602,000) is included in interest and handling expenses (note 3(a)).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 22. Short-Term Borrowings (Continued)

- b) 北京中金港資產管理有限公司 (“Zhongjingang”), a subsidiary of the Company, entered into a strategic cooperation agreement and investment agreement (the “Agreements”) with two independent third parties, Wanjia Co-win Asset Management Co. Ltd. (萬家共贏資產管理有限公司) (“Wanjia Co-win”) and Kunshan Noah Xingguang Investment Management (昆山諾亞星光投資管理有限公司) (“Noah Xingguang”) for the development of securitization business pursuant to which Wanjia Co-win shall establish asset management schemes on behalf of Zhongjingang with durations of one to two years of about RMB500 million in stages using the Group’s loans receivable as assets for securitization. In this regard, the Group shall assign all its rights and benefits in its receivables from its financing services into such asset management schemes and shall guarantee the due recoverability of such receivables. At the expiry of the asset management schemes, Zhongjingang shall repay all the proceeds from the schemes to Wanjia Co-win. During the year ended 31 December 2015, the Group had a net repayment of approximately HK\$191,666,000 to the scheme (2014: net repayment of approximately HK\$116,990,000 to the scheme), with financing cost measured at an annualized rate of 11.5% (2014: 11.5%), which include a service fee of 0.7% and a range from 1.3% to 1.8% payable to Wanjia Co-win and Noah Xingguang respectively.

At the end of the reporting period, the borrowings under the strategic cooperation and investment agreements were secured by certain of loans receivable of approximately HK\$Nil (2014: HK\$405,200,000).

The amount of finance costs incurred during the year amounting to HK\$2,998,000 (2014: HK\$34,136,000) is included in interest and handling expenses (note 3(a)).

- c) In 2014, Zhongjingang and 北京融信嘉資產管理有限公司 (“Rongxinjia”), both of which are subsidiaries of the Company, separately entered into a strategic cooperation agreement with an independent third party, which would establish and operate online lending platform (namely, “找銀子” or “Zhaoyinzi”), in the launch of internet finance so as to invite investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. During the year ended 31 December 2015, the arrangement raised a net proceeds of approximately HK\$242,939,000 (2014: HK\$82,888,000) from this platform, with financing cost measured at an annualised rate of 11.5% (2014: 11.5%).

At the end of the reporting period, the fund raised under the arrangement were secured by certain of loans receivable of approximately HK\$267,316,000 (2014: HK\$84,156,000).

The amount of finance costs incurred during the year amounting to HK\$22,253,000 (2014: HK\$1,750,000) is included in interest and handling expenses (note 3(a)).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 22. Short-Term Borrowings (Continued)

- d) During the year ended 31 December 2015, the Group entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, “理理貸” or “Li Li Dai”), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. During the year ended 31 December 2015, the arrangement raised a net proceeds of approximately HK\$43,233,000 (2014: HK\$Nil) from this platform, with financing cost measured at an annualised rate of 11.5% (2014: Nil).

At the end of the reporting period, the funds raised under the arrangement were secured by certain of loans receivable of approximately HK\$43,233,000 (2014: HK\$Nil).

The amount of finance costs incurred during the year amounting to HK\$12,475,000 (2014: HK\$Nil) is included in interest and handling expenses (note 3(a)).

- e) During the year ended 31 December 2015, the Group raised short-term borrowings in a total of RMB507,000,000 from independent third parties through the online lending platform (“招財寶”), which is owned and operated by 上海招財寶金融信息服務有限公司, an independent third party. The loan is unsecured, bearing interest at 4.5% per annum and guaranteed by China United SME Guarantee Corporation (“Sinoguarantee”), which was an independent third party before becoming a substantial shareholder of the Company resulting from the allotment of shares as mentioned in note 34(d).

The amount of finance costs incurred during the year amounting to HK\$9,220,000 (2014: HK\$Nil) is included in interest and handling expenses (note 3(a)).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 22. Short-Term Borrowings (Continued)

- f) During the year ended 31 December 2015 and 2014, the Group borrowed funds from its employees (together with their relatives or friends, the “Employees”) based in Hong Kong for the development of its money lending business. The Group raised net proceeds of approximately HK\$11,760,000 (2014: HK\$21,000,000), with financing cost measured at an annualized rate of 10% (2014: 10%). The borrowings from the Employees were not secured by any assets or guarantees.

The amount of finance costs incurred during the year amounting to HK\$1,835,000 (2014: HK\$135,000) is included in interest and handling expenses (note 3(a)).

- g) As at 31 December 2014, other borrowings represents an amount due to an independent third party. The loan was originally borrowed from a bank under a loan agreement but the rights and benefits of the loan were transferred by the bank to the independent third party under a contractual agreement between the two parties during the year, with the effective interest rate of 2.585% per annum, and the loan was secured by a bank deposit of HK\$64,433,000. The amount was fully repaid during the year ended 31 December 2015.
- h) The short-term borrowings of approximately HK\$905,576,000 (2014: HK\$409,600,000) were arising from the PRC and are denominated in RMB.
- i) All short-term borrowings are carried at amortised cost.

### 23. Bank Loans

At the end of the reporting period, the bank loans of the Group were repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year or on demand	75,745	68,452



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 23. Bank Loans (Continued)

At the end of the reporting period, the bank loans were secured as follows:

	Note	2015 HK\$'000	2014 HK\$'000
Bank loans			
– secured by the Group's bank deposits	(i)	47,745	50,705
– secured by the Group's loans receivable	(ii)	28,000	–
Bank loan			
– guaranteed by related parties and third parties	(iii)	–	17,747
		<b>75,745</b>	68,452

The ranges of effective interest rates on the Group's bank loans are as follows:

	2015 %	2014 %
Effective interest rates:		
Bank loans	5.00%-5.65% per annum	5.04%-6.95% per annum

Notes:

- i) As at 31 December 2015, bank loans of HK\$47,745,000 (2014: HK\$50,705,000) were secured by bank deposits of HK\$48,342,000 (2014: HK\$51,466,000) (note 20).
- ii) As at 31 December 2015, a bank loan of HK\$28,000,000 (2014: HK\$Nil) were secured by loans receivable of approximately HK\$46,500,000 (2014: HK\$Nil).
- iii) As at 31 December 2015, bank loans of HK\$Nil (2014: HK\$17,747,000) were secured by corporate guarantee from related parties, third parties and personal guarantee from a director of the Company.
- iv) The bank loans of approximately HK\$47,745,000 (2014: HK\$68,452,000) were obtained in the PRC and denominated in RMB.
- v) All of the bank loans are carried at amortised cost.
- vi) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 42(b). As at 31 December 2015, none of the covenants relating to the bank loans had been breached (2014: Nil).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 24. Convertible Note

On 26 March 2013, the Company issued a 10% guaranteed convertible note due 2015/16 in the aggregate principal amount of US\$12,000,000 (equivalent to approximately HK\$93,600,000) (the “Convertible Note”) to an independent third party (the “Holder”). The Convertible Note is denominated in US dollars (“US\$”) and carried an interest of 10% per annum payable semi-annually in arrears. The Convertible Note is (i) secured by a fixed legal mortgage over the Company’s entire shareholding in K.P.B. Group Holdings Limited, a direct wholly-owned subsidiary of the Company and (ii) unconditionally and irrevocably guaranteed by Mr. Cheung Siu Lam, the Chairman and executive director of the Company (as at the date of issue), and Ms Lo Wan, a non-executive director of the Company (as at the date of issue), (together the “Guarantors”).

