



First Shanghai Investments Limited

Stock Code: 227

Annual Report 2015



商界展關懷

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香港社會服務聯會頒發





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Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. LO Yuen Yat

Executive Directors

Mr. XIN Shulin

Mr. YEUNG Wai Kin

Non-executive Director

Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Independent Non-executive Directors

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. YU Qihao

Mr. ZHOU Xiaohe

NOMINATION COMMITTEE

Prof. WOO Chia-Wei (*Chairman*)

Mr. LO Yuen Yat

Mr. YU Qihao

Mr. ZHOU Xiaohe

REMUNERATION COMMITTEE

Mr. ZHOU Xiaohe (*Chairman*)

Mr. LO Yuen Yat

Prof. WOO Chia-Wei

Mr. YU Qihao

AUDIT COMMITTEE

Mr. YU Qihao (*Chairman*)

Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. ZHOU Xiaohe

COMPANY SECRETARY

Mr. YEUNG Wai Kin

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd., Hong Kong Branch

China CITIC Bank International Limited

China Construction Bank (Asia) Corporation Limited

China Construction Bank Corporation,

Hong Kong Branch

Dah Sing Bank, Limited

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

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REGISTRARS & TRANSFER OFFICE

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Hong Kong

STOCK CODE

Stock Code on The Stock Exchange of

Hong Kong Limited: 227

Chairman's Statement

On behalf of the Board, I am pleased to present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2015.

MARKET OVERVIEW

The global economy in 2015 was tumultuous. In the US, the market was volatile with uncertainties about the timing and continuity of interest rate hikes and its economic outlook. In Europe, the market was mixed with the concern of deflation and economic recovery. The enlarged stimulus monetary measures further extended uncertainties among the areas when approaching the end of the year. Global market anxiety has been heightened by concerns about the ramifications of conflicts in the Middle East, terrorism in Europe and the US, significant drops in commodity prices and deceleration in economic growth in emerging markets. Against this backdrop, investors react irrationally to any bad news from China.

In 2015, volatility of the stock market in China was immense and significantly influencing. The Shanghai Composite Index rose to a seven-year high to above 5,100 points in the middle of the year, tracking expectations of supportive government measures on the financial market and property market. The market then corrected due to tightening of margin trading rules and worries about economic slowdown. The market was further deepened with concern about the outlook of the Chinese economy after the launch of a series of supportive measures in financial market by the government in July and the one-off devaluation of the Renminbi in August.

In Hong Kong, the Hang Seng Index dropped 7.2% from 23,605 points in 2014 to 21,914 points in 2015. In early 2015, the market rose amid the stock market rally in China. The market was optimistic with benefit from Shanghai-Hong Kong Stock Connect and speculations about supportive measures of the Central Government. Hang Seng Index rose to a seven-year high to over 28,000 points in the middle of the year. Daily market turnover increased sharply with a record high of HK\$291 billion reported in early April. However, in the middle of the year, the stock market fell heavily, with worries about the hard landing of the Chinese economy, the reduction in local consumption and the correction of local property market.

BUSINESS OVERVIEW

Although 2015 was a challenging year, the Group, as a well-established corporation, was capable to capture the market rally of the year. We have leveraged on the market opportunities to expand our customer base and enlarge our margin loan portfolio within controllable risk appetite. During the year, we have upgraded our online trading system into a more reliable and efficient platform and consolidated various trading channels, tracking to the contemporary customer trading pattern. Devoted to provide full range of financial services to our customers, we have widened our products range and service scope of the Shanghai-Hong Kong Stock Connect system. Benefited from the robust market demand during the first half year, our stockbroking turnover and margin loan portfolio reported historical high. Thereafter, the market heavily dropped, which depressed our stockbroking and margin loan business and curtailed certain securities trading gain of our investment portfolio. Despite the market further declined on lingering uncertainties over the Chinese economic outlook, the Group was capable to react align the market pace and will continue to closely monitor the market situation and implement cautious and proactive strategy so as to pursue sustainable and stable growth of the Group.





Chairman's Statement

Our corporate finance business has also achieved respectable results for 2015. We acted as financial adviser to various Hong Kong listed companies on several transactions including privatisation and issue of new shares. We were also engaged by numerous renowned Hong Kong listed companies to act as independent financial adviser for cases including but not limited to general offers, issue of shares, acquisitions and disposals, and a variety of continuing connected transactions. Corporate financial service is part of the extensive financial services we offer. And our corporate finance division and our other divisions will continue to work hand-in-hand to generate synergy and strive for further success.

During 2015, property market conditions in the third and fourth-tier cities in China, where most of the Group's project located, were still challenging. Our property development and investment business was significantly hindered by the huge inventory level. During the year, sale of property was unsatisfactory and we have concentrated on completion of various outstanding property development projects. We aim to launch Phase III of Wuxi project and Phases A and B of Huangshan project in 2016 and look forward to improve the results of the property projects in the coming years.

After disposal of a major pharmaceutical investment in 2014, the Group is still seeking new direct investment opportunities. There are some good projects, but we target to focus on long term strategy to the best interest of our shareholders. Currently, we will concentrate our resources on the development of pharmaceutical/healthcare business and completion of our existing property development projects.

For the year ended 31st December 2015, the Group recorded a net profit attributable to shareholders of approximately HK\$135 million, representing a decrease of 36% from approximately HK\$211 million as reported in 2014. Basic earnings per share attributable to the shareholders of the Company reduced from HK15.09 cents in 2014 to HK9.61 cents in 2015.

PROSPECTS

Looking ahead in 2016, economic recovery is expected to remain weak and the global economy is still uncertain and challenging. China has the financial means to continue its economic stimulus and we expect the Central Government to deepen its economic reform and further develop the financial market.

Along with the economic reform, challenges are unprecedented while substantial development opportunities exist. We will maintain a cautious and proactive approach regarding the credit control of our margin financing business, continue to upgrade our online trading platform, and strengthen our customer base. Benefited from experienced expertise and sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage, asset management, financial advisory and IPO sponsorships, we will continue to enhance our service and strengthen our business platform for further expansion.

Despite impacts of the slowdown in the Chinese economy, the Chinese government will try to stabilize the property market in 2016. We expect China will launch market-oriented approach policies, leading to a healthier industrial growth. Nevertheless, imbalances in demand and supply, structural surplus in capacity and high inventory levels will continue to restrain the property market. Therefore, inventory clearance will remain our primary focus.

On 22nd January 2016, we have announced that New Synergies Investments Company Limited, a company wholly-owned by me and my family members, to acquire the Group's entire interest in China Assets (Holdings) Limited ("China Assets") at a cash consideration of approximately HK\$104 million. The proposed transaction is subject to the independent shareholders approval at the extraordinary general meeting to be held on 7th April 2016. The Group can realize its investment in China Assets with the proposed transaction and will make use of the sale proceeds to finance its property development projects and strengthen its working capital.

We will consistently push forward our existing investment strategy, with focus on pharmaceutical and healthcare sectors, to further expand our Direct Investment business. We will also continue to seek future opportunities to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

APPRECIATION

I would like to take this opportunity to express my greatest appreciation on behalf of the Board to all our customers for their invaluable support and to our fellow directors and our employees for their dedication and commitment.

LO Yuen Yat

Chairman

Hong Kong, 24th March 2016



Management Discussion and Analysis

FINANCIAL REVIEW

Overview

For the year ended 31st December 2015, the Group recorded a net profit attributable to shareholders of approximately HK\$135 million, representing a decrease of 36% from approximately HK\$211 million as reported in 2014. The reduction in net profit was mainly attributable to the recognition of an one-off gain on disposal of a pharmaceutical investment in 2014 amounting to approximately HK\$210 million. This impact was partially offset by the satisfactory result of our Financial Services Sector, contributing a nearly 50% increase in operating result as compared to last year. Basic earnings per share attributable to the shareholders of the Company reduced from HK15.09 cents in 2014 to HK9.61 cents in 2015. Revenue of the Group was approximately HK\$492 million, slightly decreased by 2% from 2014 due to reduction of revenue contribution from pharmaceutical business. Total net assets of the Group diminished slightly by 4% to approximately HK\$3.2 billion after recognition of fair value loss from indirect investment in the listed shares of Shenwan Hongyuan (H.K.) Limited. The Group's return on equity (net profit to shareholders' fund) was 4.3%, dropped slightly, comparing with 6.3% as reported in last year.

Financial Services

The Group's Financial Services Sector includes securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. We offer full range of financial services to our customers. Operating profit from Financial Services Sector was satisfactory, with a nearly 50% increase from 2014. This mainly reflects the notable uplift in trading activities in Hong Kong stock market during the first half of 2015.

During the reporting year, the trading activities of Hong Kong stock market rose significantly with average market daily turnover boost by 52% from HK\$69 billion in 2014 to HK\$106 billion in 2015. Despite keen competition, with enhancement of our online trading platform and expansion of covering channels, including internet, mobile and FIX, we were able to catch up with the market pace and reported satisfactory growth in revenue from stock brokerage and margin financing business.

Improve in market confidence and expansion of customer base drives increase in margin loan demand. In 2015, average margin loan portfolio boosted from HK\$667 million in 2014 to HK\$1,223 million in 2015. This resulted in significant growth on interest income of more than 80% as compared to 2014.

Regarding our corporate finance business, we have focused on financial advisory cases during the reporting year. In 2015, 22 financial advisory cases were completed and 3 IPO cases were under processing. In addition, we have been engaged as compliance adviser of 6 listed companies. Advisory fee income has been increased by nearly 40% with increase in number of sizable independent financial advisory cases. While all IPO cases were yet to be completed, underwriting and placing income declined in 2015.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operation. Currently we participate in development of various kinds of property, including residential, service apartment, commercial office, industrial office, hotel and recreation resort, mainly located at the third and fourth tier cities in PRC. Operating loss from Property and Hotel Sector reduced by 69%, attributable to the recognition of properties revaluation gain and reduction in depreciation charge on hotel facilities during the year.

As at 31st December 2015, the Group held seven property projects with total GFA as summarised below:

Location	Product nature	Expected completion date (Year)	% of interest attributable to the Group	Total GFA (sq.m.)	Accumulated area sold (sq.m.)
Fuhai Business Park (Phase 3), No. 289 Bisheng Road, Pudong District, Shanghai, PRC*	Office and commercial	Completed	50%	56,000	27,000
Elite Place, No. 588 Chuangye Road, Kunshan Development Area, Kunshan, Suzhou City, Jiangsu Province, PRC*	Residential	Completed	70%	55,000	46,000
First Shanghai Plaza, No.19 Gaolang Road, Wuxi New District, Wuxi City, Jiangsu Province, PRC*	Hotel, commercial and apartment	Completed	100%	95,000	9,000
Singapore International Park, No.89 Xingchuang Fourth Road, Wuxi New District, Wuxi City, Jiangsu Province, PRC*	Office and industrial				
– Phase I		Completed	70%	38,000	18,000
– Phase II		Completed	70%	31,000	–
– Phase III		2016	70%	34,000	–
Fenghuang Road, Huangshan District, Huangshan City, Anhui Province, PRC	Residential and recreation resort				
– Phase A		2016	100%	12,000	–
– Phase B		2016	100%	23,000	–
Ru Shan Hu, Eastern side of Chang Jiang Water Reservoir, East District, Zhongshan City, Guangdong Province, PRC	Residential and recreation resort	2018	99.99%	64,000	–
Section E 589 & Section E 628, Commune de Presles, L'Isle Adam, France	Hotel and recreation resort	2017	100%	6,000	–
Total				414,000	100,000

* Certain properties in these locations were held for investment purposes. All of them were located outside Hong Kong and held on a medium term lease.



Management Discussion and Analysis

In 2015, given the active fiscal policies and accommodative monetary measures implemented by the Central Government, the property market condition was improved when compared with last year. The market turnover and selling prices rebounded, in particular in the first-tier cities where rapid price increment was reported. However, the properties market was still suffered from oversupply and high inventories especially at third and fourth tier cities. During 2015, no new property development project was completed and put to the market by the Group. Revenue from sales of properties dropped by 83% as compared to 2014. Reducing inventory level is the key target of the Group for 2016.

Our property investment and management business, one of the steady income generators of the Group, reported slight increase in revenue by 4% from 2014. For investment properties held by the Group, located mainly at the second-tier cities, they incurred slight valuation gain in 2015, when compared with a valuation loss made last year.

Revenue from hotel and golf operation remained steady during the year. The hotel room revenue had slightly decreased due to the decrease in average room rate. On the other hand, food and beverage revenue increased mainly attributable to increase in number and size of banquets engaged.

Direct Investment

The Group aims to explore profitable investment opportunities in various industries so as to optimize returns to its shareholders. The existing investment strategy will continue to focus on pharmaceutical and healthcare business. Operating profit from Direct Investment Sector decreased by 91% with recognition of an one-off gain on disposal of a pharmaceutical investment in 2014.

Revenue of Direct Investment Sector dropped dramatically by 94% in 2015, mainly attributable to the reduction of contribution from pharmaceutical business, after disposal of a major subsidiary in 2014. Revenue from other businesses remained steady during the year.

China Assets remained as our major investment in Direct Investment Sector in 2015. During the year ended 31st December 2015, net profit after tax attributable to the Group from China Assets was approximately HK\$22 million, mainly attributable to profit from partial disposal of shares in a pharmaceutical company listed in Shanghai.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group relies principally on its internal financial resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our property projects and financial services business. As at 31st December 2015, the Group had raised bank loans of approximately HK\$379 million (2014: HK\$386 million) and held approximately HK\$179 million (2014: HK\$372 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is maintained at the level of 12.0% (2014: 11.8%).

The Group's licensed subsidiaries are subject to various statutory capital requirements in accordance with the Securities and Futures (Financial Resources) Rules (Cap. 571N). During the financial year ended 31st December 2015, all licensed corporations within the Group complied with their respective requirements.

During the reporting year, there was no material change on the Group's overall share capital structure. As at 31st December 2015, the total number of issued ordinary shares was 1,413,473,012 shares (2014: 1,400,663,012 shares).

RISK MANAGEMENT

The Group adopts stringent risk management policies to control risk exposure related to financial risk (credit risk, liquidity risk, market risk, interest rate risk and foreign exchange risk) and information technology ("IT") system risk in all its major operations. Internal control systems are in place to monitor these risks.

Financial Risk

Credit risk

Credit risk is the risk of clients or counterparties failed to make payments as contracted. The Board delegates the credit committee to monitor the credit risk of the Group. Credit management policies, approved by the top management and credit committee, are in place to cover full credit control function including: (a) approval and regular review of company credit limit, margin/lending ratio; (b) examination of individual client's credit quality including trading and settlement history; (c) approval of credit terms for individual clients; and (d) follow up action of debt collection. Credit management policies are reviewed regularly and updated if necessary by the top management.

Liquidity risk

Liquidity risk is the risk that the Group is unable to convert the assets into cash readily in the market without loss. The Group's finance department review and monitor the Group's liquidity position on regular basis to ensure the availability of sufficient liquid funds and compliance of liquid capital requirement as required by the regulators for specific licensed subsidiaries. As a safeguard, stand-by banking facility is in place to meet any contingency needs.

Market risk

Market risk is the risk that the value of the assets will decrease due to the movements in market prices. The major market risk of the Group relates to the asset quality of our margin client's collateral and the exposure to underwriting commitments. If the market value of our client's collateral falls below his margin loan amount and the client is not able to meet the margin calls, the Group is at risk of the related margin loan and will become delinquent. The Group's listed and unlisted investments are also subject to the market risk. To address this risk, the Group has policies and procedures in place to closely monitor it. Follow up actions, say, to reduce the margin ratio for the pledged securities, will be taken if necessary.

