THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **South China Financial Holdings Limited**, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00619)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; (III) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION; AND (IV) NOTICE OF EXTRAORDINARY GENERAL MEETING

Joint Financial Advisers to the Company

八方金融有限公司 OCTAL Capital Limited

南華金融集團 South China Financial

Underwriter of the Rights Issue

Uni-Spark Investments Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

高銀融資有限公司 GOLDIN FINANCIAL LIMITED

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 10 to 36 of this circular and the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 37 to 38 of this circular. The letter from Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 61 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Thursday, 30 June 2016 at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the paragraphs headed "Termination of the Underwriting Agreement" on pages 22 and 23 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

Shareholders should note that (i) the Shares are expected to be dealt with on an ex-rights basis commencing from Monday, 11 July 2016; (ii) dealing in the Rights Shares in their nil-paid form is expected to commence on Friday, 22 July 2016; and (iii) dealings in such Shares and nil-paid Rights Shares will take place prior to the Latest Time for Termination while certain conditions precedent to the completion of the Underwriting Agreement remain unfulfilled. Shareholders and potential investors should exercise extreme caution when dealing in the Shares and, if they are in doubt about their position, consult their professional advisers.

14 June 2016

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Announcement"	the announcement of the Company dated 20 April 2016 in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Clarification Announcement"	the announcement of the Company dated 10 May 2016 regarding additional information in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"Company"	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"EAF(s)"	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"Exercisable Period"	the period from 9 June 2016 to 8 June 2018, being the exercisable period of the 15,000,000 outstanding Share Options which were granted on 9 June 2015

"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors formed for the purpose of giving a recommendation to the Independent Shareholders as to whether the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are fair and reasonable and as to voting after taking into account the advice of the IFA
"IFA"	Goldin Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"Independent Shareholders"	the Shareholders other than: (i) the Directors (excluding members of the Independent Board Committee), the chief executive of the Company and their respective associates; and (ii) the Underwriter and parties acting in concert with it and any Shareholders who are involved in, or interested in, or have a material interest in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver
"Independent Third Party(ies)"	third parties independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
"Irrevocable Undertakings"	the irrevocable undertakings referred to in the paragraphs headed "The Irrevocable Undertakings" in the "Letter from the Board" dated 20 April 2016 executed by each of Mr. Ng, Ms. Cheung, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited in favour of the Company and the Underwriter

"Latest Practicable Date"	10 June 2016, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Last Trading Day"	19 April 2016, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 3 August 2016 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer for the Rights Shares, the application for the excess Rights Shares and the payment for the same
"Latest Time for Termination"	5:00 p.m. on Thursday, 4 August 2016, being the next Business Day after the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Gorges"	Mr. Richard Howard Gorges, a director of the Underwriter
"Mr. Ng"	Mr. Ng Hung Sang, the chairman, an executive Director and a Substantial Shareholder of the Company
"Mr. Paul Ng"	Mr. Ng Yuk Yeung Paul, a son of Mr. Ng
"Ms. Cheung"	Ms. Cheung Choi Ngor, an executive Director, the vice chairman of the Company and a director of the Underwriter
"Ms. Jessica Ng"	Ms. Ng Yuk Mui Jessica, the executive vice chairman of the Company, an executive Director and the daughter of Mr. Ng
"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Options Irrevocable Undertakings"	the irrevocable undertakings dated 31 May 2016 given by the holders of the outstanding Share Options, 15,000,000 of which being exercisable in the Exercisable Period, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking or the commencement of the Exercisable Period (whichever is earlier) to completion or, where applicable, lapse of the Rights Issue

"Overseas Shareholder(s)"	Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Posting Date"	20 July 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
"PRC"	the People's Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
"Prospectus"	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s), whose name(s) appear(s) in the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
"Record Date"	19 July 2016 or such other date as may be agreed between the Company and the Underwriter, being the date for determining the entitlements of the Shareholders to participate in the Rights Issue
"Registrar"	Union Registrars Limited, the share registrar of the Company, at Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
"Rights Issue"	the proposed issue of the Rights Shares by way of rights on the basis of one Rights Share for every existing Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
"Rights Share(s)"	7,542,126,750 shares in the Company proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the issued and unissued share capital of the Company

"Share Options"	the share options granted by the Company pursuant to the share option scheme adopted on 5 June 2012 which give the holders thereof the rights to subscribe for the Shares at the exercise price of HK$0.202 per Share
"Shareholder(s)"	the holder(s) of the issued Shares
"Specified Event"	an event occurring or a matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which renders any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.066 per Rights Share
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwriter"	Uni-spark Investments Limited, a company incorporated in Hong Kong with limited liability and wholly and beneficially owned by Mr. Ng
"Underwriting Agreement"	the underwriting agreement entered into between the Company and the Underwriter on 20 April 2016 in relation to the underwriting arrangement in respect of the Rights Issue
"Underwritten Shares"	5,202,547,805 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"U.S."	the United States of America
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
"%"	per cent