The Guarantors have agreed to (i) guarantee the due performance of the Company of its obligations under the relevant subscription agreement and Convertible Note instrument and (ii) deposit, together with Arbalice Holdings Limited (a company controlled by the Guarantors) a total of 2,032,552,240 shares of the Company held by them into the cash securities trading accounts opened and maintained with a custodian, which is an affiliated company of the Holder and an independent third party.

The principal terms of the Convertible Note are as follows:

#### a) *Optional conversion*

The Convertible Note will, at the option of the Holder, be convertible (unless previously redeemed, converted or purchased and cancelled) at any time on or after 26 March 2013 up to (i) the second anniversary of the issue date of the Convertible Note or (ii) the third anniversary of the issue date of the Convertible Note (subject to the prior written agreement by the Company, the Holder and the Guarantors for such extension) into fully paid ordinary shares of the Company (the “Shares”) at an initial conversion price (the “Conversion Price”) of HK\$0.50 per share and a fixed exchange rate of US\$1.00 to HK\$7.757 (the “Prevailing Rate”).

The Conversion Price is subject to adjustment in the manner set out in the relevant convertible bond instrument. According to this convertible bond instrument, the Conversion Price will be reset as follows:

- (i) Upon each and every exercise of the conversion right of the Holder, if the volume weighted average of the closing price of the Shares (the “Weighted Average Market Price”) for the period of 30 consecutive trading days ending on the trading day immediately prior to the date of conversion and multiplied by 110% (the “Conversion Reset Price”) is less than the then current conversion price, the then conversion price will be adjusted to the Conversion Reset Price for and only for the purpose of such exercise, subject to the floor price of HK\$0.50 per share.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 24. Convertible Note *(Continued)*

#### a) *Optional conversion (Continued)*

- (ii) At the option of the Holder, if the Weighted Average Market Price for the period of 30 consecutive trading days ending on the trading day immediately prior to 31 December of a financial year (the “Annual Reset Date”) (the “Annual Reset Price”) is less than the then current conversion price, the then conversion price will be reset to the Annual Reset Price on the relevant Annual Reset Date, subject to the floor price of HK\$0.50 per share.
- (iii) At the option of the Company, if the Weighted Average Market Price for the period of 30 consecutive trading days ending on the trading day immediately prior to the Annual Reset Date is higher than the Annual Reset Price of the previous financial year, the then conversion price will be reset to the Annual Reset Price of such financial year on the Annual Reset Date, subject to the floor price of HK\$0.50 per share.

#### b) *Redemption at maturity*

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Convertible Note will be redeemed by the Company on:

- (i) the date falling on the second anniversary of the issue date of the Convertible Note at the redemption amount equal to the principal amount of the outstanding Convertible Note together with unpaid accrued interest thereon plus an amount that would yield an internal rate of return of 17% on the outstanding Convertible Note calculated from the issue date of the Convertible Note up to and including the date falling on the second anniversary of the issue date of the Convertible Note; or
- (ii) the date falling on the third anniversary of the issue date of the Convertible Note (subject to the prior written agreement by the Company, the Holder and the Guarantors for such extension) at the redemption amount equal to the principal amount of the outstanding Convertible Note together with unpaid accrued interest thereon plus (1) an amount that would yield an internal rate of return of 17% on the outstanding Convertible Note calculated from the date of issue up to and including the date falling on the second anniversary of the issue date of the Convertible Note and (2) an additional amount that would yield an internal rate of return of 18% on the outstanding Convertible Note calculated from the date immediately following the second anniversary of the issue date of the Convertible Note up to and including the date falling on the third anniversary of issue date of the Convertible Note.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 24. Convertible Note *(Continued)*

#### *c) Redemption at the option of the Company*

On giving not less than 30 days but not more than 60 days' notice to the Holder at any time after expiry of the first anniversary of the issue date of the Convertible Note and prior to the date of maturity, the Company may redeem all or some only of the Convertible Note at a redemption price equal to the principal amount of the outstanding Convertible Note together with unpaid accrued interest thereon plus an amount that would yield an internal rate of return of 17% on the outstanding Convertible Note calculated from the issue date of the Convertible Note up to and including the date fixed for early redemption.

If the Company redeems 50% or more of the principal amount of the outstanding Convertible Note, a written consent of the Holder approved by an ordinary resolution of the Holder must be obtained.

#### *d) Redemption at the option of the Holder*

The Holder will have the right to require the Company to redeem all or some of the Convertible Note at the principal amount of the outstanding Convertible Note together with unpaid accrued interest thereon plus an amount that would yield an internal rate of return of 22% on the outstanding Convertible Note calculated from the issue date of the Convertible Note up to and including the date fixed for such redemption when one of the following events of default occurs:

- (i) there is a change of control of the Company;
- (ii) the Shares cease to be listed or admitted to trading on The Stock Exchange of Hong Kong Limited or, if applicable, the Alternative Stock Exchange; or
- (iii) the other events as mentioned in the announcement of the Company dated 15 March 2013 and the relevant Convertible Note instrument.

#### *e) Compulsory conversion at the option of the Company*

The Company will have an one-off right to require the Holder, by giving not less than 30 days but not more than 60 days' prior notice in writing, to exercise the conversion rights for one-quarter of the principal amount of the outstanding Convertible Note, provided that (i) the Company has delivered audited accounts showing that the Company has attained either the 2012 financial targets or the 2013 financial targets to the satisfaction of the Holder and (ii) no event of default specified above having occurred.

During the year ended 31 December 2013, the Company exercised this right to require the Holder to convert one-quarter of the principal amount of the outstanding Convertible Note.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 24. Convertible Note *(Continued)*

The Convertible Note consists of a liability component, a conversion option and other embedded derivatives which are not closely related to the host liability contract. As the functional currency of the Company is HK\$, the conversion of the Convertible Note denominated in US\$ and the effect of optional conversion mentioned in part (a) above will not result in settlement by exchange of a fixed amount of cash in HK\$, the functional currency of the Company, for a fixed number of the Company's shares. In accordance with the requirement of HKAS 39 "Financial Instruments – Recognition and Measurement", it was determined that the Convertible Note does not contain any equity component and the entire Convertible Note was designated as "financial liabilities at FVTPL" which requires the Convertible Note to be carried at fair value at the end of the reporting period and the changes in fair values are recognised in the consolidated statement of profit or loss. During the year ended 31 December 2014, a gain on change in its fair value of approximately HK\$108,000 together with the loss on translation of the Convertible Note denominated in a foreign currency into functional currency of approximately HK\$170,000 were included in "Other Income" in the consolidated statement of profit or loss.