Interest rate risk

Interest rate risk is the risk of incurring loss due to interest rates movement. The Group is exposed to changes in interest rates which arises from its receivable/payables to/from stockbroking clients and bank borrowings. Interest-bearing liabilities issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by interest-bearing assets held at variable rates, while those issued at fixed rates expose the Group to fair value interest rate risk. The Group's practice is to maintain a reasonable balance between variable and fixed rate interest-bearing liabilities. The Group has not used any derivatives to hedge its exposure to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk of making loss due to exchange rates movement. The Group's principal operations are transacted and recorded in Hong Kong dollars, Renminbi and EURO. The Group's finance department is responsible to manage and monitor the overall exposure of these currencies. The Group has no significant exposure to other foreign exchange fluctuations. The Group has not used any derivatives to hedge its exposure to foreign exchange risk.



Operational risk

Operational risk, including legal and compliance risk, is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. The Group reduces and controls the operational risk by setting up robust internal controls, proper segregation of duties, effective internal reporting and contingency plan. To achieve this, the management and compliance officer reviews the operation and compliance manuals regularly in accordance to the regulatory and industrial requirements. The updated manuals will be distributed to staff when necessary. Internal auditor is engaged to review the internal control functions and detect the internal control risks, which will report directly to the Board.

IT systems play an important role to our business operation especially to our Financial Services Sector. Systems were in place to monitor the IT systems. Contingency plans were established in the event of disruption, instability or any other situation to maintain business operation and protect clients' interest.

MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group had no material acquisitions, disposals and significant investments.

CHARGES OF GROUP ASSETS

The Group has charged properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK\$629 million (2014: HK\$661 million) and fixed deposits of approximately HK\$15 million (2014: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$269 million (2014: HK\$316 million) had been utilised.

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in China. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31st December 2015, total contingent liabilities relating to these guarantees amounted to approximately HK\$2 million (2014: HK\$6 million).

HUMAN RESOURCES

As at 31st December 2015, the Group employed 644 staff, of whom 489 are based in China. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include discretionary bonus, medical schemes, defined contribution provident fund schemes and employee share option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the year ended 31st December 2015 amounted to approximately HK\$199 million (2014: HK\$244 million).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LO Yuen Yat (70). Appointed as Managing Director of the Company in 1993. Mr. Lo joined the Company in 1993 and is currently the Chairman of the Company. He is also the chairman and executive director of China Assets (Holdings) Limited, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously, Mr. Lo was the senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the State Science & Technology Commission, Ministry of Communications and Railway Ministry of the PRC. Mr. Lo graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. XIN Shulin (62). Appointed as Director of the Company in 1998. Mr. Xin joined the Company in 1994 as Executive Vice President in charge of direct investment and property development business. Previously Mr. Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992.

Mr. YEUNG Wai Kin (54). Appointed as Director of the Company in 1998. Mr. Yeung is also Chief Financial Officer and Company Secretary of the Company. He joined the Company in 1993 and has over 30 years experience in auditing, finance and management positions. He is also non-executive director of China Assets (Holdings) Limited. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

NON-EXECUTIVE DIRECTOR

Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. (60). Appointed as Independent Non-executive Director of the Company in 1994 and has been re-designated to Non-executive Director of the Company in 2005. Mr. Kwok is a practising solicitor in Hong Kong and is qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a certified public accountant in Hong Kong and Australia and a Chartered Accountant in England and Wales. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in law. He also obtained the Advanced Management Program Diploma from the Harvard Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor WOO Chia-Wei (78). Appointed as Independent Non-executive Director of the Company in 1993. Prof. Woo is currently Senior Advisor to Shui On Holdings Limited, and President Emeritus of the Hong Kong University of Science and Technology. Previously he was President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of Shanghai Industrial Holdings Limited.

Mr. LIU Ji (80). Appointed as Independent Non-executive Director of the Company in 2004. Mr. Liu is the Honorary President of China Europe International Business School in Shanghai. He served as Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing. Mr. Liu is also an independent director of O2micro International Limited, a NASDAQ-listed company.



Biographical Details of Directors and Senior Management

Mr. YU Qihao (69). Appointed as Independent Non-Executive Director of the Company in 2005. Mr. Yu is a certified public accountant, PRC. He graduated from Shanghai University of Finance and Economics. From 1981 to 1991, Mr. Yu worked as a certified public accountant in an accounting firm in Shanghai. From 1992 to 1998, he acted as the assistant president of Shanghai Industrial Investment (Holdings) Company Limited. Mr. Yu also worked as an executive director from 1995 to 1997 and a non-executive director from 1997 to 1998 of Shenyin Wanguo (H.K.) Limited. During the period from 2001 to 2006, Mr. Yu was an advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai.

Mr. ZHOU Xiaohe (63). Appointed as Independent Non-executive Director of the Company in 2007. Mr. Zhou has extensive experience in investment and financing industries. He was educated in China and graduated from the Beijing Industrial University major in Computer Automation. Mr. Zhou was a non-executive director of the Company from 18th May 1995 to 16th June 1998 and of China Assets (Holdings) Limited from 27th March 1995 to 28th November 1997.

SENIOR MANAGEMENT

Mr. QIU Hong (46). Joined the Group in 2000 and is currently the Chief Executive Officer of First Shanghai Financial Holding Limited. Mr. Qiu is responsible for the management and business development of the Group's financial service business. Prior to joining the Group, Mr. Qiu had worked for an international audit and consulting company and was responsible for the audit, strategic planning and corporate financing activities. With extensive experience and expertise in financial industry, Mr. Qiu is specializing in corporate financing, stockbrokerage and investment in Hong Kong and Mainland China. Mr. Qiu holds a Bachelor's Degree in Economics from the Zhong Shan University and a Master of Philosophy (Economics) degree from the Chinese University of Hong Kong.

Mr. CHING Ah Chye (66). Joined the Group in 2001 and is currently the Managing Director of First Shanghai Securities Limited and First Shanghai Futures Limited. He is also a Responsible Officer of both the above-mentioned companies under the Securities and Futures Ordinance. Mr. Ching is responsible for management of overall operation and development of dealing in securities and futures. Mr. Ching holds a Bachelor of Business Administration degree from the University of East Asia, Macau (currently known as the University of Macau). He started his career in several financial institutions and has more than 30 years experience in the securities industry.

Report of the Directors

The Board submits herewith their report together with the audited consolidated financial statements for the year ended 31st December 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associated companies and joint ventures are set out in Notes 18, 19 and 20 to the consolidated financial statements respectively.

An analysis of the Group's performance for the year by operating and geographical segments is set out in Note 4 to the consolidated financial statements.

RESULTS

The results for the year are set out in the consolidated income statement on page 35.

DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.01 (2014: HK\$0.015) per ordinary share, totaling HK\$14,190,000 (2014: HK\$21,010,000).

SHARE CAPITAL

Details of the movements in share capital of the Company for the year ended 31st December 2015 are set out in Note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2015, calculated pursuant to Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$473,824,000 (2014: HK\$387,843,000).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$43,000 (2014: HK\$71,000).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31st December 2015.

DIRECTORS

(a) Directors of the Company

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

- Mr. LO Yuen Yat
 - Mr. XIN Shulin
 - Mr. YEUNG Wai Kin
 - * Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*
 - ** Prof. WOO Chia-Wei
 - ** Mr. LIU Ji
 - ** Mr. YU Qihao
 - ** Mr. ZHOU Xiaohe
- * *Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. is a non-executive director of the Company.*
- ** *Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe are independent non-executive directors of the Company.*

Mr. YEUNG Wai Kin, Prof. WOO Chia-Wei and Mr. ZHOU Xiaohe retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiaries

During the year and up to the date of the report, Mr. LO Yuen Yat, Mr. XIN Shulin and Mr. YEUNG Wai Kin were also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report included: Cao Yanlan, Chen Peili, Cheng Sai Wai, Ching Ah Chye, Christophe Davezac, Cui Xiao Wen, Fabrice Seemann, Feng Zhemin, Hai Alvin, Hao Yaxin, Lai Ho Yin, Lao Li, Lao Yuanyuan, Lee Lai Ching, Lee Tseng Wing, Li Yanping, Lim Huan Long, Liu Xiaoming, Lo Kwok Loong, Man Chi Kit, Mo Siu Lun, Ni Guoqi, Qiu Hong, Qu Kevin, Shi Lei, Shing Kwong Yeung, Teo Ban Seng, Tsang Lai San, Wan Ching Man, Wang Jiabin, Wu Jie, Xu Zhanzhao, Yang Erguan, Zhu Guoliang.

DIRECTORS' SERVICE CONTRACTS

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

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

PERMITTED INDEMNITY PROVISION

The Company has arranged insurance for its directors to cover their liabilities in respect of legal actions against them arising from corporate activities. The permitted indemnity provision is in force for the benefit of the directors as required by section 470 of the Hong Kong Companies Ordinance (Cap. 622) when the Report of the Directors is approved in accordance with section 391(1)(a) of the Hong Kong Companies Ordinance (Cap. 622).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31st December 2015, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:

(a) Interests in respect of the Company:

Directors		Number of shares and underlying shares held			% of issued share capital of the Company
		Personal interests	Corporate interests	Total	
Mr. LO Yuen Yat (<i>Note</i>)	Long position	108,349,636	72,952,000	181,301,636	12.83%
Mr. XIN Shulin	Long position	8,032,000	–	8,032,000	0.57%
Mr. YEUNG Wai Kin	Long position	19,904,304	–	19,904,304	1.41%
Mr. KWOK Lam Kwong, Larry, <i>B.B.S., J.P.</i>	Long position	1,000,000	–	1,000,000	0.07%
Prof. WOO Chia-Wei	Long position	1,000,000	–	1,000,000	0.07%
Mr. LIU Ji	Long position	500,000	–	500,000	0.04%
Mr. ZHOU Xiaohu	Long position	160,000	–	160,000	0.01%

Note: 72,952,000 shares are held by Kinmoss Enterprises Limited, a company wholly owned by Mr. LO Yuen Yat.

(b) Interests in respect of an associated corporation:

Directors			Number of shares and underlying shares held		% of issued share capital of the associated corporation
			Personal interests	Total	
Mr. LO Yuen Yat	China Assets	Long position	975,000	975,000	1.27%
Mr. YEUNG Wai Kin	China Assets	Long position	850,000	850,000	1.11%

Saved as disclosed above, at no time during the year, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in shares, underlying shares and debentures of the Company, its specified undertaking and its other associated corporation required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2015, the Company had been notified of the following substantial shareholder's interests, holding 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares in the Company:

		Personal interests	Family interests	Corporate interests	Other interests	Total	% of issued share capital of the Company
China Assets (Holdings) Limited ("China Assets") (Note 1)	Long position	-	-	247,674,500	-	247,674,500	17.68%
Ms. CHAN Chiu, Joy ("Ms. Chan") (Note 2 & 3)	Long position	56,008,000	12,432,000	5,568,000	63,640,000	137,648,000	9.74%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note 2 & 3)	Long position	12,432,000	56,008,000	5,568,000	63,640,000	137,648,000	9.74%

Notes:

- (1) *China Assets is a Hong Kong listed company, which is also an associated company of the Group.*
- (2) *5,568,000 shares are held by Richcombe Investments Limited, a company jointly owned by Ms. Chan and Mr. Yin with 50% equity interests each.*
- (3) *63,640,000 shares are held by The Golden Bridge Settlement, a trust with Ms. Chan and Mr. Yin as beneficiaries.*

SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "2002 Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Due to the expiry of the 2002 Scheme, the shareholders of the Company approved a new share option scheme (the "2014 Scheme") on 23rd May 2014. No share options were granted under the 2014 Scheme during the year. The purpose of the 2014 Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the 2014 Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under the 2014 Scheme does not in aggregate exceed 10% of the shares in issue on the date of approval of the 2014 Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the 2014 Scheme does not exceed 30% of the shares in issue from time to time.

As at 31st December 2015, options to subscribe for a total of 139,891,301 ordinary shares were still outstanding under the 2014 Scheme which represents approximately 10% of the issued ordinary shares of the Company.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2014 Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

The consideration for the grant of options is HK\$1.00. The 2002 Scheme and 2014 Scheme participant is entitled to subscribe for shares during such period as may be determined by the directors (which shall be less than 10 years from the date of the grant of the relevant option and commences not less than six months after the date of grant) at the price to be determined by the Board but not less than the highest of the average of the official closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date on which the option is granted and the official closing price of the shares on the Stock Exchange on the date of grant.

Details of share options remain outstanding as at 31st December 2015 are as follows:

	Options held at 1st January 2015	Options exercised during the year	Options held at 31st December 2015	Exercise price HK\$	Date of grant	Exercise period	Vesting period
Directors							
Mr. LO Yuen Yat	11,944,000	-	11,944,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. XIN Shulin	8,032,000	-	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YEUNG Wai Kin	11,810,000	(11,810,000)	-	0.564	30/11/2005	30/05/2006-29/11/2015	30/11/2005-29/05/2006
	8,032,000	-	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.	1,000,000	-	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Prof. WOO Chia-Wei	1,000,000	-	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. LIU Ji	500,000	-	500,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YU Qihao	1,000,000	(1,000,000)	-	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees							
	5,500,000	-	5,500,000	0.680	03/03/2006	03/03/2008-02/03/2016	03/03/2006-02/03/2008
	1,000,000	-	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
	49,818,000	(12,810,000)	37,008,000				

Notes:

- (1) During the year, 12,810,000 share options were exercised under the 2002 Scheme with an exercise price ranging from HK\$0.564 to HK\$1.95 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK\$1.283 per share. No share options were granted or lapsed under the 2002 Scheme and 2014 Scheme during the year ended 31st December 2015.
- (2) No share options granted under the 2002 Scheme were cancelled during the year ended 31st December 2015.
- (3) The accounting policy adopted for share options is consistent with that as described in the consolidated financial statements for the year ended 31st December 2015.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are both less than 30% for 2015 and 2014.

CONNECTED TRANSACTION

The Company did not have any connected transactions which need to be disclosed during the year ended 31st December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

BUSINESS REVIEW

Further discussion and analysis of the Group's business as required by Schedule 5 to the Hong Kong Companies Ordinance, including (a) a fair review of the Group's business; (b) a description of the principal risks and uncertainties facing the Group; (c) particulars of important events affecting the Group that have occurred since the end of the financial year; and (d) an indication of likely future development in the Group's business, please refer to "Management Discussion and Analysis" and "Environmental, Social and Governance Report" sections of this Annual Report. The above sections form part of this report.

SUBSEQUENT EVENTS

On 22nd January 2016, the Group entered into an agreement with a purchaser, which is a corporate wholly-owned by Mr. Lo, the Chairman of the Company, and his family members, to dispose of the Group's entire interest in China Assets for a cash consideration of approximately HK\$104 million. The transaction is subject to the independent shareholders approval at the extraordinary general meeting to be held on 7th April 2016. Based on the latest financial information available of China Assets for the year ended 31st December 2015, it is currently expected that the Group will record an accounting loss on disposal of approximately HK\$119 million. Such accounting loss is non-cash in nature and would not have any material adverse impact on the current and future cash flows and business operations of the Group.

FIVE YEAR FINANCIAL SUMMARY

The summary of assets, liabilities and results of the Group for the last five financial years is as follows:

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	491,923	501,630	459,579	349,085	285,409
Profit/(loss) attributable to					
– shareholders	134,862	211,091	42,540	(98,266)	(45,819)
– non-controlling interests	(205)	(5,735)	(682)	(7,726)	(2,217)
Earnings/(losses) per share					
– basic	9.61 cents	15.09 cents	3.04 cents	(7.02) cents	(3.28) cents
– fully diluted	9.58 cents	15.00 cents	3.03 cents	(7.02) cents	(3.28) cents
Total current assets	5,026,668	4,090,777	3,212,524	3,129,260	3,327,687
Total assets	6,912,554	6,160,867	4,946,281	4,629,316	4,934,702
Total current liabilities	3,481,363	2,529,809	1,814,076	1,597,006	2,009,641
Total liabilities	3,744,774	2,875,916	2,198,746	2,008,376	2,220,043
Total equity	3,167,780	3,284,951	2,747,535	2,620,940	2,714,659
Gearing ratio	12.0%	11.8%	14.2%	13.5%	11.9%

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

LO Yuen Yat

Chairman

Hong Kong, 24th March 2016



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its code on corporate governance (the “Code”) which sets out the corporate standards and practices used by the Company in directing and managing its business affairs. The Code was prepared with reference to the code provisions and recommended best practices as stipulated in Appendix 14 (the “CG Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Code not only formalizes the Company’s existing corporate governance principles and practices, but also serves to assimilate practices with benchmarks prescribed by the Stock Exchange, ultimately ensuring that the Company runs a highly transparent operation and is accountable to its shareholders. In addition to abiding strictly by the laws and regulations of Hong Kong and observing the rules and guidelines issued by the relevant regulatory authorities, the Company will also regularly review its corporate governance practices, with a view to conforming to international and local best practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31st December 2015, except for the deviation from code provision A.2.1 in respect of segregation of the roles of chairman and chief executive officer. Such deviation will be discussed in the relevant sections of this report in more details. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

Function and composition

The principal focus of the Board is on the overall strategic development of the Group. The Board provides direction and approval in relation to matters concerning the Company’s business strategies and policies and monitors the overall financial performance and internal controls of the Group. Day-to-day management of the Group is delegated to the executive directors or the senior management who is required to report back to the Board on regular basis. The Board is also responsible to the corporate governance function of the Company.

Members of the Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. In discharging its corporate accountability, every director is required to pursue excellence in the interests of the shareholders of the Company and fulfill his fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

The Board meets regularly throughout the year. During the year, there were five Board meetings held to discuss the overall strategy as well as the operation and financial performance of the Group.

The Board of the Company comprises:

Executive Directors:

Mr. LO Yuen Yat (*Chairman*)
Mr. XIN Shulin
Mr. YEUNG Wai Kin

Non-executive Director:

Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Independent Non-executive Directors:

Prof. WOO Chia-Wei
Mr. LIU Ji
Mr. YU Qihao
Mr. ZHOU Xiaohu

The Board comprises of three executive directors and five non-executive directors. Of the five non-executive directors, four of them are independent non-executive directors that represent more than one-third of the Board. In addition, two of the non-executive directors possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board.

In accordance with the Company's Articles of Association, at each annual general meeting, one-third of the directors of the Board for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that each director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election.

Chairman and chief executive officer

The Chairman and chief executive officer of the Company is Mr. LO Yuen Yat. This deviates from code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board believes that vesting the role of both positions in Mr. Lo provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

Non-executive directors

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at annual general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

The non-executive directors serve an important function of ensuring and monitoring the basis for an effective corporate governance framework. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The Board considers that each independent non-executive director is independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

Directors' continuous professional development

Each newly appointed director is provided with necessary induction and information to ensure that he/she is sufficiently aware of his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company will arrange and sponsor suitable training for its directors as required. In addition, the directors are briefed, from time to time, on the amendments or updates on the relevant laws, rules and regulations, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records obtained by the Company, a summary of training received by the directors during the year is as follows:

Name of directors	Types of continuous professional development
Mr. LO Yuen Yat	A, B
Mr. XIN Shulin	A, B
Mr. YEUNG Wai Kin	A, B
Mr. KWOK Lam Kwong, Larry, <i>B.B.S., J.P.</i>	A, B
Prof. WOO Chia-Wei	A, B
Mr. LIU Ji	A, B
Mr. YU Qihao	A, B
Mr. ZHOU Xiaohe	A, B

Notes:

A – attending briefing sessions and/or seminars

B – reading seminar materials, journals and/or updates relating to the economy, general business and latest development of applicable regulatory requirements

BOARD COMMITTEES

The Board has established three specialised committees (the “Board Committees”) namely the nomination committee (the “Nomination Committee”), the remuneration committee (the “Remuneration Committee”) and the audit committee (the “Audit Committee”) to assist in carrying out and discharging duties and responsibilities efficiently and effectively. The Board Committees function within clearly defined terms of reference which are reviewed from time to time. The structure and effectiveness of each Board Committee is also constantly reviewed by the Board.

Nomination Committee

The Nomination Committee was established on 1st March 2012. The majority of the Nomination Committee members are independent non-executive directors and its members include:

Executive Director:	Mr. LO Yuen Yat
Independent Non-executive Directors:	Prof. WOO Chia-Wei (<i>Committee Chairman</i>) Mr. YU Qihao Mr. ZHOU Xiaohe

The terms of reference of the Nomination Committee were adopted when the Committee was established on 1st March 2012. The Nomination Committee was set up to review the structure, size, composition and diversity of the Board, identify individuals and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors.

During the year, one meeting was held to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board and the annual confirmation of independence submitted by the independent non-executive directors and assess their independence.

Remuneration Committee

The Remuneration Committee was established on 30th June 2005. The majority of the Remuneration Committee members are independent non-executive directors and its members include:

Executive Director:	Mr. LO Yuen Yat
Independent Non-executive Directors:	Mr. ZHOU Xiaohe (<i>Committee Chairman</i>) Prof. WOO Chia-Wei Mr. YU Qihao

The terms of reference of the Remuneration Committee were adopted when the Committee was established and were amended on 1st March 2012. The Remuneration Committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

During the year, two meetings were held to discuss the remuneration policies and approve the remuneration packages of individual director and senior management of the Company.

Audit Committee

The Audit Committee was established on 27th December 1998. All members of the Audit Committee are non-executive directors and its members include:

Independent Non-executive Directors:	Mr. YU Qihao (<i>Committee Chairman</i>) Prof. WOO Chia-Wei Mr. LIU Ji Mr. ZHOU Xiaohe
Non-executive Director:	Mr. KWOK Lam Kwong, Larry, <i>B.B.S., J.P.</i>

Each member of the Audit Committee has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The terms of reference of the Audit Committee were adopted when the Committee was established and were amended on 1st March 2012. The Audit Committee was set up to ensure proper financial reporting and internal control principles are in place and follow. The Audit Committee meets regularly, to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process.

The Board acknowledges its responsibilities for preparing the financial statements of the Group and is responsible to ensure that the preparation of the financial statements of the Group is in accordance with the statutory requirements and applicable accounting standards.

During the year, there were three meetings held. The Audit Committee has reviewed the annual and interim consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee met with the Company's external auditor during each of the committee meeting held in 2015 to liaise the Group's financial reporting and material financial matters. The Audit Committee has also reviewed report of the Company's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

MEETINGS AND ATTENDANCE

The Board/Board Committees meet regularly throughout the year. Notice of at least 14 days have been given to all directors for all regular Board/Board Committee meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying meeting papers in respect of regular Board/Board Committee meetings are sent out to all directors within reasonable time before the relevant meeting.

Draft minutes of Board/Board Committee meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of Board/Board Committee meetings are kept by the Company Secretary and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board/Board Committee to make an informed decision on matters placed before it.

During the year, the individual attendance of each director at the Board meetings, the Board Committee meetings and the Company's annual general meeting (the "AGM") is set out below:

Name of director	Board meeting	Nomination Committee meeting	Remuneration Committee meeting	Audit Committee meeting	AGM
No. of meetings held during 2015	5	1	2	3	1
Mr. LO Yuen Yat	5	1	2	n/a	1
Mr. XIN Shulin	5	n/a	n/a	n/a	1
Mr. YEUNG Wai Kin	5	n/a	n/a	n/a	1
Mr. KWOK Lam Kwong, Larry, <i>B.B.S., J.P.</i>	5	n/a	n/a	3	1
Prof. WOO Chia-Wei	4	1	2	3	1
Mr. LIU Ji	3	n/a	n/a	2	1
Mr. YU Qihao	5	1	2	3	–
Mr. ZHOU Xiaohe	4	1	2	2	1

Mr. YEUNG Wai Kin attended all the Board/Board Committee meetings in 2015 in the capacity of Company Secretary of the Company.

COMPANY SECRETARY

Mr. YEUNG Wai Kin was appointed as Company Secretary of the Company. Following specific enquiry by the Company, he has complied with the requirements as stipulated in Rule 3.29 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December 2015.

DISCLOSURE FOR REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the year ended 31st December 2015, the remuneration of the members of the senior management by band is set out below:

Emolument bands	Number of individuals
HK\$4,000,001 – 6,000,000	1
HK\$18,000,001 – 20,000,000	1
	2

Details of the directors' remuneration and five highest paid individuals for the year ended 31st December 2015 are set out in Note 12 to the consolidated financial statements.

AUDITOR'S REMUNERATION

For the year ended 31st December 2015, PricewaterhouseCoopers, the Company's auditor, has charged approximately HK\$2,536,000 for audit and related services and HK\$248,000 for other non-audit services – taxation services.

COMMUNICATION WITH SHAREHOLDERS

Corporate communication policy

The Company recognises the importance of effective and proper communications with its shareholders and investors. A policy setting out the principles of the Company in relation to the shareholders' communications, with the objectives of ensuring a fair, transparent and timely communication with shareholders has been established and published on the website of the Company.

Information disclosure

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules and has established the inside information/price sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

General meetings with shareholders

The Company's annual general meeting provides a useful platform for direct communication between the Board and shareholders of the Company. The Company ensures that shareholders' views are communicated to the Board. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered. The AGM was held on 22nd May 2015. The Company's external auditor and majority of directors (including the Chairman of the Company and the chairmen (or other nominated committee member) of the audit, remuneration and nomination committees) have attended the AGM to answer questions from shareholders.

Shareholders' right

(A) *Convening of extraordinary general meeting on requisition by shareholders*

Shareholder(s) holding not less than five percent of the total voting rights of all the members having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The requisition, either in hard copy form or in electronic form, must state the general nature of the business to be dealt with at the meeting and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company or email to enquiry@firstshanghai.com.hk for the attention of the Company Secretary. The requisition may include the text of a resolution that may properly be moved and is intended to be moved at the EGM. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days from the date of receipt of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of three months from the said date. The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Any reasonable expenses incurred by the shareholder(s) concerned by reason of the failure of the directors duly to convene an EGM must be reimbursed by the Company.

(B) *Procedures for directing shareholders' enquiries to the Board*

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary. The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

(C) *Procedures for putting forward proposals at general meetings by shareholders*

Shareholders may request the Company to include a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

- (i) Any number of shareholders representing not less than 2.5 percent of the total voting rights of all shareholders having at the date of the requisition a right to vote at an AGM to which the requisition relates, or not less than 50 shareholders holding shares in the Company, may submit a requisition in hard copy form or electronic form to put forward a resolution which may properly be moved and is intended to be moved at an AGM.

- (ii) The Company shall not be bound by the Hong Kong Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless (a) a copy of the requisition signed by the shareholders concerned (or two or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company or email to enquiry@firstshanghai.com.hk for the attention of the Company Secretary not less than six weeks before an AGM in the case of a requisition requiring notice of a resolution and not less than one week before an AGM in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.
- (iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

(D) Procedures for proposing a person for election as a director

As regards the procedure for proposing a person for election as a director, please refer to the procedures made available under the "Our Company" section, "Shareholders Information" sub-section ("Procedure for Shareholders to propose a person for election as a director") of the website of the Company.

CONSTITUTIONAL DOCUMENTS

The latest version of the Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.



Environmental, Social and Governance Report

With a huge business network and a professional management team in both Mainland China and Hong Kong, the Group is committed to further developing its three main businesses in ways that will boost returns for its shareholders. In the process of business development, we adhere closely to principles of sustainable development, seeking to achieve international standards in the areas of environmental protection, work environment, operations governance and community service. We aim at laying a solid foundation for the fulfilment of both our corporate social responsibilities and our long-term business goals.

ENVIRONMENTAL PROTECTION

Since its establishment, the Group has constantly taken the calls of environmental protection groups to “go green” in earnest. We actively follow the government’s green development policy, and work to promote a corporate culture of cherishing our environment and use the resources effectively. With energy conservation and waste reduction at source, we promote to grow with long-term sustainable development.

Waste reduction

The types of waste produced by the Group mainly include waste paper and solid waste from construction and hotel operations. The Group has appointed professional waste management companies to collect and handle wastes generated from property development and hotel businesses. We have also passed expired prospectuses and back issues of newspapers and magazines to designated recyclers, and ensure that the disposal and handling of all our waste is in line with local environmental protection laws and regulations and related industry standards. In addition, the Group encourages employees to recycle printing paper, and to collect used toner cartridges for recycling.

Environmental protection and energy conservation

The Group has spent approximately HKD265,000 to purchase printers, refrigerators and air conditioners meeting Grade 1 or Grade 2 energy efficiency levels in 2014. In 2015, we have also installed LED energy-saving lighting in our Hong Kong office, a move which greatly reduced the office’s average monthly power consumption by around 1,655 kilowatt-hours, achieving a power-saving ratio as high as 24%. In addition, subsidiaries of the Group in Mainland China have also begun implementing changes including adopting energy-saving lighting systems and installing office equipment in line with the government’s energy conservation standards that come up to our all-rounded low carbon offices philosophy.

To foster a green working environment, the Group put up “Save Paper” signs in office areas and places paper recycling bins in specific areas, as part of its efforts to promote the three environmental protection principles: “making best use”, “reusing waste” and “recycling”. The Group also provides guidance on making the best use of office equipment, and reminds staff to turn off some lighting and air conditioning during lunchtimes and power off completely after office hours to save energy. Further, subsidiaries of the Group in Mainland China have established an energy conservation committee as stipulated by state regulations for implementation of internal environmental protection measures, and reviewing the energy conservation results of different departments to ensure their efficiency.

WORK ENVIRONMENT

Establishing and maintaining good labour relations is essential for sustainable development of a business. To cultivate a dynamic work environment, the Group not only establishes flexible remuneration and welfare policies, but also provides support and training in different areas for its employees. Since its establishment, the Group has been awarded the status of “Family-friendly Employer” and “Good Fund Employer”, proving its efforts towards maintaining a harmonious work environment.

Work conditions

Apart from basic remuneration policies, the Group has also put in place a rigorous performance assessment and promotion system as a way of helping employees achieve their career goals. Heads of departments review the overall performance of subordinates annually, and give rewards to staff who meet the targets. When there is job vacancy, the Group conducts internal assessments prior to open recruitment and gives priority to existing staff with satisfactory performance, as a way of ensuring that contributions of employees are fully recognised.

To maintain a safe and comfortable work environment, the Group appoints professional cleaning companies to clean and sanitise office areas and equipment regularly. It also designs and plans office layouts based on ergonomics and relevant safety provisions, and ensures that fire escapes are not blocked and that regular checks are conducted to ensure that fire-fighting equipment meets all fire safety standards. All subsidiaries of the Group also review their office environment and their safety policies regularly to make sure that daily operations fully comply with all applicable rules.

Development and training

The Group is committed to improving the work efficiency and performance of its employees, which is achieved by conducting internal training courses to help the staff to improve their professional knowledge, skills and techniques, and motivating employees to develop together with the Group. To promote self-improvement, the Group provides cash subsidies or similar incentives to qualified employees, and encourages staff of all levels to take initiative in acquiring job-related knowledge and thus fully realise their potential. We regularly invite various professional bodies and suppliers to deliver professional training, which includes courses accredited by the Securities and Futures Commission and presentations of new products to keep employees updated regarding relevant laws and regulations and new industry developments.

Labour standards and impartial mechanisms

The Group establishes recruitment policies according to applicable ordinances of the locations in which it operates. The Group makes certain that its employees are all above the minimum legal working age and have been fully protected in terms of labour standards, and that all laws and regulations prohibiting child labour and forced labour are complied. All recruitment, remuneration, training, and promotion mechanisms are carried out impartially, and individuals are assessed solely on the basis of professional experience or work performance. No one is subject to discrimination due to age, gender, race or skin colour. The management of the Group regularly reviews its internal management system, and revises its remuneration and welfare policies according to changes in labour laws (such as the paternity leave provisions which took effect in 2015), to ensure that its male and female employees enjoy all statutory rights.