On 26 April 2013, the Company reached the 2012 financial target. So the Company executed its right to request the Holder to convert one-quarter of the principal amount of the Convertible Note in the aggregate principal amount of US\$3,000,000 (equivalent to approximately HK\$23,271,000) at a conversion price of HK\$0.50 per share.

On 20 November 2013, the Holder converted the Convertible Note in aggregate principal amount of US\$3,000,000 (equivalent to HK\$23,271,000) at the conversion price of HK\$0.50 per share.

The Company totally allotted 93,084,000 new ordinary shares in respect of the above two conversions in respect of the year ended 31 December 2013 (see note 34).

On 14 May 2014, the Company redeemed the Convertible Note in the aggregate principal amount of US\$3,000,000 (equivalent to HK\$23,271,000) at its principal amount, which is agreed between the Company and the Holder, resulting in a gain of approximately HK\$2,053,000, which is included in "Other Income" in the consolidated statement of profit or loss.

There were no conversion of the Convertible Note during the year ended 31 December 2014.

The Convertible Note was valued at fair value by the management with reference to a valuation carried out by Greater China Appraisal Limited, an independent and recognised international business valuer, on 31 December 2014, at approximately US\$3,447,000 (equivalent to approximately HK\$26,728,000).

On 26 March 2015, the Company redeemed all outstanding Convertible Note in aggregate principal amount of US\$3,000,000 (equivalent to HK\$23,400,000) together with unpaid accrued interest of US\$150,000 (equivalent to HK\$1,170,000) plus redemption return of US\$429,500 (equivalent to HK\$3,350,000).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 24. Convertible Note (Continued)

The Convertible Note was measured at fair value with changes in fair value recognised in profit or loss. The movement of the Convertible Note is set out below:

	<b>Original currency</b>	<b>Shown as</b>
	US\$'000	HK'000
1 January 2014	7,455	57,802
Redemption of convertible note	(3,000)	(23,400)
Gain on redemption of convertible note	(265)	(2,053)
Interest payment	(729)	(5,683)
Change in fair value recognised in profit or loss	(14)	(108)
Exchange loss	–	170
At 31 December 2014 and 1 January 2015	3,447	26,728
Redemption of convertible note	(3,430)	(26,750)
Loss on redemption of convertible note	133	1,192
Interest payment	(150)	(1,170)
At 31 December 2015	–	–

The fair value of the Convertible Note at the end of the reporting period is determined by using the Monte Carlo Simulation model. The inputs into the model are as follows:

	Note	2014
Stock price		HK\$0.55
Conversion price		HK\$0.50
Expected volatility	(i)	49.507%
Expected life	(ii)	0.23 year
Risk-free rate	(iii)	0.0406%
Expected dividend yield	(iv)	1.689%



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 24. Convertible Note *(Continued)*

Notes:

- (i) Expected volatility was determined by calculating the historical volatility of the Company's share price.
- (ii) Expected life was the expected remaining life of the option.
- (iii) The risk-free rate is determined by reference to the yield of the USD Treasury Actives (IYC 25) Zero Coupon Yield.
- (iv) The expected dividend yield was based on the historical dividend payment record of the Company.

Any changes in the major inputs into the model will result in changes in the fair value of the Convertible Note.

### 25. Security Deposits Received

Security deposits received refer to deposits received from customers as collateral for loan facilities granted by the Group. These deposits, which are denominated in RMB, are interest-free, and will be returned to customers after the relevant loan agreements expire.

### 26. Other Payables, Deposits Received and Accruals

	2015 HK\$'000	2014 HK\$'000
Accrued salaries, wages and other benefits	12	1,255
Accrued expenses	3,807	2,083
Dividend payable	687	638
Amounts due to related parties (note 40(d)(ii))	24,204	–
Others	4,210	2,885
Financial liabilities measured at amortised cost	32,920	6,861
Rental and other deposits received	6	6
Deposits received	–	186
VAT and other tax payables	11,463	8,335
	<b>44,389</b>	15,388

All of the other payables, deposits received and accruals are expected to be settled or recognised as income within one year or are repayable on demand.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 27. Liabilities Arising from Loan Guarantee Contracts

	2015 HK\$'000	2014 HK\$'000
Provision for guarantee losses	59	639

#### *Movement analysis of provision for guarantee losses*

	2015		
	Undue liability provision (note i) HK\$'000	Guarantee compensation provision (note ii) HK\$'000	Total HK\$'000
At 1 January	355	284	639
Credited to profit or loss for the year	(311)	(253)	(564)
Exchange adjustment	(9)	(7)	(16)
At 31 December	35	24	59

Notes:

- i) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide 50% of its guarantee income in the year it derived, as undue liability provision (“未到期責任準備金”).
- ii) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide no less than 1% of the year-end balance of the guarantee liability in the year it arose as guarantee compensation provision (“擔保賠償準備金”).

### 28. Amount Due to An Associate

The amount is unsecured, interest free and repayable on demand.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 29. Financial Derivatives

As at 31 December 2015, the Group has an outstanding equity accumulator contract (2014: three accumulator and decumulator contracts) with maturity date on 30 August 2016 (2014: maturity dates ranging from 17 December 2015 to 1 June 2016).

Based on the accumulator contract, the Group has an obligation to buy a specified number of the equity securities (“Equity Security”) of a Hong Kong Listed Company every day up to the maturity date at the strike price if the stock price is higher than the predetermined forward price, and buy twice the specified number of the Equity Security every day up to the maturity day if such stock price is lower than the predetermined forward price. The counterparty financial institution can terminate the contract when the market price of the underlying equity securities is higher than a knock-out price set out in the relevant contract.

Based on the decumulator contract, the Group has an obligation to sell a specified number of the Equity Security every day up to the maturity date at the strike price if the stock price is lower than the predetermined forward price, and sell twice the specified number of the Equity Security every day up to the maturity date if such stock price is higher than the predetermined forward price. The counterparty financial institution can terminate the contract when the market price of the underlying equity securities is lower than a knock-out price set out in the relevant contract. The Group has sufficient number of Equity Securities to fulfil these decumulator contracts.

The Group relies on the valuation provided by an independent professional valuer to determine the fair value of the derivative financial instruments which is based on Monte Carlo Simulation model. The key inputs applied to the valuation are time to maturity, knock-out probability, volatility, spot price of the underlying asset, risk free rate and the expected return rate. The fair value of the derivative financial instrument for the contracts as at 31 December 2015 is approximately HK\$493,000 (2014: HK\$266,000), which was recognised in the consolidated statement of financial position.