Occupational health and safety

The Group considers its employees as vital assets. We attach great importance to help our staff to maintain optimum physical and mental health, and have therefore established rigorous occupational safety standards based on both government provisions and industry norms. The Group holds occupational safety briefings for new employees, conducts professional safety skills training for specific departments or posts, and disseminates the latest occupational safety information regularly. The Group also provides various medical and life insurance packages to staff. As an additional benefit, the Group arranges free annual medical check-ups for its employees.

OPERATIONS GOVERNANCE

The Group is truly aware that businesses can only sustain a stable development by advancing with the times, actively improving management efficiency, and strengthening operations governance. To this end, the Group reviews its internal and external operations practices from time to time, and takes the initiative to revise management policies when necessary to optimise its corporate governance practices.

Risk management and internal control

As its business scope has expanded, the Group has to face with various operational risks including project risks, product risks, compliance risks and legal risks. To ensure smooth running of its businesses, the Group has set up various special managing departments including a product committee, a compliance department, and a legal department, all of which are responsible for assessing risk levels, reviewing related management policies, and reporting to the management on a regular basis. In the case of operational risks with the potential for having a significant impact (such as project risks), the Group will appoint external experts, where necessary, to conduct due diligence on new investment projects or products, and to follow and supervise the progress of such projects to ensure that underlying risks are kept manageable.

The Group is meticulous in its approach to operations governance, and has developed a highly efficient and well-developed internal control system after years of effort. This internal control system covers functions such as internal audit, operations supervision, power balancing, employee training, compliance reviews, and management of the information technology system. The Group closely monitors the major aspects in relation to its daily operations, which not only facilitates smooth operation among various departments, but also promotes stable development of the Group.

Compliance with laws and regulations

As a professional financial services provider, the Group has set up a comprehensive and effective compliance procedure to ensure its full compliance in daily operations with all applicable laws, rules and regulations. It also keeps a close eye on changes to laws and regulations in the areas where it operates, and makes appropriate and timely adjustments in its internal control policies. The Board of Directors has established a relevant committee which is responsible for overseeing and reviewing the Group's governance policies and measures relating to daily operations, and to assess the compliance of the internal management system and norms with all applicable laws and regulations. To ensure its overall operations are in line with all legal compliance requirements, the management of the Group disseminates information on related changes by email or other means to update employees on new developments. In addition, the Group has obtained all the licences required by the new Companies Ordinance and other applicable provisions, including those for carrying out dealing in securities and futures contracts, advising on securities and futures contracts, advising on corporate finance, and conducting asset management under the Securities and Futures Ordinance. Management will ensure employees comply with all relevant laws and regulations whenever they provide professional financial and investment services both to clients and the general public.

Product responsibilities

In relation to financial services business, to avoid any loss suffered by clients due to systems failures or delays in transactions, the Group has established a comprehensive emergency plan, and has arranged relevant departments to conduct emergency drills to ensure that proper measures are taken should system errors occur to reduce any potential client losses to a minimum. However, should clients lodge complaints about losses incurred, the Group will immediately assign special investigation personnel and invite the compliance department to follow up on such cases. They will identify the problem through the internal investigation policy (including checking recordings and transaction records, and checking status of the online transaction platform), and then communicate the findings and make appropriate compensation with the least possible delay to those clients being affected. Management will also review complaint cases in its regular meetings, discuss subsequent remedies, and improve the internal control and management system or facilities, where necessary, to avoid any recurrence of such issues.

In relation to property construction and hotel projects, the Group strictly monitors the design and operations processes of each project to ensure full compliance of products and services with all relevant standards. To do this, the Group appoints professional maintenance services providers accredited by the government authorities to conduct regular checks and carry out maintenance work on its hotel facilities. We also closely supervise operation of the construction development projects, and sign agreements with contractors that help to ensure the compliance of government construction safety standards for all our property and hotel projects. The Group also holds regular internal seminars in which industry trends and customer feedback are fully reviewed, enabling improvements to its products or services.

Apart from its product and service quality, the Group also pays close attention to the confidentiality of personal data and the privacy of our clients. We have developed detailed operations and services codes of conduct to fully protect client privacy. In this regard, the Group arranges relevant training courses for employees, and requires staff to fully abide by the guidance on handling client data. It also prohibits any unauthorised copying, dissemination or disclosure of confidential information, including client identity and transaction records, to reduce the risk of leakage of client data.

Anti-corruption

The Group has actively worked to establish a corporate culture of integrity and justice, and treats integrity as one of its core business principles. To raise anti-corruption awareness among its employees, the Group holds regular integrity talks, and lays out codes of conduct concerning the giving and receiving of gifts in its compliance manual. We also encourage employees to report their interests and make good use of the accusation mechanism to eliminate illegal activities such as money laundering, bribery and fraud. In addition, the Group has set up an independent supervisory department to oversee the transactions and services practices of its sales department, thus effectively avoiding conflicts of interest or the possibility of embezzlement.

Communications with stakeholders

The Group always maintains good communications with its stakeholders in different sectors, with the aim of spurring stable and sustainable business development and ensuring that its products and services meet with the needs and expectations of the public. As a Hong Kong-listed company, the Group not only communicates with investors through telephone meetings and symposiums, but also with regulators, trading services providers and banks from time to time. It regularly reviews its services procedures according to feedbacks from all parties, and market trends, with the aim of improving the efficiency of its daily operations.

The Shanghai-Hong Kong Stock Connect provides a good example of communication at work. The Group actively participated in seminars and market simulations hosted by the Stock Exchange of Hong Kong Limited, taking these opportunities to acquire knowledge about the trading and settlement arrangements and other details of the Shanghai-Hong Kong Stock Connect programme and to ensure that its internal trading system complied with all necessary technical requirements. On the back of these efforts, the Group was among the first batch of stockbroking service providers authorised to participate in the Shanghai-Hong Kong Stock Connect. In addition, the Group holds marketing campaigns and investment promotion activities on a regular basis to learn about customer needs. It also discusses settlement arrangements and procedures with numerous major bankers, and holds regular meetings with trading system service providers to exchange views on system upgrading and related technologies so as to streamlining our online stock trading platform.

With the planned launch of the Shenzhen-Hong Kong Stock Connect programme on the horizon, the Group is maintaining its proactive business spirit and speeding up its communication with stakeholders from all sectors with the aim of sharpening its competitiveness by becoming one of the first batch of authorised stockbroking service providers to participate in the programme.

CONTRIBUTIONS TO SOCIETY

As an enthusiastic and diligent corporate citizen, the Group always regards contributions to society as part of its mission. Our business development strategy also pays close attention to community welfare. Since its establishment, the Group has been committed to pursuing innovation, and devoted to promote community development by taking the lead and encouraging employees to care for the community.

Charity donations

Over the past few years, the Group kept on donating money to the World Wildlife Fund and the Hong Kong Playground Association to support the regional work of these institutions. Besides, the Group also constantly donates computers, used clothes, stationery and books to designated volunteer groups, in the spirit of helping the poor and underprivileged.

Charity and community work

The Group encourages its employees to take the lead in community work hosted by social welfare groups, and provides subsidies for transportation and tools that needed for those volunteering activities. The Group has made arrangement for its employees to participate in environmental protection charity activities hosted by the World Wildlife Fund, including “Earth Hour”, marine life conservation projects in Hoi Ha Wan, and the Mikania removal campaign, to raise the environmental protection awareness of our employees. The Group has also sponsored the “Winds under the Wings” Tutoring Scheme run by the Hong Kong Playground Association. Our volunteers act as life tutors for underprivileged teenagers, helping them develop good values and learn about financial management so that they are better equipped to face the future.

Independent Auditor's Report



羅兵咸永道

TO THE MEMBERS OF FIRST SHANGHAI INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of First Shanghai Investments Limited (the "Company") and its subsidiaries set out on pages 35 to 108, which comprise the consolidated balance sheet as at 31st December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 and to report our opinion 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.

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 judgement, 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.

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PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com



Independent Auditor's Report

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 Company and its subsidiaries as at 31st December 2015, and of their 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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24th March 2016

Consolidated Income Statement

For the year ended 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	4	491,923	501,630
Cost of sales		(141,995)	(193,079)
Gross profit		349,928	308,551
Other gains – net	5	49,139	200,535
Selling, general and administrative expenses		(272,937)	(319,509)
Operating profit	6	126,130	189,577
Finance income	7	21,405	19,026
Finance costs	7	(18,890)	(19,697)
Finance income/(costs) – net	7	2,515	(671)
Share of results of Associated companies	19	21,974	13,731
Joint ventures	20	12,584	12,267
Profit before taxation		163,203	214,904
Taxation	8(a)	(28,546)	(9,548)
Profit for the year		134,657	205,356
Attributable to:			
Shareholders of the Company		134,862	211,091
Non-controlling interests		(205)	(5,735)
		134,657	205,356
Earnings per share for profit attributable to shareholders of the Company during the year			
– Basic	9	HK9.61 cents	HK15.09 cents
– Diluted	9	HK9.58 cents	HK15.00 cents

The notes on pages 42 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the year	134,657	205,356
Other comprehensive (loss)/income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
– Actuarial losses on retirement benefit obligations	–	(867)
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Fair value (loss)/gain on available-for-sale financial assets	(221,977)	312,028
– Exchange reserve realised upon disposal of subsidiaries	(5,764)	5,028
– Exchange reserve realised upon disposal of an associated company	(15)	–
– Currency translation differences	(73,602)	(32,693)
– Share of post-acquisition reserves of an associated company	61,945	57,189
	(239,413)	341,552
Other comprehensive (loss)/income for the year, net of tax	(239,413)	340,685
Total comprehensive (loss)/income for the year	(104,756)	546,041
Attributable to:		
Shareholders of the Company	(99,545)	552,070
Non-controlling interests	(5,211)	(6,029)
	(104,756)	546,041

The notes on pages 42 to 108 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Intangible assets	14	2,126	2,126
Property, plant and equipment	15	376,811	426,096
Investment properties	16	470,459	453,603
Leasehold land and land use rights	17	48,922	52,256
Investments in associated companies	19	434,822	351,152
Investments in joint ventures	20	247,562	250,074
Deferred tax assets	33	6,968	13,120
Available-for-sale financial assets	21	291,761	513,738
Loans and advances	22	6,455	7,925
Total non-current assets		1,885,886	2,070,090
Current assets			
Inventories	23	674,127	664,055
Loans and advances	22	1,131,432	977,113
Trade receivables	24	159,001	238,250
Other receivables, prepayments and deposits	25	60,373	142,543
Tax recoverable	8(b)	11,041	6,838
Financial assets at fair value through profit or loss	26	20,192	33,732
Deposits with banks	27	2,807	7,584
Client trust bank balances	28	2,791,106	1,656,587
Cash and cash equivalents	28	176,589	364,075
Total current assets		5,026,668	4,090,777
Current liabilities			
Trade and other payables	29	3,272,593	2,392,289
Tax payable	8(b)	39,088	35,970
Borrowings	30	169,682	101,550
Total current liabilities		3,481,363	2,529,809
Net current assets		1,545,305	1,560,968
Total assets less current liabilities		3,431,191	3,631,058

Consolidated Balance Sheet

As at 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current liabilities			
Deferred tax liabilities	33	54,526	61,245
Borrowings	30	208,885	284,862
Total non-current liabilities		263,411	346,107
Net assets			
		3,167,780	3,284,951
Equity			
Share capital	31	1,157,658	1,145,005
Reserves	32	1,928,637	2,063,006
Capital and reserves attributable to the Company's shareholders		3,086,295	3,208,011
Non-controlling interests		81,485	76,940
Total equity		3,167,780	3,284,951

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 42 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Net cash outflow from operating activities	34	(85,318)	(86,338)
Hong Kong profits tax paid		(18,084)	(13,425)
Overseas taxation paid		(7,045)	(11,331)
Net cash used in operating activities		(110,447)	(111,094)
Cash flows from investing activities			
Interest received		21,775	18,812
Purchase of property, plant and equipment		(14,460)	(15,695)
Proceeds from disposal of property, plant and equipment		117	252
Additions for investment properties		–	(155)
Proceeds from disposal of investment properties		2,035	457
Proceeds from disposal of available-for-sale financial assets		–	343
Purchase of available-for-sale financial assets		(60,406)	–
Net cash inflow in respect of the disposal of subsidiaries		–	189,937
Balance receipts for disposal of subsidiaries		5,723	–
Dividends received from a joint venture		–	6,295
Decrease/(increase) in deposits with banks		4,777	(4,552)
Receipt of loan repayment		5,797	–
Net cash (used in)/generated from investing activities		(34,642)	195,694

Consolidated Statement of Cash Flows

For the year ended 31st December 2015

Note	2015 HK\$'000	2014 HK\$'000
Cash flows from financing activities		
Interest paid	(28,288)	(23,494)
Proceeds from borrowings	110,000	80,076
Repayments of borrowings	(101,195)	(82,976)
Dividend paid	(21,025)	–
Dividend paid to non-controlling interests	–	(7,225)
Issue of new shares on exercise of share options	8,610	1,190
Net cash used in financing activities	(31,898)	(32,429)
Net (decrease)/increase in cash and cash equivalents	(176,987)	52,171
Cash and cash equivalents at 1st January	364,075	318,617
Exchange differences	(10,499)	(6,713)
Cash and cash equivalents at 31st December	176,589	364,075
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	147,413	283,454
Short-term bank deposits		
– pledged	15,000	15,000
– non-pledged	14,176	65,621
Cash and cash equivalents as above	176,589	364,075

The notes on pages 42 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2015

	Attributable to shareholders of the Company							Non-controlling interests	Total
	Share capital HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	HK\$'000	HK\$'000
At 1st January 2015	1,145,005	39,968	305,703	12,334	453,332	135,359	1,116,310	76,940	3,284,951
Profit for the year	-	-	-	-	-	-	134,862	(205)	134,657
Other comprehensive loss	-	-	61,945	-	(221,977)	(74,375)	-	(5,006)	(239,413)
Total comprehensive loss	-	-	61,945	-	(221,977)	(74,375)	134,862	(5,211)	(104,756)
Issue of new shares on exercise of share options	12,653	(4,043)	-	-	-	-	-	-	8,610
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	(9,756)	9,756	-
Dividend paid	-	-	-	-	-	-	(21,025)	-	(21,025)
Transfer from retained earnings	-	-	226	-	-	-	(226)	-	-
	12,653	(4,043)	226	-	-	-	(31,007)	9,756	(12,415)
At 31st December 2015	1,157,658	35,925	367,874	12,334	231,355	60,984	1,220,165	81,485	3,167,780

	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Assets redemption reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	HK\$'000	HK\$'000
At 1st January 2014	279,783	849,536	40,458	248,262	14,006	12,334	141,304	162,730	906,338	92,784	2,747,535
Profit for the year	-	-	-	-	-	-	-	-	211,091	(5,735)	205,356
Other comprehensive income	-	-	-	57,189	-	-	312,028	(27,371)	(867)	(294)	340,685
Total comprehensive income	-	-	-	57,189	-	-	312,028	(27,371)	210,224	(6,029)	546,041
Issue of new shares on exercise of share options	1,680	-	(490)	-	-	-	-	-	-	-	1,190
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(2,590)	(2,590)
Dividend paid	-	-	-	-	-	-	-	-	-	(7,225)	(7,225)
Transfer from retained earnings	-	-	-	252	-	-	-	-	(252)	-	-
Transition to no-par value regime on 3rd March 2014	863,542	(849,536)	-	-	(14,006)	-	-	-	-	-	-
	865,222	(849,536)	(490)	252	(14,006)	-	-	-	(252)	(9,815)	(8,625)
At 31st December 2014	1,145,005	-	39,968	305,703	-	12,334	453,332	135,359	1,116,310	76,940	3,284,951

The notes on pages 42 to 108 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

First Shanghai Investments Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, except that a leasehold land and building in Hong Kong is stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses (if any), and as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Changes in accounting policies and disclosures

There are no Standards, amendments, revisions and interpretations to existing Standards that are effective for the first time for the financial year beginning on 1st January 2015 that could be expected to have a material impact on the Group.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policies and disclosures (continued)

(a) Standards and amendments to existing Standards that are not yet effective and have not been adopted by the Group

The following Standards and amendments to existing Standards have been issued but are not effective for the financial year beginning 1st January 2015 and have not been early adopted:

		Effective for accounting periods beginning on or after
•	HKAS 1 (Amendment)	Disclosure Initiative; 1st January 2016
•	HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation; 1st January 2016
•	HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants; 1st January 2016
•	HKAS 27 (Amendment)	Equity Method in Separate Financial Statements; 1st January 2016
•	HKAS 28 and HKFRS 10 (Amendment)	Sale and Contribution of Assets Between an Investor and its Associate or Joint Venture; A date to be determined by the IASB*
•	HKAS 28 (2011), HKFRS 10 and 12 (Amendment)	Investment Entities: Applying the Consolidation Exception; 1st January 2016
•	HKFRS 9	Financial Instruments; 1st January 2018
•	HKFRS 11 (Amendment)	Acquisitions of Interests in Joint Operation; 1st January 2016
•	HKFRS 14	Regulatory Deferral Accounts; 1st January 2016
•	HKFRS 15	Revenue from Contracts with Customers; and 1st January 2018
•	Annual Improvement Projects	Improvements to HKASs and HKFRSs 2012 and 2014 1st January 2016

* IASB refers to International Accounting Standards Board.