As at 31 December 2015, the contract was secured by legal charges over certain of available-for-sale investments of HK\$4,210,000 (2014: HK\$18,248,000) (as included in “available-for-sale investments” (note 15)) and cash of HK\$4,051,000 (2014: HK\$495,000) (as included in “cash and cash equivalent” (note 21)) held by the Group in an account maintained with the relevant financial institution.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 30. Deferred Taxation

- a) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follow:

Deferred tax arising from:	<b>Withholding tax</b>
	HK\$'000
At 1 January 2014	5,356
Charged to profit or loss (note 6(a))	1,078
Exchange adjustment	(13)
At 31 December 2014 and 1 January 2015	6,421
Charged to profit or loss (note 6(a))	752
Exchange adjustment	(403)
At 31 December 2015	6,770

b) *Withholding tax*

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary established in the PRC in respect of earnings generated from 1 January 2008. Deferred tax liabilities is only provided to the extent that such earnings are estimated to be distributed in the foreseeable future.

c) *Deferred tax assets not recognised*

Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits against which the unused tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

The Group has not recognised deferred tax assets in respect of the cumulative tax losses of HK\$196,951,000 (2014: HK\$113,350,000) for its Hong Kong incorporated subsidiaries due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 30. Deferred Taxation (Continued)

#### d) *Deferred tax liabilities not recognised*

At 31 December 2015, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was HK\$1,143,781,000 (2014: HK\$807,758,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

### 31. Senior bonds

On 5 March 2015, a subsidiary of the Company issued the 3-year senior guaranteed bonds (“Senior Bonds”) at 99.33% in an aggregate nominal value of RMB300,000,000 which will mature on 5 March 2018. The bonds carry interest at the coupon rate of 6.5% per annum. The interest is payable semi-annually in arrears on 5 March and 5 September each year.

The Senior Bonds are unconditionally and irrevocably guaranteed, jointly and severally, by the Company and Sinoguarantee.

Below collaterals were provided to Sinoguarantee:

- Mr. Cheung Siu Lam, the Company’s controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has pledged 750 million shares he owns in the Company to Sinoguarantee;
- the Group has entered into a share charge in favour of Sinoguarantee, pursuant to which it has pledged all of its shareholdings in Zhongjingang, a wholly-owned subsidiary of the Company, to Sinoguarantee; and
- Zhongjingang, Rongxinjia, 惠豐小貸 and 典當行, all of which are subsidiaries of the Company, have each entered into an agreement to pledge certain receivables to Sinoguarantee of approximately HK\$592,303,000 as at 31 December 2015.

The directors of the Company considered that no derivatives were embedded in the Senior Bonds and it is appropriate to use amortised cost method to record the Senior Bonds in the consolidated statement of financial position.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 31. Senior bonds (Continued)

Movements in Senior Bonds is analysed as follows:

	<b>Original currency</b>	<b>Shown as</b>
	RMB'000	HK\$'000
At 1 January 2015	–	–
Issue of bonds	297,990	372,041
Transaction costs	(12,935)	(16,149)
Interest charged for the year	22,774	28,097
Interest paid during the year	(9,937)	(12,019)
Exchange realignment	–	(16,737)
At 31 December 2015	297,892	355,233

### 32. Unsecured Bonds due 2018

For the year ended 31 December 2015, the Company issued the three-year 5.5% coupon unlisted and unsecured bonds of an aggregate principal amount of HK\$58,000,000 (“Unsecured Bonds due 2018”), which are unsecured, bear interest at the coupon rate of 5.5% per annum and will mature in 2018. All of Unsecured Bonds due 2018 are carried at amortised cost. The Unsecured Bonds due 2018 are subject to the fulfillment of covenants relating to certain financial ratios, as are commonly found in lending arrangements. If the Group were to breach the covenants, Unsecured Bonds due 2018 would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2015, none of the covenants relating to the Unsecured Bonds due 2018 had been breached.

Movements in the unsecured bonds due 2018 is analysed as follows:

	<b>HK\$'000</b>
At 1 January 2015	–
Issue of bonds	<b>58,000</b>
Transaction costs	<b>(5,800)</b>
Interest charged for the year	<b>2,589</b>
Interest paid during the year	<b>(1,677)</b>
At 31 December 2015	<b>53,112</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 33. Unsecured Bonds due 2022

For the year ended 31 December 2015, the Company issued the seven-year 7.0% coupon unlisted and unsecured bonds of an aggregate principal amount of HK\$220,000,000 ("Unsecured Bonds due 2022"), which are unsecured, bear interest at the coupon rate of 7.0% per annum and will mature in 2022. All of Unsecured Bonds due 2022 are carried at amortised cost. The Unsecured Bonds due 2022 are subject to the fulfillment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements. If the Group were to breach the covenants, Unsecured Bonds due 2022 would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2015, none of the covenants relating to the Unsecured Bonds due 2022 had been breached.

Movements in the unsecured bonds due 2022 is analysed as follow:

	HK\$'000
At 1 January 2015	–
Issue of bonds	220,000
Transaction costs	(27,400)
Interest charged for the year	10,033
Interest paid during the year	(7,988)
At 31 December 2015	194,645

### 34. Share Capital

#### a) Issued share capital

	Note	2015		2014	
		No. of shares	HK\$'000	No. of shares	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>					
At beginning of the year		3,430,086,336	1,420,378	3,129,086,336	312,908
Transition to no-par value regime on 3 March 2014 (see note below)		–	–	–	943,981
Shares issued under share option scheme	b	34,000,000	26,549	1,000,000	575
Shares issued under Top-up placement (net of expenses)	c	–	–	300,000,000	162,914
Shares issued under subscription agreement	d	400,000,000	299,747	–	–
At end of the year		3,864,086,336	1,746,674	3,430,086,336	1,420,378



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 34. Share Capital (Continued)

#### a) Issued share capital (Continued)

Note: The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary Shares rank equally with regard to the Company's residual assets.

#### b) Shares issued under share option scheme

During the year ended 31 December 2015, options were exercised to subscribe for 34,000,000 ordinary shares (2014: 1,000,000 ordinary shares) in the Company at a total consideration of HK\$20,331,000 (2014: HK\$359,000), all of which was credited to share capital. HK\$6,218,000 (2014: HK\$216,000) was transferred from the share-based compensation reserve to share capital account in accordance with note 2(p)(iii).

#### c) Shares issued under Top-up placement

On 23 April 2014, the Company completed a Top-up placement and issued a total of 300,000,000 ordinary shares. The proceeds from the Top-up placement was HK\$165,000,000 and the expenses in relation to the placement was HK\$2,086,000, resulting in a net increase in share capital of HK\$162,914,000.