The Group has already commenced an assessment of the related impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these amendments will result in substantial changes to the Group's accounting policies and presentation of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.7).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) **Business combinations** *(continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.11). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) **Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.7).

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associated companies *(continued)*

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income or directly in equity with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

Profits and losses resulting from transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated income statement.

2.4 Joint ventures

Under HKFRS 11, investments in joint ventures are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors (the "Board") of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) *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 ("HK\$"), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal

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, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, 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, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associated companies and joint ventures is included in "investments in associated companies" and "investments in joint ventures" respectively. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Trading rights

The trading rights at the Hong Kong Futures Exchange Limited ("trading rights") are recognised as intangible assets in the consolidated balance sheet. They have indefinite useful lives and are tested annually for impairment and carried at cost less accumulated impairment losses.

2.8 Property, plant and equipment

(a) Land and buildings in Hong Kong

The Group carries its leasehold land classified as finance lease at cost. Buildings in Hong Kong are carried at cost or at revalued amounts and revaluation surpluses or deficits were dealt with in the assets revaluation reserve. Effective from annual period ended after 30th September 1995, no further revaluations have been carried out. The Group places reliance on paragraph 80A of HKAS 16, "Property, plant and equipment", issued by the HKICPA which provides exemption from the need to make regular revaluations for such assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Property, plant and equipment *(continued)*

(b) Construction-in-progress

Construction-in-progress comprises other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction-in-progress until such time as the relevant assets are completed and put into use.

(c) Other property, plant and equipment

Other property, plant and equipment comprises mainly buildings outside Hong Kong, furniture, fixtures and equipment, and vehicles, trucks and machinery are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 costs are charged in the consolidated income statement during the financial year in which they are incurred.

(d) Depreciation and amortisation

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the term of the leases
Buildings	Over the shorter of the term of the leases or 40 years
Furniture, fixtures and equipment	3 to 7 years
Plant and machinery	8 to 10 years
Motor vehicles	5 years
Trucks	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

(e) Gains and losses on disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated income statement. When revalued assets are sold, the amounts included in assets revaluation reserve are transferred to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. It also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors and HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the consolidated income statement as part of "other gains – net".

If an item of completed properties held for sale becomes an investment property as a result of change in its use, any difference between the carrying amount and the fair value of this property at the date of transfer is recognised in the consolidated income statement as part of "other gains – net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are amortised in the consolidated income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is recognised in the consolidated income statement. They are included in non-current assets.

2.11 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in the associated companies and joint ventures are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associated companies or joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associated company or joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount exceeds the higher of the investment's fair value less costs to sell and value in use. Any reversal of such impairment loss (excluding goodwill) in subsequent periods is reversed through profit or loss.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the relevant investment in the Company's balance sheet exceeds its carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Financial assets *(continued)*

2.12.1 Classification *(continued)*

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "loans and advances", "client trust bank balances", "cash and cash equivalents", "deposits with banks", "trade receivables" and "other receivables, prepayments and deposits" in the consolidated balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within twelve months of the end of the reporting period.

2.12.2 Recognition and measurement

Regular way of purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, including net gains/(losses) on disposal and remeasurement at fair value, are recognised in the consolidated income statement within "revenue". Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of "revenue" when the Group's right to receive payments is established.

Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Financial assets *(continued)*

2.12.2 Recognition and measurement *(continued)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as “gains and losses from available-for-sale financial assets”. Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends income on available-for-sale equity instruments are recognised in the consolidated income statement when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuers’ specific circumstances, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale financial assets are not reversed through the consolidated income statement. Impairment testing of trade and other receivables is described in Note 2.15.

2.13 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs, borrowing costs capitalised and professional fees incurred during the construction period. Upon completion, the properties are transferred to properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis method. The cost of finished goods and work in progress comprises raw materials, direct labour, shipping costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Client trust bank balances

The Group has classified in the consolidated balance sheet the clients' deposits as client trust bank balances in the current assets section and recognised a corresponding trade payables to the respective clients under the current liabilities section.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables also include clients' deposits received as detailed in Note 2.16 above. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income and directly in equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Current and deferred taxation *(continued)*

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associated companies and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits

(a) *Pension obligations*

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited for those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

As stipulated by rules and regulations in the People's Republic of China ("PRC"), the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group contributes to the retirement plans certain percentage of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) *Discretionary bonus*

Discretionary bonus is accrued in the year in which the associated services are rendered by employees of the Group.

Liabilities for discretionary bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(d) *Employee share-based compensation*

The Group operates an equity-settled, employee share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, (1) including any market performance conditions (for example, an entity's share price); (2) excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and (3) including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

- (a) Revenue on financial services business from brokerage and commission, management, consultancy, advisory and handling services rendered is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty.
- (b) Revenue on financial services business from securities trading represents the net gains/(losses) on disposal and remeasurement of financial assets at fair value through profit or loss. All transactions related to securities trading are recorded in the consolidated financial statements based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.
- (c) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Revenue recognition *(continued)*

- (d) Revenue from sales of properties is recognised upon completion of sales agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.
- (e) Revenue from hotel accommodation, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (f) Operating lease rental income is recognised on a straight-line basis over the lease periods.
- (g) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (h) Dividend income is recognised when the rights to receive payment is established.

2.26 Finance costs

Finance costs incurred for the construction of any qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other finance costs are expensed as incurred.

2.27 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in investment properties in the consolidated balance sheet. Lease income is recognised over the term of the lease on straight-line basis.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, as appropriate.

3. 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 discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions, mainly in Hong Kong and the PRC. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Estimated fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 16.

(d) Fair value of financial instruments

The fair value of financial instruments traded in active markets (such as trading and available-for-sale financial assets securities) is based on quoted market prices at the end of each reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of loans and advances, and trade and other receivables. Allowance is made when there are events or changes in circumstances which indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Where the expectation on the recoverability of loans and advances, and trade and other receivables is different from the original estimate, such difference will impact the carrying value of loans and advances and trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(f) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

(g) Impairment of property, plant and equipment

The Group reviews the recoverable amounts of the property, plant and equipment whenever there are events or changes in circumstances which indicate that the carrying amounts may not be recoverable. Impairment loss is recognised when the carrying amount exceeds its recoverable amount. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates.

(h) Impairment of non-financial assets

The Group tests at least annually whether intangible assets have suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant change in the projected performance and resulting future cash flow projections, such difference will impact the carrying value of the relevant asset and amount of impairment charge for the year in which such estimate has been changed.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board identifies the following reportable operating segments by business perspective:

- Financial services
- Property development
- Property investment and hotel
- Direct investment

4. SEGMENT INFORMATION *(continued)*

The Board assesses the performance of the operating segments based on a measure of segment results and share of results of associated companies and joint ventures.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, inventories, financial assets and operating cash.

The Group operates primarily in Hong Kong and the PRC. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods.

(a) Operating segments

	Financial services 2015 HK\$'000	Property development 2015 HK\$'000	Property investment and hotel 2015 HK\$'000	Direct investment 2015 HK\$'000	2015 HK\$'000
Income statement					
Revenue	361,631	3,107	122,089	5,096	491,923
Segment results	174,136	(21,635)	3,883	15,233	171,617
Unallocated net operating expenses					(45,487)
Operating profit					126,130
Finance income – net					2,515
Share of results of					
– Associated companies	–	–	–	21,974	21,974
– Joint ventures	–	–	11,928	656	12,584
Profit before taxation					163,203
Balance sheet					
Segment assets	4,184,172	734,836	916,613	318,318	6,153,939
Investments in an associated company	–	–	–	434,822	434,822
Investments in joint ventures	–	–	206,998	40,564	247,562
Tax recoverable					11,041
Deferred tax assets					6,968
Corporate assets					58,222
Total assets					6,912,554
Other information					
Depreciation and amortisation	929	443	32,232	946	34,550

Note: There were no sales among the operating segments.

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Financial services 2014 HK\$'000	Property development 2014 HK\$'000	Property investment and hotel 2014 HK\$'000	Direct investment 2014 HK\$'000	2014 HK\$'000
Income statement					
Revenue	272,044	18,530	122,008	89,048	501,630
Segment results	116,639	(8,521)	(49,018)	164,657	223,757
Unallocated net operating expenses					(34,180)
Operating profit					189,577
Finance costs – net					(671)
Share of results of					
– Associated companies	–	–	–	13,731	13,731
– Joint ventures	–	–	11,383	884	12,267
Profit before taxation					214,904
Balance sheet					
Segment assets	3,093,564	750,511	952,422	572,066	5,368,563
Investments in associated companies	–	–	–	351,152	351,152
Investments in joint ventures	–	–	207,664	42,410	250,074
Tax recoverable					6,838
Deferred tax assets					13,120
Corporate assets					171,120
Total assets					6,160,867
Other information					
Depreciation and amortisation	1,294	644	40,803	7,519	50,260
Provision of impairment of goodwill	–	–	11,142	–	11,142

Note: There were no sales among the operating segments.

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

	Hong Kong 2015 HK\$'000	PRC and others 2015 HK\$'000	2015 HK\$'000
Revenue	362,420	129,503	491,923
Non-current assets *	513,350	1,073,807	1,587,157
	Hong Kong 2014 HK\$'000	PRC and others 2014 HK\$'000	2014 HK\$'000
Revenue	273,008	228,622	501,630
Non-current assets *	428,216	1,115,016	1,543,232

* Non-current assets exclude available-for-sale financial assets and deferred tax assets.

5. OTHER GAINS – NET

	2015 HK\$'000	2014 HK\$'000
Gain on disposal of interests in subsidiaries	5,764	210,918
Reversal of provision for constructive obligations of an associated company	8,484	–
Gain/(loss) on disposal of investment properties	79	(53)
Fair value gains/(losses) on investment properties	17,909	(12,982)
Loss on disposal and write off of available-for-sale financial assets	–	(846)
Gain on disposal of financial assets at fair value through profit or loss	16,072	–
Net foreign exchange gain	831	3,498
	49,139	200,535

6. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2015 HK\$'000	2014 HK\$'000
Crediting		
Write back of provision for doubtful debts	261	–
Charging		
Depreciation	33,305	48,910
Amortisation of leasehold land and land use rights (Note 17)	1,697	1,749
Cost of properties sold	3,121	19,073
Cost of inventories	–	63,034
Stockbroking commission and related expenses	61,643	41,300
Staff costs (Note 11)	198,594	244,065
Operating lease rental in respect of land and buildings	9,824	10,656
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,536	2,763
– other auditors	846	1,116
Non-audit services – the Company's auditor	248	201
Net loss on disposal of property, plant and equipment	35	57
Provision for impairment of goodwill (Note 14)	–	11,142
Provision for obsolete stock	–	332
Provision for doubtful debts	–	175

7. FINANCE INCOME/(COSTS) – NET

	2015 HK\$'000	2014 HK\$'000
Finance income – interest income	21,405	19,026
Finance costs		
– Interest on loans and overdrafts	(23,961)	(26,627)
– Less: amounts capitalised as qualifying assets	5,071	6,930
Total finance costs	(18,890)	(19,697)
Finance income/(costs) – net	2,515	(671)

Finance costs were capitalised at the weighted average rate of 5.61% (2014: 6.52%) per annum for the year.

8. TAXATION

(a) The amount of taxation charged to the consolidated income statement represents:

	2015 HK\$'000	2014 HK\$'000
Hong Kong profits tax		
Current	24,175	15,163
Over-provision in previous years	(918)	(298)
Overseas taxation		
Current	2,119	1,301
(Over)/under-provision in previous years	(68)	21
Land appreciation tax	207	746
Deferred taxation (Note 33)	3,031	(7,385)
Taxation charge	28,546	9,548

The taxation on the profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation (net of share of profits less losses of associated companies and joint ventures)	128,645	188,906
Tax calculated at a taxation rate of 16.5% (2014: 16.5%)	21,226	31,169
Effect of different taxation rates in other countries	(5,217)	(14,371)
Income not subject to taxation	(7,185)	(37,186)
Expenses not deductible for taxation purposes	2,016	7,970
Over-provision in previous years, net	(986)	(277)
Unrecognised deferred tax assets	17,607	21,616
Corporate withholding tax	852	(180)
Others	26	61
	28,339	8,802
Land appreciation tax	207	746
Taxation charge	28,546	9,548

8. TAXATION (continued)

(b) The amount of taxation in the consolidated balance sheet represents:

	2015 HK\$'000	2014 HK\$'000
Recoverable – Overseas	11,041	6,838
Payable		
Hong Kong	9,916	4,745
Overseas	29,172	31,225
	39,088	35,970

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$134,862,000 (2014: HK\$211,091,000). The basic earnings per share is based on the weighted average number of 1,403,892,601 (2014: 1,399,191,642) shares in issue during the year.

The Company has share options outstanding for the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 3,166,858 (2014: 8,272,115) dilutive potential ordinary shares.

10. DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.01 (2014: HK\$0.015) per ordinary share, totaling HK\$14,190,000 (2014: HK\$21,010,000). Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 27th May 2016. These financial statements do not reflect this final dividend payable.

	2015 HK\$'000	2014 HK\$'000
Proposed final dividend of HK\$0.01 (2014: HK\$0.015) per ordinary share	14,190	21,010

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 HK\$'000	2014 HK\$'000
Wages, salaries and allowance	177,275	216,022
Retirement benefit costs (Note 13)	11,331	18,445
Other employee benefits	9,988	9,598
	198,594	244,065

12. DIRECTORS' BENEFITS AND INTERESTS AND SENIOR MANAGEMENT'S EMOLUMENTS**(a) Directors' emoluments**

The remuneration of each of the directors disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are set out below:

(i) For the year ended 31st December 2015

Name of director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:					
Mr. LO Yuen Yat	-	3,284	3,400	278	6,962
Mr. XIN Shulin	-	2,390	-	202	2,592
Mr. YEUNG Wai Kin	-	2,875	2,850	243	5,968
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.	294	-	-	-	294
Independent- non-executive directors:					
Prof. WOO Chia-Wei	294	-	-	-	294
Mr. LIU Ji	294	-	-	-	294
Mr. YU Qihao	294	-	-	-	294
Mr. ZHOU Xiaohe	294	-	-	-	294

12. DIRECTORS' BENEFITS AND INTERESTS AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

(ii) For the year ended 31st December 2014:

Name of director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:					
Mr. LO Yuen Yat	–	3,140	21,238	267	24,645
Mr. XIN Shulin	–	2,382	–	202	2,584
Mr. YEUNG Wai Kin	–	2,743	14,159	232	17,134
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.	294	–	–	–	294
Independent- non-executive directors:					
Prof. WOO Chia-Wei	294	–	–	–	294
Mr. LIU Ji	294	–	–	–	294
Mr. YU Qihao	294	–	–	–	294
Mr. ZHOU Xiaohu	294	–	–	–	294

Details of share options granted, exercised and lapsed during the year are disclosed in the Report of the Directors.