#### d) Shares issued under subscription agreement

On 25 June 2015, the Company entered into a subscription agreement with Sinoguarantee whereby the Company allotted and issued 400,000,000 new shares (the "Allotment of Shares") at a subscription price of HK\$0.75 per subscription share to Sinoguarantee. The proceeds from subscription agreement was HK\$300,000,000 and the expenses in relation to subscription agreement was HK\$253,000, resulting in a net increase in share capital of HK\$299,747,000.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 35. Reserves

#### a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

#### *The Company*

	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 January 2014</b>	943,981	12,919	126,953	1,083,853
Loss for the year	–	–	(15,782)	(15,782)
Transfer to no-par value regime on 3 March 2014	(943,981)	–	–	(943,981)
Shares issued under share option scheme	–	(216)	–	(216)
Equity settled share-based transactions	–	20,316	–	20,316
Dividend paid	–	–	(34,291)	(34,291)
<b>At 31 December 2014 and 1 January 2015</b>	–	33,019	76,880	109,899
Profit for the year	–	–	105,147	105,147
Shares issued under share option scheme	–	(6,218)	–	(6,218)
Equity settled share-based transactions	–	14,149	–	14,149
Dividend paid	–	–	(114,477)	(114,477)
<b>At 31 December 2015</b>	–	<b>40,950</b>	<b>67,550</b>	<b>108,500</b>

At 31 December 2015 the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK\$67,550,000 (2014: HK\$76,880,000). After the end of the reporting period the directors of the Company proposed a final dividend of 1.36 cents per ordinary share (2014: 2.2 cents per ordinary share), amounting to HK\$52,552,000 (2014: HK\$75,462,000) (note 35(b)(i)). This dividend has not been recognised as a liability at the end of the reporting period.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 35. Reserves (Continued)

#### b) Dividends

##### (i) Dividends payable to equity shareholders of the Company attributable to the year

	2015 HK\$'000	2014 HK\$'000
Interim dividend declared and paid of 1.0 cent per ordinary share (2014: nil cent per ordinary share)	38,641	–
Final dividend proposed after the end of the reporting period of 1.36 cents per ordinary share (2014: 2.2 cents per ordinary share)	52,552	75,462
	<b>91,193</b>	75,462

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

##### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015 HK\$'000	2014 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 2.2 cents per share (2014: 1.0 cent per share)	75,836	34,291



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 35. Reserves (Continued)

#### c) Nature and purpose of reserves

##### (i) Share premium

Prior to 3 March 2014, the application of the share premium account was governed by sections 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital (see note 34). The use of share capital as from 3 March 2014 is governed by the Hong Kong Companies Ordinance (Cap. 622).

##### (ii) Share-based compensation reserve

The share-based compensation reserve represents the portion of the grant date fair value of unexercised share options granted to eligible participants that has been recognised in accordance with the accounting policy adopted for share-based payments in notes 2(p)(iii) and (iv).

##### (iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

##### (iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 2(j) and 2(k)(i).

##### v) Statutory surplus reserve

According to the Company's PRC subsidiaries' articles of association, each PRC company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years' losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 36. Employee Retirement Benefits

#### *Defined contribution retirement plan*

The Group operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014). Contributions to the plan vest immediately.

The employees of the Group’s subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

### 37. Share Options

#### *Equity-settled share option schemes*

The share option scheme adopted by the Company on 7 June 2004 (the “2004 Share Option Scheme”) was terminated on 6 June 2014, and the Company adopted a new share option scheme on 20 May 2014 (the “2014 Share Option Scheme”, together with the 2004 Share Option Scheme are referred to as the “Schemes”) at the Company’s annual general meeting held on 20 May 2014. No further options shall be offered under the 2004 Share Option Scheme, but in all other respects the provisions of the 2004 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2014 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

According to the terms of the Scheme, the directors of the Company are authorised, at their discretion, to invite employees or any person who has contributions to the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The options are exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 37. Share Options (Continued)

*Equity-settled share option schemes (Continued)*

**a) The terms and conditions of the grants are as follows:**

Category of grantee	Number of instruments '000	Exercise price per share HK\$	Date of grant	Exercisable period	Contractual life of option
Directors and ex-directors	30,000	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	10,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
	6,660	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	6,660	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	6,680	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
Employees	38,500	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	26,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
Consultants	10,000	0.660	11 April 2014	11 April 2015 to 10 April 2018	4 years
	10,000	0.660	11 April 2014	11 April 2016 to 10 April 2018	4 years
	30,000	0.660	11 April 2014	11 April 2014 to 10 April 2016	2 years
	30,000	0.660	11 April 2014	11 April 2015 to 10 April 2016	2 years
	9,990	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	9,990	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	10,020	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
	18,315	0.546	26 August 2015	26 August 2016 to 25 August 2025	10 years
	18,315	0.546	26 August 2015	26 August 2017 to 25 August 2025	10 years
18,370	0.546	26 August 2015	26 August 2018 to 25 August 2025	10 years	
Total share options granted	289,500				



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 37. Share Options (Continued)

#### Equity-settled share option schemes (Continued)

**b) The number and weighted average exercise prices of share options are as follows:**

Option type	Outstanding at 1/1/14 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/14 '000	Exercisable at 31/12/2014 '000
2007	45,000	-	-	-	-	45,000	
2010	11,000	-	(1,000)	-	-	10,000	
2014	-	130,000	-	-	-	130,000	
	56,000	130,000	(1,000)	-	-	185,000	85,000
Weighted average exercise price	HK\$0.455	HK\$0.660	HK\$0.359	-	-	HK\$0.600	HK\$0.529

Option type	Outstanding at 1/1/15 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/15 '000	Exercisable at 31/12/2015 '000
2007	45,000	-	(5,000)	-	-	40,000	
2010	10,000	-	(4,000)	-	-	6,000	
2014	130,000	-	(25,000)	-	-	105,000	
2015	-	55,000	-	-	-	55,000	
	185,000	55,000	(34,000)	-	-	206,000	107,650
Weighted average exercise price	HK\$0.60	HK\$0.546	HK\$0.598	-	-	HK\$0.586	HK\$0.576



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 37. Share Options *(Continued)*

#### *Equity-settled share option schemes (Continued)*

**b) The number and weighted average exercise prices of share options are as follows:**  
*(Continued)*

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2015 was HK\$0.94 (2014: HK\$0.65).

The options outstanding at 31 December 2015 had an exercise price of HK\$0.479 or HK\$0.359 or HK\$0.660 or HK\$0.546 (2014: HK\$0.479 or HK\$0.359 or HK\$0.660 ) and a weighted average remaining contractual life of 5.24 years (2014: 4.84 years).

**c) Fair value of share options and assumptions**

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Trinomial Option Pricing model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions	2015	2014
Weighted average fair value at measurement date	<b>HK\$0.2889</b>	HK\$0.2743
Share price	<b>HK\$0.4900</b>	HK\$0.6600
Exercise price	<b>HK\$0.5460</b>	HK\$0.6600
Expected volatility	<b>75.728%</b>	74.583%
Option life	<b>10 years</b>	10 years
Expected dividends	<b>4.490%</b>	1.560%
Risk-free interest rate (based on Hong Kong Government issued securities )	<b>1.700%</b>	2.230%

The expected volatility is based on the historical daily volatility (calculated based on the remaining life of the share options), based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

Share options granted to consultants are measured at fair values of options granted as these consultants are providing services that are similar to those rendered by employees.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 38. Operating Lease Arrangements

#### *As lessee*

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>6,655</b>	6,971
In the second to fifth years, inclusive	<b>2,898</b>	1,237
	<b>9,553</b>	8,208

The Group is the lessee in respect of its office premises and director's quarter held under operating leases. The leases typically run for an initial of one to nine years, with an option to renew the lease when all items are renegotiated. None of the leases includes contingent rentals.