No directors have waived emoluments in respect of the years ended 31st December 2015 and 2014.

(b) Other directors' benefits and interests

During the years ended 31st December 2015 and 2014, there were:

- (i) no other retirement benefits paid to the directors;
- (ii) no termination on the appointment of directors and thus no payments was made as compensation for the early termination of appointment;
- (iii) no consideration was provided to third parties for making available directors' services;
- (iv) no loans, quasi-loans and other dealings were entered into by the Company or any of its subsidiaries in favour of the directors, their controlled bodies corporate and their connected entities; and
- (v) no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

12. DIRECTORS' BENEFITS AND INTERESTS AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2014: three) individuals during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Basic salaries, allowances and benefits-in-kind	6,726	6,450
Discretionary bonuses	23,476	17,469
Retirement benefit costs	272	261
	30,474	24,180

The emoluments fell within the following bands:

Emolument bands HK\$	Number of individuals	
	2015	2014
4,000,001 – 5,000,000	1	1
5,000,001 – 6,000,000	–	1
6,000,001 – 7,000,000	1	–
15,000,001 – 16,000,000	–	1
19,000,001 – 20,000,000	1	–
	3	3

13. RETIREMENT BENEFIT COSTS – DEFINED CONTRIBUTION PLANS

The Group participates in defined contribution retirement schemes which are available to Hong Kong employees. The rates of contributions are 5% of basic salary from the employees and 5% to 10% from the employer depending on the length of service of the individuals. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

No contribution (2014: HK\$Nil) of defined contribution retirement schemes in Hong Kong was forfeited during the year. There were no outstanding balance as at the balance sheet dates of 2015 and 2014 available to reduce the contributions payable in the future years.

Contributions totaling HK\$269,000 (2014: HK\$242,000) were payable to the retirement schemes at the year end and are included in trade and other payables.

The Group also contributes to retirement plans for its employees in the PRC and overseas. The rates of contributions are approximately ranging from 17% to 28% of basic salary from the Group for its employees in the PRC and approximately ranging from 12% to 17% of basic salary from the Group for its overseas employees.

14. INTANGIBLE ASSETS

	Goodwill HK\$'000	Trading rights HK\$'000	Total HK\$'000
Cost			
At 1st January 2015	12,353	400	12,753
Exchange difference	(1,041)	–	(1,041)
At 31st December 2015	11,312	400	11,712
Accumulated impairment loss			
At 1st January 2015	10,627	–	10,627
Exchange difference	(1,041)	–	(1,041)
At 31st December 2015	9,586	–	9,586
Net book value			
At 31st December 2015	1,726	400	2,126

	Goodwill HK\$'000	Trading rights HK\$'000	Total HK\$'000
Cost			
At 1st January 2014	13,735	400	14,135
Exchange difference	(1,382)	–	(1,382)
At 31st December 2014	12,353	400	12,753
Accumulated impairment loss			
At 1st January 2014	378	–	378
Provision for impairment (Note 6)	11,142	–	11,142
Exchange difference	(893)	–	(893)
At 31st December 2014	10,627	–	10,627
Net book value			
At 31st December 2014	1,726	400	2,126

14. INTANGIBLE ASSETS (continued)**Impairment test for goodwill**

Goodwill acquired through business combination has been allocated to the property development, and property investment and hotel segments for impairment testing.

The recoverable amount of the lowest level of CGU has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures and selection of discount rates. Management determines budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The discount rate applied to cash flow projection is 11%.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Vehicles, trucks and machinery HK\$'000	Construction-in-progress HK\$'000	Total HK\$'000
Cost or valuation					
At 1st January 2015	423,997	161,567	36,996	16,620	639,180
Additions	1,179	3,583	2,254	4,645	11,661
Disposals	–	(1,176)	(2,288)	–	(3,464)
Exchange differences	(27,636)	(8,204)	(1,838)	(1,672)	(39,350)
At 31st December 2015	397,540	155,770	35,124	19,593	608,027
Accumulated depreciation and impairment loss					
At 1st January 2015	59,862	128,743	24,095	384	213,084
Depreciation for the year	9,875	21,419	2,011	–	33,305
Disposals	–	(1,051)	(2,261)	–	(3,312)
Exchange differences	(3,285)	(7,264)	(1,290)	(22)	(11,861)
At 31st December 2015	66,452	141,847	22,555	362	231,216
Net book value					
At 31st December 2015	331,088	13,923	12,569	19,231	376,811

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

	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Vehicles, trucks and machinery HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
Cost or valuation					
At 1st January 2014	476,475	162,514	77,063	7,927	723,979
Additions	2,847	2,384	1,829	12,812	19,872
Transfer from construction-in-progress	–	–	3,225	(3,225)	–
Disposal of subsidiaries	(31,605)	(1,684)	(39,632)	(54)	(72,975)
Disposals	–	(939)	(488)	–	(1,427)
Exchange differences	(23,720)	(708)	(5,001)	(840)	(30,269)
At 31st December 2014	423,997	161,567	36,996	16,620	639,180
Accumulated depreciation and impairment loss					
At 1st January 2014	52,875	102,966	32,500	385	188,726
Depreciation for the year	14,198	27,795	6,917	–	48,910
Disposal of subsidiaries	(5,752)	(927)	(13,279)	–	(19,958)
Disposals	–	(799)	(319)	–	(1,118)
Exchange differences	(1,459)	(292)	(1,724)	(1)	(3,476)
At 31st December 2014	59,862	128,743	24,095	384	213,084
Net book value					
At 31st December 2014	364,135	32,824	12,901	16,236	426,096

A freehold land with carrying amount of HK\$103,649,000 (2014: HK\$115,373,000) was included under "Land and buildings" category.

A land and building with carrying amount of HK\$47,118,000 (2014: HK\$47,725,000) is stated at professional valuation in 1994 less accumulated depreciation. If this land and building has been stated on the historical cost basis, its net book amount would be HK\$25,147,000 (2014: HK\$26,414,000).

16. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
Valuation at 1st January	453,603	436,768
Addition	–	155
Transfer from properties held for sale	24,249	31,522
Disposals	(1,956)	(510)
Fair value gains/(losses)	17,909	(12,982)
Exchange differences	(23,346)	(1,350)
Valuation at 31st December	470,459	453,603

	2015 HK\$'000	2014 HK\$'000
Rental income recognised in consolidated income statement for investment properties	15,865	15,260
Operating expenses recognised in consolidated income statement for rental income	1,753	1,623

The recurring fair value measurements for investment properties are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfer between level 1, 2 and 3 during the year.

Fair value measurements using significant unobservable inputs (Level 3)

	2015 HK\$'000	2014 HK\$'000
Total gains or losses for the year included in the consolidated income statement for assets held at the end of the year, under "Other gains – net"	17,909	(12,982)
Change in unrealised gains or losses for the year included in the consolidated income statement for assets held at the end of the year	17,909	(12,982)

16. INVESTMENT PROPERTIES *(continued)*

Valuation processes

The Group's investment properties were revalued at 31st December 2015 and 2014 by independent, professionally qualified valuers who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the top management. Discussions of valuation processes and results are held between the valuation team and valuers at least once a year, in line with the Group's annual reporting dates.

At each financial year end, the finance department:

- verifies all major inputs of the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the annual valuation discussion between the top management and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movement.

Valuation techniques

Certain properties valuation was determined using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as conditions, location, building age and etc. The most significant input into this valuation approach is price per square meter.

The other properties valuation was determined using income capitalisation approach. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The most significant unobservable inputs into this valuation approach are monthly market rent and the capitalisation rate.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31st December 2015 and 2014

	Valuation technique(s)	Unobservable inputs	Relationship	Range
(a)	PRC properties in the first tier cities			
	Direct comparison approach	Sales price	Higher fair value with higher sales price	HK\$21,000 – HK\$65,000 (2014: HK\$21,000 – HK\$51,000) per square meter

16. INVESTMENT PROPERTIES (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31st December 2015 and 2014 (continued)

Valuation technique(s)	Unobservable inputs	Relationship	Range
(b) PRC properties in other cities			
Direct comparison approach	Sales price	Higher fair value with higher sales price	HK\$8,000 – HK\$11,000 (2014: HK\$8,000 – HK\$15,000) per square meter
Income capitalisation approach	Monthly market rent	Higher fair value with higher monthly market rent	HK\$37 – HK\$90 (2014: HK\$25 – HK\$80) per square meter
	Capitalisation rate	Lower fair value with higher capitalisation rate	3% – 9% (2014: 3% – 9%)
(c) HK properties			
Direct comparison approach	Sales price	Higher fair value with higher sales price	HK\$199,000 – HK\$275,000 (2014: HK\$156,000 – HK\$167,000) per square meter

There are inter-relationships between unobservable inputs. An increase in future rental income may be linked with higher costs.

17. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and the movements in the net book value thereof are analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Net book value at 1st January	52,256	54,114
Amortisation for the year (Note 6)	(1,697)	(1,749)
Exchange differences	(1,637)	(109)
Net book value at 31st December	48,922	52,256

18. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31st December:

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2015	2014	
Shares held directly:					
Advance Sight International Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
Ever Achieve Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares	100%	100%	Investment holding
First Shanghai Finance Limited	Hong Kong	2 ordinary shares	100%	100%	Money lending
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares	100%	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares	100%	100%	Nominee services
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares	100%	100%	Property investment
Firstech Financial Holdings Limited	Cayman Islands	1 ordinary share of US\$1 each	100%	100%	Investment holding
Headmost Technology Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
Leung Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A\$1 each	–	100%	Securities investment
Shun Xin Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
Well Far Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
Wise International Trading Limited	Hong Kong	10 ordinary shares	100%	100%	Investment holding

18. SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2015	2014	
Shares held directly: (continued)					
Yearson Properties Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
Share held indirectly:					
Atlas Securities Pty. Limited	Australia	2 ordinary shares of A\$1 each	–	100%	Securities investment
Billion Bright Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
Bonvision Consultancy (Beijing) Company Limited	PRC (a)	HK\$500,000	100%	100%	Financial consultancy
Bonvision Consulting (Shanghai) Limited	PRC (a)	US\$200,000	100%	100%	Financial consultancy
Bright Shining Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
China Betung Automobile (H.K.) Company Limited	Hong Kong	2 ordinary shares	100%	100%	Investment holding
Clear Profit Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Property investment
Crimson Pharmaceutical (Hong Kong) Limited	Hong Kong	1,000 ordinary shares	100%	51%	Pharmaceutical services
Crimson Pharmaceutical (Shanghai) Company Limited	PRC (a)	US\$1,400,000	100%	51%	Pharmaceutical services
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares	100%	100%	Investment holding
E-Logistics Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
First eFinance Limited	Hong Kong	2 ordinary shares	100%	100%	Internet financial service system services
First Shanghai Capital Limited	Hong Kong	22,000,000 ordinary shares	100%	100%	Corporate finance
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding

18. SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2015	2014	
Share held indirectly: (continued)					
First Shanghai Futures Limited	Hong Kong	19,000,000 ordinary shares	100%	100%	Futures broking
First Shanghai Hotel Limited	France	100 ordinary shares of EUR100 each	100%	100%	Hotel operation
First Shanghai Hygienic Products Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
First Shanghai Investment Holding Group Limited	British Virgin Islands	100,000 ordinary shares of US\$1 each	99.9%	99.9%	Investment holding
First Shanghai Investment Management (HK) Limited	Hong Kong	5,000,000 ordinary shares	100%	100%	Asset management
First Shanghai Properties (Kunshan) Company Limited	PRC (b)	US\$5,000,000	70%	70%	Property development
First Shanghai Real Estate (Holdings) Limited	Hong Kong	10 ordinary shares	100%	100%	Investment holding
First Shanghai Resort S.a.r.l.	Luxembourg	12,500 ordinary shares of EUR1 each	100%	100%	Investment holding
First Shanghai Securities Limited	Hong Kong	85,000,000 ordinary shares	100%	100%	Stockbroking
Fu Hai Digital Science & Technology (Shanghai) Company Limited	PRC (a)	US\$5,000,000	100%	100%	Investment holding
Golad Resources Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
Gold S.A.S.	France	2,000,000 ordinary shares of EUR7.01 each	100%	100%	Hotel and golf course operation
HK Landshine Real Estate Limited	Hong Kong	1 ordinary share	100%	100%	Investment holding
Huangshan Hui Zhong Property Development Company Limited	PRC (a)	US\$5,000,000	100%	100%	Property development
Jonan Industries Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
Kunshan Shi Jingying Hotel Management Company Limited	PRC (c)	RMB1,000,000	70%	70%	Hotel operation

18. SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2015	2014	
Share held indirectly: (continued)					
Leader Capital Investments Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US\$1 each	100%	100%	Property investment
Peak Achieve Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Investment holding
Shanghai Fu Heng Properties Management Limited	PRC (c)	RMB500,000	55%	55%	Property management
Shanghai Transvision Network Application Service Company Limited	PRC (a)	US\$1,800,000	100%	100%	Investment holding
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	PRC (b)	US\$11,025,000	62%	62%	Container transportation and freight forwarding
United Asia Transport Limited	Hong Kong	2 ordinary shares	100%	100%	Investment holding
Union Light International Limited	Hong Kong	1 ordinary share	100%	100%	Investment holding
World Venture Holdings Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
Wuxi HK Landshine Real Estate Company Limited ("Wuxi Landshine")	PRC (b)	US\$20,000,000	70%	70%	Property development
Wuxi Sunshine Real Estate Limited	PRC (a)	US\$30,000,000	100%	100%	Hotel operation
Zhongshan Sunshine Resort Limited	PRC (a)	RMB80,000,000	99.9%	99.9%	Property development

Notes:

- (a) Subsidiaries incorporated in the PRC registered as wholly-owned foreign enterprises.
- (b) Subsidiaries incorporated in the PRC registered as sino-foreign equity joint ventures.
- (c) Subsidiaries incorporated in the PRC registered as limited companies.

18. SUBSIDIARIES (continued)**Material non-controlling interests**

The total non-controlling interest for the year is HK\$81,485,000 (2014: HK\$76,940,000), of which HK\$57,301,000 (2014: HK\$59,641,000) is attributed to Wuxi Landshine. The non-controlling interests in respect of the other companies are not material.

Summarised financial information for a subsidiary with material non-controlling interests

Set out below are the summarised financial information for Wuxi Landshine that has non-controlling interests material to the Group.

	2015 HK\$'000	2014 HK\$'000
Summarised income statement		
Revenue	5,224	5,475
Profit/(loss) after taxation	3,965	(3,650)
Total comprehensive income/(loss)	3,965	(3,650)
Summarised balance sheet		
Assets		
Non-current assets	144,859	109,982
Current assets	355,379	367,449
	500,238	477,431
Liabilities		
Non-current liabilities	69,629	110,058
Current liabilities	239,605	168,571
	309,234	278,629
Net assets	191,004	198,802
Summarised cash flows		
Cash flows generated from/(used in) operating activities	2,262	(1,383)
Net cash from investing activities	5	17
Net cash used in financing activities	(2,391)	(5,265)
Net decrease in cash and cash equivalents	(124)	(6,631)
Cash and cash equivalents at 1st January	1,065	7,722
Exchange difference	(61)	(26)
Cash and cash equivalents at 31st December	880	1,065

The information above is the amount before inter-company eliminations.

19. INVESTMENTS IN ASSOCIATED COMPANIES

	2015 HK\$'000	2014 HK\$'000
At 1st January	351,152	279,921
Share of associated companies' results		
– Profit before taxation	21,870	15,990
– Taxation	104	(2,259)
Share of an associated company's reserves	61,945	57,189
Constructive obligations in share of loss of an associated company recognised in other payables	18	235
Exchange differences	(267)	76
At 31st December	434,822	351,152

The following is a list of the associated companies at 31st December:

Name	Place of incorporation	Effective interest held		Measurement method
		2015	2014	
China Assets (Holdings) Limited ("China Assets") (see note below)	Hong Kong	33.25%	33.25%	Equity
Holygene Corporation	British Virgin Islands	–	54.26%	Equity

Note:

China Assets operates principally in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The market value of the listed security as at 31st December 2015 was approximately HK\$104,644,000 (2014: HK\$104,133,000). China Assets is principally engaged in investment holding.

The directors have assessed the recoverable amount of the investment, which is determined based on the higher of fair value less costs to sell and value-in-use calculation. As at 31st December 2015, as the recoverable amount of the investment determined based on value-in-use is higher than the carrying amount, there was no impairment in the investment.

There are no contingent liabilities relating to the Group's interest in the associated companies.

19. INVESTMENTS IN ASSOCIATED COMPANIES (continued)**Summarised financial information and reconciliation for a material associated company**

Set out below is the summarised financial information for China Assets which is accounted for using the equity method.

	2015 HK\$'000	2014 HK\$'000
Summarised income statement		
Revenue	6,282	6,689
Other gains, net	128,573	79,379
Profit after taxation	86,172	75,434
Other comprehensive income	132,491	221,780
Total comprehensive income	218,663	297,214
Summarised balance sheet		
Assets		
Non-current assets	1,396,701	1,187,179
Current assets	373,654	354,421
	1,770,355	1,541,600
Liabilities		
Non-current liabilities	–	–
Current liabilities	27,663	16,406
	27,663	16,406
Net assets		
	1,742,692	1,525,194
Interest in associate	579,445	507,127
Effect of cross holding	(160,073)	(172,613)
Others	15,450	16,638
Interest attributable to the Group	434,822	351,152

The information above reflects the amounts presented in the financial statements of the associated company (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associated company, if any.

19. INVESTMENTS IN ASSOCIATED COMPANIES (continued)**Financial information for an immaterial associated company**

The carrying amount of the Group's interests in an immaterial associated company is HK\$Nil (2014: HK\$Nil). Set out below is the financial information for the Group's share of this associated company.

	2015 HK\$'000	2014 HK\$'000
Loss after tax	(18)	(235)

20. INVESTMENTS IN JOINT VENTURES

	2015 HK\$'000	2014 HK\$'000
At 1st January	250,074	244,972
Share of joint ventures' results		
– Profit before taxation	14,777	12,514
– Taxation	(2,193)	(247)
Dividend income	–	(6,295)
Disposal of subsidiaries	–	(100)
Exchange differences	(15,096)	(770)
At 31st December	247,562	250,074

The following is a list of the joint ventures at 31st December:

Name	Place of incorporation/ establishment and operation	Effective interest in ownership/voting power/profit sharing		Measurement method
		2015	2014	
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") (see note (a) below)	PRC	50%	50%	Equity
Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang") (see note (b) below)	PRC	50%	50%	Equity

20. INVESTMENTS IN JOINT VENTURES (continued)

Notes:

- (a) Goodbaby Bairuikang was established as an equity joint venture in the PRC in December 1997 for a term of 50 years. It is principally engaged in the manufacturing of child hygienic products.
- (b) Zhangjiang was established as an equity joint venture in the PRC in October 2002 for a term of 50 years. It is principally engaged in property development.

Goodbaby Bairuikang and Zhangjiang are private companies and there are no quoted market price available for their shares.

There are no contingent liabilities relating to the Group's interests in the joint ventures.

Summarised financial information and reconciliation for a material joint venture

Set out below is the summarised financial information for Zhangjiang which is accounted for using the equity method.

	2015 HK\$'000	2014 HK\$'000
Summarised income statement		
Revenue	26,454	25,429
Depreciation and amortisation	6	27
Interest income	131	171
Income tax charge/(credit)	3,980	(170)
Profit after taxation	23,856	22,766
Total comprehensive income	23,856	22,766
Dividends received from a joint venture	–	6,295

20. INVESTMENTS IN JOINT VENTURES (continued)**Summarised financial information and reconciliation for a material joint venture** (continued)

	2015 HK\$'000	2014 HK\$'000
Summarised balance sheet		
Assets		
Non-current assets	475,964	501,949
Cash and cash equivalents	22,936	24,051
Other current assets	32,810	34,710
Total current assets	55,746	58,761
	531,710	560,710
Liabilities		
Non-current liabilities	81,474	85,702
Current liabilities	36,240	59,681
	117,714	145,383
Net assets	413,996	415,327
Interest attributable to the Group	206,998	207,664

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture, if any.

Financial information for immaterial joint venture

The carrying amount of the Group's interests in the immaterial joint venture is HK\$40,564,000 (2014: HK\$42,410,000). Set out below are the financial information for the Group's share of this joint venture.

	2015 HK\$'000	2014 HK\$'000
Profit after tax	656	884
Total comprehensive income	656	884

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK\$'000	2014 HK\$'000
At 1st January	513,738	142,932
Addition	–	60,406
Fair value change transfer to other comprehensive income	(221,977)	312,028
Disposal	–	(971)
Disposal of subsidiaries	–	(377)
Written off	–	(218)
Exchange differences	–	(62)
At 31st December	291,761	513,738

The available-for-sale financial assets represents the unlisted equity securities, which fair value is determined with reference to the published price quotations in an active market of the underlying investments held by the investee.

22. LOANS AND ADVANCES

	2015 HK\$'000	2014 HK\$'000
Loans and advances (note (a))	62,805	64,508
Provision for impairment	(56,350)	(56,583)
	6,455	7,925
Less: non-current portion	(6,455)	(7,925)
Current portion	–	–
Margin loans (note (b))	1,131,432	977,113
	1,131,432	977,113

Notes:

(a) The carrying value of loans and advances approximates to their fair value.

The movements in the provision for impairment of loans and advances are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1st January	56,583	56,596
Exchange differences	(233)	(13)
At 31st December	56,350	56,583

The carrying amounts of loans and advances are denominated in Hong Kong dollars.

(b) Margin loans to third parties are bearing interest at commercial rates, secured by the underlying pledged securities and are repayable on demand. The carrying values of margin loans approximate to their fair values. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.

23. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Properties under development	462,097	410,917
Properties held for sale	211,115	252,099
Other inventories	915	1,039
	674,127	664,055

24. TRADE RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Due from stockbrokers and clearing houses	50,498	71,339
Due from stockbroking clients	100,067	162,644
Trade receivables	23,936	20,773
	174,501	254,756
Provision for impairment	(15,500)	(16,506)
	159,001	238,250

All trade receivables are either repayable within one year or on demand. The fair value of the trade receivables is approximately the same as the carrying value.

The settlement terms of trade receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of trade receivables attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

The ageing analysis of the trade receivables based on invoice date is as follows:

	2015 HK\$'000	2014 HK\$'000
0 – 30 days	157,866	236,512
31 – 60 days	555	1,299
61 – 90 days	51	367
Over 90 days	529	72
	159,001	238,250

24. TRADE RECEIVABLES *(continued)*

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

	2015 HK\$'000	2014 HK\$'000
At 1st January	16,506	16,814
(Write back of provision)/provision for impairment during the year	(73)	175
Disposal of subsidiaries	–	(126)
Receivables written off	–	(280)
Exchange differences	(933)	(77)
At 31st December	15,500	16,506

The carrying amounts of trade receivables are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	110,697	199,743
Renminbi	13,527	18,546
US dollars	34,675	19,782
Euro	76	87
Others	26	92
	159,001	238,250

The maximum credit risk exposure is the amount shown on the consolidated balance sheet.

25. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Other receivables	35,481	120,703
Prepayments and deposits	24,892	21,840
	60,373	142,543

The fair values of the other receivables and deposits are approximately the same as the carrying values.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Equity securities		
– Listed, Hong Kong	20,148	28,666
– Listed, Overseas	44	16
Market value of financial assets	20,192	28,682
Unlisted securities	–	5,050
	20,192	33,732

Financial assets at fair value through profit or loss are presented within the section of operating activities as part of changes in working capital in the consolidated statement of cash flows (*Note 34*).

The fair value of all quoted securities is determined with reference to current bid prices in an active market.

27. DEPOSITS WITH BANKS

	2015 HK\$'000	2014 HK\$'000
Non-pledged	2,807	7,584

The carrying amounts of the deposits with banks are denominated in Renminbi. The weighted average effective interest rate on the deposits was 1.75% (2014: 3.03%) per annum.

As at 31st December 2015, deposits of HK\$2,807,000 (2014: HK\$7,584,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

28. CASH AND CASH EQUIVALENTS AND CLIENT TRUST BANK BALANCES

	2015 HK\$'000	2014 HK\$'000
Cash at bank and in hand	147,413	283,454
Short-term bank deposits		
– pledged (<i>Note 30</i>)	15,000	15,000
– non-pledged	14,176	65,621
Total cash and cash equivalents	176,589	364,075
Client trust bank balances	2,791,106	1,656,587
	2,967,695	2,020,662

28. CASH AND CASH EQUIVALENTS AND CLIENT TRUST BANK BALANCES

(continued)

The carrying amounts of cash and cash equivalents and client trust bank balances are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	2,491,045	1,625,986
Renminbi	183,357	156,565
US dollars	290,728	218,374
Australian dollars	–	15,986
Euro	2,565	3,751
	2,967,695	2,020,662

Bank balances of HK\$58,116,000 (2014: HK\$98,774,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

The effective interest rate on short-term pledged deposits ranged from 0.45% to 0.98% (2014: 0.5% to 1.17%) per annum.

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated balance sheet the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective clients in the current liabilities section, on the grounds that the Group is liable for any misappropriation of the respective clients' deposits as stipulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Group is not allowed to use the clients' monies to settle its own obligations under the SFO. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated statement of cash flows.

29. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Due to stockbrokers and dealers	86,709	12,957
Due to stockbroking clients	2,875,589	2,023,245
Trade payables	156,262	128,519
Total trade payables	3,118,560	2,164,721
Advance receipts from customers	9,029	3,653
Accruals and other payables	145,004	223,915
	3,272,593	2,392,289

29. TRADE AND OTHER PAYABLES (continued)

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the trade and other payables are approximately the same as the carrying values.

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK\$2,791,106,000 (2014: HK\$1,656,587,000).

Trade and other payables are non-interest bearing except for the amount due to stockbroking clients placed in trust and segregated accounts with authorised institutions which bear interest at the rate with reference to the bank deposit savings rate.

No ageing analysis is disclosed for amounts due to stockbrokers, dealers and stockbroking clients as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

The ageing analysis of the trade payables based on invoice date is as follows:

	2015 HK\$'000	2014 HK\$'000
0 – 30 days	144,893	113,881
31 – 60 days	1,912	2,453
61 – 90 days	2,014	4,156
Over 90 days	7,443	8,029
	156,262	128,519

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	2,840,021	2,014,513
Renminbi	253,135	182,513
US dollars	174,096	185,800
Australian dollars	–	60
Euro	5,320	9,390
Others	21	13
	3,272,593	2,392,289

30. BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank loans – secured		
Non-current	208,885	284,862
Current	169,682	101,550
	378,567	386,412

The borrowings were repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	169,682	101,550
Between 1 and 2 years	77,586	63,382
Between 2 and 5 years	113,395	158,098
Over 5 years	17,904	63,382
At 31st December	378,567	386,412

The Group has pledged properties of HK\$198 million (2014: HK\$213 million), investment properties of HK\$222 million (2014: HK\$211 million), leasehold land and land use rights of HK\$39 million (2014: HK\$42 million), properties under development of HK\$26 million (2014: HK\$28 million), properties held for sale of HK\$144 million (2014: HK\$167 million) and fixed deposits of approximately HK\$15 million (2014: HK\$15 million) to secure bank borrowings.

Bank borrowings of HK\$110 million (2014: HK\$70 million) were secured by certain listed securities pledged by the customers to the Group as margin loan collateral which had an aggregate fair value amounting to HK\$918 million (2014: HK\$314 million).

Bank borrowings are either repayable on demand or will mature and be repayable in January 2016 to June 2021 and bear floating interest rates. The weighted average effective interest rate at 31st December 2015 was 4.25% (2014: 5.54%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$110,000,000 (2014: HK\$80,000,000) and HK\$268,567,000 (2014: HK\$306,412,000) are denominated in Hong Kong dollars and Renminbi, respectively.

31. SHARE CAPITAL

	2015		2014	
	Number of shares (thousands)	HK\$'000	Number of shares (thousands)	HK\$'000
Ordinary shares, issued and fully paid:				
At 1st January 2015 and 2014	1,400,663	1,145,005	1,398,913	279,783
Transition to no-par value regime on 3rd March 2014 (Note (a))	-	-	-	863,542
Exercise of share options (Note (b))	12,810	12,653	1,750	1,680
At 31st December 2015 and 2014	1,413,473	1,157,658	1,400,663	1,145,005

Notes:

- (a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3rd March 2014, any amount standing to the credit of the share premium and capital redemption reserve have become part of the Company's share capital.
- (b) On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "2002 Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Due to the expiry of the 2002 Scheme, the shareholders of the Company approved a new share option scheme (the "2014 Scheme") on 23rd May 2014. No share options were granted under the 2014 Scheme during the year. The purpose of the 2014 Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the 2014 Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.

During the year, 12,810,000 (2014: 1,750,000) new shares were issued upon exercise of options under the 2002 Scheme approved by the shareholders of the Company at exercise price ranging from HK\$0.564 to HK\$1.95 (2014: HK\$0.68) per share. These shares rank *pari passu* in all respects with the existing shares of the Company. The related weighted average share price at the time of exercise was HK\$1.37 (2014: HK\$1.61) per share.

31. SHARE CAPITAL *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price per share HK\$	Number of options (thousands)	Average exercise price per share HK\$	Number of options (thousands)
At 1st January	1.505	49,818	1.454	51,568
Exercised	0.672	(12,810)	0.68	(1,750)
At 31st December	1.761	37,008	1.505	49,818
Options exercisable at 31st December		37,008		49,818

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$	Number of options	
		2015 (thousands)	2014 (thousands)
29th November 2015	0.564	–	11,810
2nd March 2016	0.680	5,500	5,500
22nd May 2017	1.950	31,508	32,508
		37,008	49,818

32. RESERVES

	Attributable to shareholders of the Company						
	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2015	39,968	305,703	12,334	453,332	135,359	1,116,310	2,063,006
Profit for the year	-	-	-	-	-	134,862	134,862
Fair value loss on available-for-sale financial assets	-	-	-	(221,977)	-	-	(221,977)
Exchange reserve realised upon disposal of a subsidiary	-	-	-	-	(5,764)	-	(5,764)
Exchange reserve realised upon disposal of an associated company	-	-	-	-	(15)	-	(15)
Currency translation differences	-	-	-	-	(68,596)	-	(68,596)
Share of post-acquisition reserves of an associated company	-	61,945	-	-	-	-	61,945
Total comprehensive loss	-	61,945	-	(221,977)	(74,375)	134,862	(99,545)
Issue of new shares on exercise of share options	(4,043)	-	-	-	-	-	(4,043)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	(9,756)	(9,756)
Dividend paid	-	-	-	-	-	(21,025)	(21,025)
Transfer from retained earnings	-	226	-	-	-	(226)	-
	(4,043)	226	-	-	-	(31,007)	(34,824)
At 31st December 2015	35,925	367,874	12,334	231,355	60,984	1,220,165	1,928,637

32. RESERVES (continued)

	Attributable to shareholders of the Company								
	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2014	849,536	40,458	248,262	14,006	12,334	141,304	162,730	906,338	2,374,968
Profit for the year	-	-	-	-	-	-	-	211,091	211,091
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	-	(867)	(867)
Fair value gain on available-for-sale financial assets	-	-	-	-	-	312,028	-	-	312,028
Exchange reserve realised upon disposal of subsidiaries	-	-	-	-	-	-	5,028	-	5,028
Currency translation differences	-	-	-	-	-	-	(32,399)	-	(32,399)
Share of post-acquisition reserves of an associated company	-	-	57,189	-	-	-	-	-	57,189
Total comprehensive income	-	-	57,189	-	-	312,028	(27,371)	210,224	552,070
Issue of new shares on exercise of share options	-	(490)	-	-	-	-	-	-	(490)
Transfer from retained earnings	-	-	252	-	-	-	-	(252)	-
Transition to no-par value regime on 3rd March 2014	(849,536)	-	-	(14,006)	-	-	-	-	(863,542)
	(849,536)	(490)	252	(14,006)	-	-	-	(252)	(864,032)
At 31st December 2014	-	39,968	305,703	-	12,334	453,332	135,359	1,116,310	2,063,006

Note: Capital reserve mainly represents share of reserves of associates. Included in capital reserve was also an amount of HK\$12,048,000 (2014: HK\$11,822,000) which represents PRC statutory reserve.

33. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts, not to be recovered within twelve months, are as follows:

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets	(6,968)	(13,120)
Deferred tax liabilities	54,526	61,245
	47,558	48,125

The gross movements in the deferred taxation are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1st January	48,125	53,824
Recognised in the consolidated income statement (Note 8(a))	3,031	(7,385)
Deferred tax on actuarial losses	–	(329)
Disposal of subsidiaries	–	3,258
Exchange differences	(3,598)	(1,243)
At 31st December	47,558	48,125

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

The deferred tax liabilities represented the followings:

	Depreciation HK\$'000	Fair value gains HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 1st January 2015	335	56,276	4,634	61,245
Recognised in the consolidated income statement	8	3,344	(307)	3,045
Exchange differences	–	(3,687)	(270)	(3,957)
At 31st December 2015	343	55,933	4,057	60,333

33. DEFERRED TAXATION (continued)

The deferred tax liabilities represented the followings: (continued)

	Depreciation HK\$'000	Fair value gains HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 1st January 2014	529	63,639	4,840	69,008
Recognised in the consolidated income statement	(194)	(5,788)	(189)	(6,171)
Exchange differences	–	(1,575)	(17)	(1,592)
At 31st December 2014	335	56,276	4,634	61,245

The deferred tax assets represented the followings:

	Tax losses HK\$'000
At 1st January 2015	13,120
Recognised in the consolidated income statement	14
Exchange differences	(359)
At 31st December 2015	12,775

	Retirement benefit obligations HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January 2014	502	12,750	1,932	15,184
Recognised in the consolidated income statement	–	833	381	1,214
Recognised in the consolidated statement of comprehensive income	329	–	–	329
Disposal of subsidiaries	(771)	(436)	(2,051)	(3,258)
Exchange differences	(60)	(27)	(262)	(349)
At 31st December 2014	–	13,120	–	13,120

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred tax benefits of approximately HK\$187,989,000 (2014: HK\$187,285,000) in respect of tax losses amounting to approximately HK\$858,202,000 (2014: HK\$838,523,000). Out of the total tax losses, approximately HK\$181,442,000 (2014: HK\$186,883,000) will expire within 5 years and the remaining can be carried forward indefinitely against future taxable income.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**Reconciliation of profit before taxation to net cash outflow from operating activities**

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	163,203	214,904
Share of net profits of associated companies	(21,974)	(13,731)
Share of net profits of joint ventures	(12,584)	(12,267)
Finance income	(21,405)	(19,026)
Finance costs	18,890	19,697
Gain on disposal of interests in subsidiaries	(5,764)	(210,918)
Reversal of provision for constructive obligations of an associated company	(8,484)	–
Net loss on disposal of property, plant and equipment	35	57
Depreciation	33,305	48,910
Net (gain)/loss on disposal of investment properties	(79)	53
Fair value (gains)/losses on investment properties	(17,909)	12,982
Amortisation of leasehold land and land use rights	1,697	1,749
Provision for impairment of goodwill	–	11,142
(Reversal)/provision for doubtful debts	(261)	175
Provision for obsolete stock	–	332
Loss on disposal of an available-for-sale financial asset	–	628
Loss on written off of an available-for-sale financial asset	–	218
Operating profit before working capital changes	128,670	54,905
Increase in inventories	(19,180)	(41,604)
Increase in loans and advances	(154,319)	(438,307)
Decrease/(increase) in trade receivables	79,322	(16,842)
Decrease in other receivables, prepayments and deposits	76,265	4,399
Decrease in financial assets at fair value through profit or loss	13,540	48,353
(Decrease)/increase in trade and other payables	(209,616)	303,056
Decrease in retirement benefit obligations	–	(298)
Net cash outflow from operating activities	(85,318)	(86,338)

35. CONTINGENT LIABILITIES

	2015 HK\$'000	2014 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (<i>Note</i>)	1,910	5,958

Note: The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

36. COMMITMENTS

(a) Capital commitments for property, plant and equipment, leasehold land and land use rights and properties under development:

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for	336,256	415,352

(b) Commitments under operating leases

The future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	2015 HK\$'000	2014 HK\$'000
Not later than one year	18,700	19,577
Later than one year but not later than five years	34,446	37,846
More than five years	3,372	9,442
	56,518	66,865

The future aggregate minimum lease payments under non-cancellable operating leases in respect of property, plant and equipment, and leasehold land and land use rights as follows:

	2015 HK\$'000	2014 HK\$'000
Not later than one year	8,780	8,972
Later than one year but not later than five years	6,300	4,224
	15,080	13,196

37. RELATED PARTY TRANSACTIONS

Details of the key management compensation has been disclosed in Note 12.

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including foreign exchange risk, interest rate risk and price risk). The Group has in place controls to manage these risks to an acceptable level without affecting its business. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall risk management function focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management of the Group is carried out by the credit committee and finance department of the Group. The top management and the credit committee approve the Group's financial risk management policies. Credit committee and finance department undertake both regular and ad hoc reviews of risk management controls and procedures which are reported to the top management.

(a) Credit risk analysis

Credit risk is managed on a group basis. The Group's credit risk mainly arises from loans and receivables, deposits with banks, client trust bank balances and cash and cash equivalents.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class and category of financial assets mentioned above. The Group has put in place policies to ensure that sales of products and services and sales of properties are made to customers with an appropriate credit history and the Group performs periodic credit evaluation of its customers. The directors are of the opinion that adequate provision for uncollectible trade and other receivables has been made in the consolidated financial statements.

The Group's cash at bank, bank deposits and client trust bank balances are placed with reputable banks. There were no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions. Management does not expect any of these institutions to fail to meet its obligations.

As at year end, the collaterals furnished by the margin clients for security of their loans and advances from the Group are mainly listed securities, the majority of which are listed in Hong Kong. The total market value of securities amounted to HK\$5,690 million (2014: HK\$6,562 million) and margin loans receivable amounted to HK\$1,131 million (2014: HK\$977 million).

The maximum exposure to credit risk before collateral held or other credit enhancements approximates to the carrying value.

The individually impaired amounts were in default or delinquency in payments and are not expected to be recovered. Save as disclosed above, all loans and advances, and trade and other receivables are neither past due nor impaired as at 31st December 2015 and 2014.

None of the financial assets that are fully performing has been renegotiated in 2015 and 2014.

38. FINANCIAL RISK MANAGEMENT (continued)**38.1 Financial risk factors** (continued)**(b) Liquidity risk analysis**

Surplus cash is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities by choosing instruments with appropriate maturities or sufficient liquidity to meet operational needs. At the reporting date, the Group held cash at bank and in hand of HK\$147,413,000 (2014: HK\$283,454,000) that are expected to readily generate cash inflows for managing liquidity risk.

The following analysis shows the contractual maturity of non-derivative financial liabilities:

	Less than one year 2015 HK\$'000	More than one year 2015 HK\$'000
Borrowings and interest payable	182,977	232,261
Trade and other payables	3,069,660	–
Financial guarantee contracts	1,910	–
	3,254,547	232,261
	Less than one year 2014 HK\$'000	More than one year 2014 HK\$'000
Borrowings and interest payable	107,951	345,006
Trade and other payables	2,214,265	–
Financial guarantee contracts	5,958	–
	2,328,174	345,006

The amounts disclosed above are the contractual undiscounted cash flows.

38. FINANCIAL RISK MANAGEMENT *(continued)*

38.1 Financial risk factors *(continued)*

(c) *Market risk analysis – foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. Revenue and majority of its operating costs and cost of sales are in Hong Kong dollars and Renminbi basis. No significant foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations is expected in the foreseeable future. The Group does not use any derivative financial instruments to hedge its foreign exchange risk.

At 31st December 2015, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollars, with all other variables held constant, post-tax profit for the year would have been HK\$5,618,000 (2014: HK\$3,640,000) higher/lower, mainly as a result of foreign exchange gain on translation of Renminbi-denominated bank deposits. There is no significant impact on equity as most of the available-for-sale securities are denominated in Hong Kong dollars.

In determining the percentage of the currency fluctuation, the Group has considered the economic environments in which it operates.

(d) *Market risk analysis – interest rate risk*

The Group's significant interest-bearing assets are margin loans, cash at bank and bank deposits, and client trust bank balances, where the interest rate is low in the current environment.

The Group is also exposed to changes in interest rates which arises from its bank loans and amounts due to stockbroking clients. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances and deposits held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's practice is to maintain a reasonable balance between variable and fixed rate borrowings. The Group has not used any derivatives to hedge its exposure to interest rate risk.

At 31st December 2015, if interest rates on margin loans, cash at bank, bank deposits and bank loans had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$9,323,000 (2014: HK\$9,624,000) higher/lower. There is no impact on equity.

(e) *Market risk analysis – price risk*

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's equity investments for trading purpose are mainly publicly traded or quoted in Hong Kong and the PRC. The Group's equity investments classified as available-for-sale are mainly unlisted equity securities which the fair values were determined with reference to published price quotations in an active market of the underlying investments held by the investee.

38. FINANCIAL RISK MANAGEMENT *(continued)*

38.1 Financial risk factors *(continued)*

(e) Market risk analysis – price risk *(continued)*

The Group's equity exposures are mainly in long-term equity investments, which are reported as "available-for-sale financial assets" set out in Note 21 to the consolidated financial statements. Equities held for trading purpose are included under "financial assets at fair value through profit or loss" set out in Note 26 to the consolidated financial statements.

At 31st December 2015, if the listed price, quoted price or fair value of each equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets had appreciated/depreciated by 10%, with all other variables held constant, post-tax profit for the year would have been HK\$2,019,000 (2014: HK\$3,373,000) higher/lower, mainly as a result of unrealised gains/losses on equity securities classified as financial assets at fair value through profit or loss. Equity would have been HK\$29,176,000 (2014: HK\$51,374,000) higher/lower, arising from gain/loss on equity securities classified as available-for-sale financial assets.

38.2 Capital risk management

The Group's objectives when managing capital are to maintain a strong capital base to support the development of its business and to meet regulatory capital requirement at all times. The Group recognises the impact on shareholders' returns of the level of equity capital employed within the Group and seeks to maintain a balance between the returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Capital of the Group for regulatory and capital management purpose includes share capital, retained earnings, other reserves and subordinated liabilities. Capital is allocated to various business activities of the Group depending on the risk taken by each business unit and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame.

The Group monitors capital on the basis of the gearing ratio, which is calculated as total debts divided by total shareholders' funds. The Group also monitors capital base of its subsidiaries to ensure compliance with relevant regulatory capital requirements of SFO. Management strives to maintain an optimal capital structure so as to achieve the Group's capital risk management objective as stated above. To achieve this, the Group may adjust the amount of dividend payout and other relevant factors.

The gearing ratios at 31st December 2015 and 2014 are as follows:

	2015 HK\$'000	2014 HK\$'000
Total borrowings <i>(Note 30)</i>	378,567	386,412
Total equity	3,167,780	3,284,951
Gearing ratio	12.0%	11.8%

38. FINANCIAL RISK MANAGEMENT (continued)**38.3 Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents financial assets that are measured at fair value at 31st December 2015 and 2014. See Note 16 for disclosures of the investment properties that are measured at fair value.

	Level 1 2015 HK\$'000	Level 2 2015 HK\$'000	Level 3 2015 HK\$'000	Total 2015 HK\$'000
Financial assets at fair value through profit or loss				
– listed securities	20,192	–	–	20,192
Available-for-sale financial assets				
– unlisted securities	–	291,761	–	291,761
	20,192	291,761	–	311,953
	Level 1 2014 HK\$'000	Level 2 2014 HK\$'000	Level 3 2014 HK\$'000	Total 2014 HK\$'000
Financial assets at fair value through profit or loss				
– listed securities	28,682	–	–	28,682
– unlisted securities	–	–	5,050	5,050
Available-for-sale financial assets				
– unlisted securities	–	513,738	–	513,738
	28,682	513,738	5,050	547,470

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

38. FINANCIAL RISK MANAGEMENT (continued)**38.3 Fair value estimation** (continued)**(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the years ended 31st December 2015 and 2014.

	Unlisted securities	
	2015 HK\$'000	2014 HK\$'000
Opening balance	5,050	5,707
Disposal	(5,050)	–
Disposal of subsidiaries	–	(377)
Written off	–	(218)
Exchange differences	–	(62)
Closing balance	–	5,050
Total loss for the year included in profit or loss for assets held at the end of the year, under "Other gains – net"	–	(218)

39. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment		623	–
Investments in subsidiaries		87,354	97,698
Available-for-sale financial assets		291,761	513,738
Loans and advances		6,455	7,925
Total non-current assets		386,193	619,361
Current assets			
Other receivables, prepayments and deposits		760	76,166
Amounts due from subsidiaries		1,483,886	1,589,325
Cash and cash equivalents		55,008	87,046
Total current assets		1,539,654	1,752,537
Current liabilities			
Accruals and other payables		14,332	102,784
Amounts due to subsidiaries		10,649	230,862
Borrowings		–	10,000
Total current liabilities		24,981	343,646
Net current assets		1,514,673	1,408,891
Net assets		1,900,866	2,028,252
Equity			
Share capital		1,157,658	1,145,005
Reserves	39(b)	743,208	883,247
Total equity		1,900,866	2,028,252

The balance sheet of the Company was approved by the Board of Directors on 24th March 2016 and was signed on its behalf

LO Yuen Yat
Director

YEUNG Wai Kin
Director

39. BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY (continued)**(b) Reserves movement of the Company**

	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2015	39,968	2,104	453,332	387,843	883,247
Profit for the year	–	–	–	107,006	107,006
Fair value loss on available-for-sale financial assets	–	–	(221,977)	–	(221,977)
Issue of new shares on exercise of share options	(4,043)	–	–	–	(4,043)
Dividend paid	–	–	–	(21,025)	(21,025)
At 31st December 2015	35,925	2,104	231,355	473,824	743,208

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2014	849,536	14,006	40,458	2,104	141,304	370,953	1,418,361
Profit for the year	–	–	–	–	–	16,890	16,890
Fair value gain on available-for- sale financial assets	–	–	–	–	312,028	–	312,028
Issue of new shares on exercise of share options	–	–	(490)	–	–	–	(490)
Transition to no-par value regime on 3rd March 2014	(849,536)	(14,006)	–	–	–	–	(863,542)
At 31st December 2014	–	–	39,968	2,104	453,332	387,843	883,247

40. EVENTS AFTER THE BALANCE SHEET DATE

On 22nd January 2016, the Group entered into an agreement with a purchaser, which is a corporate wholly-owned by Mr. Lo Yuen Yat, a director of the Company, and his family members, to dispose of the Group's entire interest in China Assets for a cash consideration of approximately HK\$104 million. The transaction is subject to the independent shareholders approval at the extraordinary general meeting to be held on 7th April 2016. Based on the latest financial information available of China Assets for the year ended 31st December 2015, it is currently expected that the Group will record an accounting loss on disposal of approximately HK\$119 million.

41. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board on 24th March 2016.