### 39. Financial Guarantee Contracts

The Group provides loan guarantee services to small-to medium-sized enterprises in the PRC. As at 31 December 2015, the Group had contracts in relation to the loan guarantee business of approximately HK\$2,387,000 (2014: HK\$28,395,000) in which approximately HK\$35,000 (2014: HK\$355,000) and HK\$24,000 (2014: HK\$284,000) were recognised as undue liability provision and guarantee compensation provision respectively in the consolidated statement of financial position. The Group may become involved in certain legal proceedings relating to claims arising out of its operations in the normal course of business. However, none of these proceedings, individually or in aggregate, is expected to have a material adverse effect on the Group's financial position or operational results.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 40. Material Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

#### a) *Remuneration of key management personnel of the Group*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Short-term employee benefits	<b>6,154</b>	5,951
Post-employment benefits	<b>98</b>	101
Equity compensation benefits	<b>3,338</b>	4,236
	<b>9,590</b>	10,288

Total remuneration is included in "staff costs" (see note 5(a)).

#### b) *Transaction with Sinoguarantee*

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Consultancy fee paid	<b>2,897</b>	–
Guarantee fee paid	<b>6,335</b>	–

The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

In addition, during the year ended 31 December 2015, Sinoguarantee provided a loan of RMB500,000,000 (approximately HK\$596,815,000)(2014: HK\$Nil) to the Group in August 2015. The loan was unsecured, bore interest at 7.5% per annum and repayable in October 2015. The Group repaid the whole loan in October 2015.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 40. Material Related Party Transactions (Continued)

#### c) Transaction with associate

	2015 HK\$'000	2014 HK\$'000
Income from the provision of financing services	437	–

The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

#### d) Financing arrangements

- (i) The details of the amounts due from related parties included in other receivables, deposits and prepayments are as follows:

Name	Note	2015 HK\$'000	2014 HK\$'000
北京萬方達隆物業管理有限公司 （“達隆物業”）	(i), (ii)	358	380

Notes:

- (i) The amounts due from related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.
- (ii) Mr. Cheung Siu Lam, a non-executive director of the Company, is the legal representative of 達隆物業. The maximum outstanding balance due from 達隆物業 during the year was HK\$380,000 (2014: HK\$382,000).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 40. Material Related Party Transactions *(Continued)*

#### d) *Financing arrangements (Continued)*

- (ii) The details of the amounts due to related parties in other payables, deposits received and accruals are as follows:

<b>Name</b>	Note	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Sinoguarantee	(i), (ii)	<b>3,804</b>	–
Lo Wan	(i), (iii)	<b>20,400</b>	–
		<b>24,204</b>	–

Notes:

- (i) The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.
- (ii) Sinoguarantee is a substantial shareholder of the Company.
- (iii) Ms. Lo Wan is a shareholder of the Company and the spouse of Mr. Cheung Siu Lam (a non-executive director of the Company).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 41. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

*a) Impairment of property, plant and equipment (Carrying amount: HK\$5,265,000 (2014: HK\$5,148,000))*

If circumstances indicate that the carrying value of an item of the property, plant and equipment may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognised in profit or loss in accordance with the accounting policy for impairment of property, plant and equipment as described in note 2(k)(ii). The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charge or reversal of impairment in future periods.

*b) Impairment of goodwill (Carrying amount: HK\$616,316,000 (2014: HK\$654,528,000))*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 41. Critical Accounting Estimates and Judgements *(Continued)*

c) *Impairment of receivables, loans and advances and available-for-sale financial assets (Carrying amount: HK\$3,464,159,000 (2014: HK\$2,233,987,000))*

The Group reviews portfolios of receivables, loans and advances and available-for-sale financial assets periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for receivables, loans and advances and available-for-sale financial assets. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for receivables and loans and advances that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the financial assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

The objective evidence of impairment for available-for-sale financial assets includes significant or continual decline in fair value of investments. When deciding whether there is significant or continual decline in fair value, the Group will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.

d) *Tax payable (Carrying amount: HK\$96,145,000 (2014: HK\$69,657,000)) and deferred tax liabilities (Carrying amount: HK\$6,770,000 (2014: HK\$6,421,000))*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 41. Critical Accounting Estimates and Judgements *(Continued)*

#### *e) Provision for loan guarantees (Carrying amount: HK\$59,000 (2014: HK\$639,000))*

The Group makes reasonable estimates on the costs required to fulfil the relevant obligations of guarantee contracts when the Group computes the provisions of guarantee losses. Such estimation is made based on the available information as at the end of the reporting period and is determined by the Group's practical experience, taking into consideration of industry information and market data.

### 42. Financial Risk Management and Fair Values of Financial Instruments

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, loans receivable, accounts receivable, interests receivable, other receivables, pledged bank and security deposits paid, cash and cash equivalents, short-term borrowings, bank loans, security deposits received, amount due to an associate, other payables, financial derivatives, Senior Bonds, Unsecured Bonds due 2018 and 2022. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *a) Credit risk*

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans the Group guaranteed or provided. Credit risk is primarily attributable to unexpired guarantees issued by the Group and the loan business of the Group, loans receivable, accounts and interests receivables, pledged bank and security deposits paid, cash and cash equivalents and available-for-sales investments.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

#### a) *Credit risk (Continued)*

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. Except for the guarantee as disclosed below, the Group has no credit risk arising from any other guarantee.

#### (i) *Credit risk arising loan business*

The Group has taken measures to identify credit risks arising from loan business. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction may be subject to the review and approval of credit approval officer and the executive directors depending on the transaction size.

During the post-transaction monitoring process, the Group performs credit evaluations on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

All loans granted are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security. The Group also focuses on ascertaining legal ownership and the valuation of the collaterals. A loan granted is based on the value of the collaterals and generally approximates 1.09%-98.56% (2014: 3.00%-86.83%) of the estimated value of the collaterals. The Group closely monitors the ownership and the value of the collaterals throughout the loan period. The loans receivable are due by the date as specified in the corresponding loan agreements.

In accordance with accounting policies, if there is objective evidence that indicates the cash flows for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognised in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

#### a) *Credit risk (Continued)*

##### (i) *Credit risk arising loan business (Continued)*

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis. In making such assessments, the Group considers the value of collateral held and expected future cash flows from the asset.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 17.93% (2014: 6.73%) and 37.98% (2014: 27.27%) of the total loans receivable was due from the Group's largest debtor and the five largest debtors respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loans receivable are set out in note 17.

##### (ii) *Credit risk arising from guarantee business*

The Group adopts the same pre-approval, review and credit approval risk management system for credit risk arising from guarantee business. During the post-transaction monitoring process, all guarantees provided are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security, the Group focuses on ascertaining legal ownership and the valuation of the collaterals. A guarantee provided by the Group is based on the value of the collaterals and generally approximates 69.93% (2014: 58.52%-69.15%) of the estimated value of the collaterals. The Group monitors the value of the collaterals throughout the guarantee period.

The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 39.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

#### a) *Credit risk (Continued)*

##### (iii) *Other credit risks*

In respect of accounts receivable and interests receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable and interests receivable are set out in notes 18(a) and 18(b) respectively.

The majority of the Group's investments are liquid securities listed on the recognised stock exchanges. No exposure to credit risk is expected.

The credit risk on cash and cash equivalents and pledged bank and security deposits paid is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

#### b) *Liquidity risk*

Individual operating entities within the Group are responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to the Company's board approval when the borrowings exceed certain predetermined level of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments (Continued)

#### b) Liquidity risk (Continued)

In addition, the following table details the Group's liquidity analysis for its Convertible Note. The tables have been drawn up based on the undiscounted gross outflows on the Convertible Note based on the contractual maturities assuming (i) no conversion of the Convertible Notes into equity and (ii) no early redemption of the Convertible Note will take place.

	2015				Total contractual undiscounted cash flow	Carrying amount at 31 December
	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow	Contractual undiscounted cash outflow		
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-derivative financial liabilities:</b>						
Bank loans						
– fixed rates	28,618	-	-	-	28,618	28,000
– variable rates	48,339	-	-	-	48,339	47,745
Short-term borrowings	938,750	-	-	-	938,750	917,789
Senior Bonds	23,276	23,276	369,727	-	416,279	355,233
Unsecured Bonds due 2018	3,190	3,190	58,600	-	64,980	53,112
Unsecured Bonds due 2022	15,400	15,400	46,200	239,670	316,670	194,645
Security deposits received	5,722	-	-	-	5,722	5,722
Amount due to an associate	3,151	-	-	-	3,151	3,151
Other payables, deposits received and accruals	32,920	-	-	-	32,920	32,920
	<b>1,099,366</b>	<b>41,866</b>	<b>474,527</b>	<b>239,670</b>	<b>1,855,429</b>	<b>1,638,317</b>
<b>Financial liabilities at FVTPL:</b>						
Convertible Note	-	-	-	-	-	-
<b>Financial guarantees issued:</b>						
Maximum amount guaranteed arising from:						
– Loan guarantee business*	2,387	-	-	-	2,387	59



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments (Continued)

#### b) Liquidity risk (Continued)

	2014					Carrying amount at 31 December HK\$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	
<b>Non-derivative financial liabilities:</b>						
Bank loans						
– fixed rates	18,877	–	–	–	18,877	17,747
– variable rates	51,425	–	–	–	51,425	50,705
Short-term borrowings	437,965	–	–	–	437,965	430,735
Senior Bonds	–	–	–	–	–	–
Unsecured Bonds due 2018	–	–	–	–	–	–
Unsecured Bonds due 2022	–	–	–	–	–	–
Security deposits received	–	–	–	–	–	–
Amount due to an associate	3,549	–	–	–	3,549	3,549
Other payables, deposits received and accruals	6,861	–	–	–	6,861	6,861
	518,677	–	–	–	518,677	509,597
<b>Financial liabilities at FVTPL:</b>						
Convertible Note	27,761	–	–	–	27,761	26,728
<b>Financial guarantees issued:</b>						
Maximum amount guaranteed arising from:						
– Loan guarantee business*	28,395	–	–	–	28,395	639

\* The maximum amount guaranteed represents the total amount of liability should all customers default. Since a significant portion of guarantees issued is expected to expire without being called upon the maximum liabilities do not represent expected future cash outflows.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments (Continued)

#### c) Interest rate risk

The Group is principally engaged in the provision of financing services. Its interest rate risk arises primarily from deposits with financial institutions, loans receivable, bank loans, interest-bearing borrowings, Senior Bonds and Unsecured Bonds due 2018 and 2022.

#### (i) Interest rate profile

The following table details the interest rate profile of the Group's assets and liabilities at the end of the reporting period:

	<b>At 31 December</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
<b>Fixed interest rate</b>		
Financial assets		
Loans receivable (Non-current portion)	<b>22,699</b>	–
Loans receivable (Current portion)	<b>3,294,178</b>	2,162,264
	<b>3,316,877</b>	2,162,264
Financial liabilities		
Bank loans	<b>(28,000)</b>	(17,747)
Entrusted loan	–	(65,759)
Borrowings under contractual agreements		
with:		
– 找銀子	<b>(248,098)</b>	(83,838)
– 理理貸	<b>(43,448)</b>	–
– 招財寶	<b>(614,030)</b>	–
Borrowings from employees	<b>(12,213)</b>	(21,135)
Other borrowings	–	(63,382)
Borrowings under a strategic cooperation and investment agreements	–	(196,621)
Convertible Note	–	(26,728)
Senior Bonds	<b>(355,233)</b>	–
Unsecured Bonds due 2018	<b>(53,112)</b>	–
Unsecured Bonds due 2022	<b>(194,645)</b>	–
	<b>(1,548,779)</b>	(475,210)
Net	<b>1,768,098</b>	1,687,054



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

#### c) *Interest rate risk (Continued)*

##### (i) *Interest rate profile (Continued)*

	<b>At 31 December</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
<b>Variable interest rate</b>		
Financial assets		
– Cash at bank/financial institutions	<b>667,988</b>	152,943
– Pledged bank and security deposits paid	<b>53,224</b>	146,383
	<b>721,212</b>	299,326
Financial liabilities		
– Bank loans	<b>(47,745)</b>	(50,705)
Net	<b>673,467</b>	248,621
Fixed rate borrowings as a percentage of total borrowings	<b>97.01%</b>	90.37%

##### (ii) *Sensitivity analysis*

Loans receivable, short-term borrowings, Convertible Note, certain of bank loans of the Group, Senior Bonds and Unsecured Bonds due 2018 and 2022, which are fixed rate instruments, are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

The Group is exposed to cash flow interest rate risk in relation to bank deposits and certain of bank loans that carrying interest at variables rates. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The directors consider the Group's exposure to cash flow interest rate risk of bank deposits is not significant.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

#### c) *Interest rate risk (Continued)*

##### (ii) *Sensitivity analysis (Continued)*

At 31 December 2015 it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loans, with all other variables held constant, would decrease/increase the Group's profit after tax (and retained profits) by approximately HK\$358,000 (2014: HK\$380,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2014: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2014.

#### d) *Currency risk*

The business transactions of the entity within the Group are mainly conducted in its functional currency, and so the Group have no significant exposure to currency risk.

#### e) *Price risk*

The Group is exposed to price changes arising from equity investments classified as available-for-sale investments (see note 15) and financial assets at fair value through profit or loss ("trading securities") (see note 16). Other than unquoted investments held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on recognised stock exchanges. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared the relevant industry indicators, as well as the Group's liquidity needs.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

#### e) *Price risk (Continued)*

At 31 December 2015 it is estimated that an increase/(decrease) of 10% (2014: 10%) in the relevant stock/bond market index (for listed investments), with all other variables held constant, would have increased/ decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2015			2014		
	Effect on	Effect		Effect on	Effect	
	profit after	on other		profit after	on other	
	tax and	components		tax and	components	
	retained	of equity		retained	of equity	
	profits			profits		
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
<b>Change in the relevant price risk variable:</b>						
Increase	10%	1,529	3,961	10%	-	2,907
Decrease	10%	(1,529)	(3,961)	(10%)	-	(2,907)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock/bond market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the end of the reporting period. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock/bond market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock/bond market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2014.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments (Continued)

#### f) Fair value measurement

##### (i) Financial assets and liabilities measured at fair value

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 Valuations: Fair value measured using significant unobservable input

The Group engages independent professional valuers performing valuations for its financial instruments, including the financial derivatives which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by independent valuers at each interim and annual reporting date, and are reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and the directors of the Company is held twice a year to coincide with the reporting date.

	Fair value at	Fair value measurements			Fair value at	Fair value measurements		
	31 December	as at 31 December 2015			31 December	as at 31 December 2014		
	2015	Level 1	Level 2	Level 3	2014	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>								
<b>Recurring fair value measurements</b>								
Assets:								
Available-for-sale equity securities								
– Listed	39,614	39,614	-	-	29,071	29,071	-	-
Financial asset at FVTPL	15,291	15,291	-	-	-	-	-	-
Liabilities:								
Financial derivatives	493	-	-	493	266	-	-	266



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

#### f) *Fair value measurement (Continued)*

##### (i) *Financial assets and liabilities measured at fair value (Continued)*

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

##### *Information about Level 3 fair value measurements*

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>
Financial derivatives	Monte Carlo Simulations	Expected volatility: 20.28% (2014: 30.33% to 31.79%)

The fair value of financial derivatives is determined using Monte Carlo Simulations model and the significant unobservable inputs used in the fair value measurement is expected volatility.

As at 31 December 2015 and 2014, no sensitive analysis is performed on the financial derivatives as the impact is not significant to the Group's profit.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
<b>Financial derivatives:</b>		
At 1 January	<b>266</b>	1,000
Changes in fair value recognised in profit or loss	<b>227</b>	(734)
At 31 December	<b>493</b>	266
Total loss/(gain) for the period included in profit or loss for liability held at the end of the reporting period	<b>227</b>	(734)

The loss/gain arising from the remeasurement of financial derivatives are presented in "Other Income" in the consolidated statement of profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

#### *f) Fair value measurement (Continued)*

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

### 43. Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors capital on the basis of a gearing ratio, which was unchanged from 2014. This ratio is calculated as net debt divided by capital. Net debt is calculated as total borrowings (including current and non-current borrowings and security deposits received) less cash and cash equivalents and pledged bank and security deposits paid. Capital comprises all components of equity.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 43. Capital Management (Continued)

The gearing ratio at 31 December 2015 and 2014 were as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Current Liabilities:</b>		
Bank loans	75,745	68,452
Short-term borrowings	917,789	430,735
Security deposit received	5,722	–
Convertible Note	–	26,728
	<b>999,256</b>	525,915
<b>Non-current liabilities:</b>		
Senior Bonds	355,233	–
Unsecured Bonds due 2018	53,112	–
Unsecured Bonds due 2022	194,645	–
	<b>602,990</b>	–
Total borrowings	<b>1,602,246</b>	525,915
Less: Cash and cash equivalents	<b>(668,603)</b>	(153,014)
Pledged bank and security deposits paid	<b>(53,224)</b>	(146,383)
Net debt	<b>880,419</b>	226,518
Total equity	<b>3,074,410</b>	2,570,695
Gearing ratio	<b>28.64%</b>	8.81%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 44. Company-level Statement of Financial Position

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		1,496	2,298
Interests in subsidiaries		469,400	63,669
Interest in an associate		3,900	3,900
		<b>474,796</b>	69,867
<b>Current assets</b>			
Amounts due from subsidiaries		1,700,410	1,581,561
Dividends receivable from subsidiaries		163,909	13,909
Other receivables, deposits and prepayments		2,681	1,252
Cash and cash equivalents		130,957	2,091
		<b>1,997,957</b>	1,598,813
<b>Current liabilities</b>			
Convertible note		–	26,728
Amounts due to subsidiaries		356,123	110,389
Other payables, deposits received and accruals		13,699	1,286
		<b>369,822</b>	138,403
<b>Net current assets</b>		<b>1,628,135</b>	1,460,410
<b>Total assets less current liabilities</b>		<b>2,102,931</b>	1,530,277
<b>Non-current liabilities</b>			
Unsecured Bonds due 2018		53,112	–
Unsecured Bonds due 2022		194,645	–
		<b>247,757</b>	–
<b>NET ASSETS</b>		<b>1,855,174</b>	1,530,277
<b>EQUITY</b>			
Share capital	34	1,746,674	1,420,378
Reserves	35	108,500	109,899
<b>TOTAL EQUITY</b>		<b>1,855,174</b>	1,530,277

Approved and authorised for issue by the board of directors on 21 March 2016 and were signed on its behalf by:

**Cheung Siu Lam**  
Director

**Cheung Chai Hong**  
Director



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 45. Events After the Reporting Period

- (a) Subsequent to the end of reporting period, the Company repurchases its own ordinary shares (an aggregate of 38,336,000 ordinary shares) on The Stock Exchange of Hong Kong Limited.
- (b) After the end of the reporting period, the directors of the Company proposed a final dividend. Further details are disclosed in note 35(b).

### 46. Comparative Figures

For the year ended 31 December 2015, following a review of the presentation of the consolidated statement of profit or loss and consideration of the Group's fund raising activities including issue of Senior Bonds, Unsecured Bonds due 2018 and 2022, the Group re-categorises the presentation of revenue from the Group's principal activities and interest expenses in the consolidated statement of profit or loss. The new presentation categorises revenue from the Group's principal activities and interest expenses into "Net interest income and service income".

The directors of the Company consider that it is appropriate to change the presentation of the consolidated statement of profit or loss so as to provide information that is reliable and more relevant to users of the financial statements. The directors of the Company also consider that the revised structure is likely to continue, so that comparability is not impaired.

This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any of the periods presented. The comparative figures have been reclassified to conform to current year's presentation.

### 47. Ultimate Controlling Party

The directors regard Mr. Cheung Siu Lam through his direct shareholding in the Company as being the ultimate controlling party. The Company does not have any parent company.

### 48. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 48. Possible Impact of Amendments, New Standards and Interpretations Issued but not Yet Effective for the Year ended 31 December 2015 *(Continued)*

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



## FINANCIAL SUMMARY

For the year ended 31 December 2015

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified or restated as appropriate, is set out below.

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Results</b>					
Interest, guarantee and financing consultancy services income	725,490	560,496	440,724	300,601	382,127
Profit for the year	353,052	296,483	240,135	255,649	59,375
Attributable to:					
Equity shareholders of the Company	345,815	293,634	237,478	254,039	57,302
Non-controlling interest	7,237	2,849	2,657	1,610	2,073
	353,052	296,483	240,135	255,649	59,375
<b>As at 31 December</b>					
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Assets and liabilities</b>					
Total assets	4,836,197	3,200,142	2,860,529	2,388,564	1,866,949
Total liabilities	(1,761,787)	(629,447)	(729,318)	(578,673)	(299,671)
Non-controlling interest	(126,001)	(25,060)	(40,746)	(29,368)	(30,930)
Balance of total equity attributable to equity shareholders of the Company	2,948,409	2,545,635	2,090,465	1,780,523	1,536,348