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	**2016**
Latest time for lodging transfer of shares to qualify for attendance and voting at the EGM	4:30 p.m. Thursday, 23 June
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive)	Friday, 24 June to Thursday, 30 June
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. Tuesday, 28 June
Expected date and time of the EGM	11:00 a.m. Thursday, 30 June
Announcement of poll results of EGM	Thursday, 30 June
Last day of dealings in Shares on a cum-rights basis	Friday, 8 July
First day of dealings in Shares on an ex-rights basis	Monday, 11 July
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. Tuesday, 12 July
Closure of register of members of the Company for determining the entitlements to the Rights Issue (both dates inclusive)	Wednesday, 13 July to Tuesday, 19 July
Record Date and time for determining the entitlements to the Rights Issue	4:30 p.m. Tuesday, 19 July
Register of members of the Company re-opens	Wednesday, 20 July
Despatch of Prospectus Documents	Wednesday, 20 July
First day of dealings in nil-paid Rights Shares	9:00 a.m. Friday, 22 July

Event	2016
Latest time for splitting nil-paid Rights Shares	4:30 p.m. Tuesday, 26 July
Last day of dealings in nil-paid Rights Shares	close of business of Friday, 29 July
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. Wednesday, 3 August
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	5:00 p.m. Thursday, 4 August
Announcement of results of the Rights Issue	Wednesday, 10 August
Refund cheques, if any, to be despatched (if the Rights Issue is terminated or the application(s) for excess Rights Shares is/are unsuccessful or partially successful) on or before	Thursday, 11 August
Certificates for fully paid Rights Shares to be despatched on or before	Thursday, 11 August
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. Friday, 12 August

All times and dates in this circular refer to Hong Kong local times and dates. The dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied. Should there be any change to the above expected timetable, the Company will notify the Shareholders by way of announcement as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning

a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or

b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of the abovementioned warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made by the Company in such event.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

(A) one or more of the following events or matters shall occur, arise, exist, or come into effect:

i. the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;

ii. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;

iii. any material adverse change in the business or in the financial or trading position of any member of the Group after the signing of the Underwriting Agreement;

iv. any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;

v. after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

vi. there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

vii. the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or the Takeovers Code or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company, which, in the reasonable opinion of the Underwriter:

(a) is or are likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;

(b) is or are likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(c) makes it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

(B) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the representations, warranties and undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(C) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to rescind the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made if the Underwriting Agreement is terminated by the Underwriter or the Company.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00619)

Executive Directors:
Mr. Ng Hung Sang *(Chairman)*
Ms. Cheung Choi Ngor
Ms. Ng Yuk Mui Jessica

Independent non-executive Directors:
Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

Registered office:
28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

14 June 2016

To the Shareholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE;
(II) APPLICATION FOR WHITEWASH WAIVER;
(III) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION; AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the Announcement, the Clarification Announcement and the announcements of the Company dated 11 May 2016 and 31 May 2016 in relation to, among other matters, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. On 20 April 2016, the Board announced that the Company proposed to raise gross proceeds of approximately HK$497.8 million (before expenses) by issuing 7,542,126,750 Rights Shares (assuming no further issue of new Share(s) and no repurchases of Share(s) by the Company on or before the Record Date) at the Subscription Price of HK$0.066 per Rights Share on the basis of one Rights Share for every existing Share held on the Record Date. The Subscription Price is payable in full on application. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

The Independent Board Committee has been established to provide recommendations to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and Goldin Financial Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Such appointment has been approved by Independent Board Committee.

The purpose of this circular is to provide you with, among other things, (i) further details about the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) the letter from the Independent Board Committee to the Independent Shareholders setting out its recommendations in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) the letter from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iv) the financial information and other general information of the Group; and (v) the notice convening the EGM.

THE PROPOSED RIGHTS ISSUE

The Company proposed to raise approximately HK$497.8 million (before expenses), which amounts to approximately HK$489.3 million after deduction of the costs and expenses expected to be incur in the Rights Issue. Details of the Rights Issue are set out as follows:

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One Rights Share for every existing Share held at the close of business on the Record Date
Subscription Price	:	HK$0.066 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	7,542,126,750 Shares
Number of Rights Shares	:	7,542,126,750 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	15,084,253,500 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the completion of the Rights Issue
Amount to be raised	:	Approximately HK$497.8 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company had 45,000,000 outstanding Share Options which will vest in the period from 9 June 2016 to 8 June 2020. Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 45,000,000 Shares (which entitle to 45,000,000 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the Latest Practicable Date to the Record Date. The number of Shares to be allotted and issued by the Company, upon the exercise of such Share Options and the exercise price thereof may be adjusted as a result of the Rights Issue. The Company will publish further announcement(s) for the details of such adjustments as and when appropriate.

One-third of the abovementioned outstanding Share Options (i.e. 15,000,000 Share Options, will vest during the Exercisable Period. If, after the vesting of such Share Options on 9 June 2016, any holder of the said Share Options exercise any of his / her Share Options and become a Shareholder on or before the Record Date, the total number of Shares in issue on the Record Date will increase and the number of Rights Shares and, hence, the number of Underwritten Shares will increase accordingly. To facilitate the Rights Issue, such Share Option holders have given Options Irrevocable Undertakings to the Company. With such Options Irrevocable Undertakings, the Company does not have to negotiate with the Underwriter for any change in the terms and conditions of the Underwriting Agreement as a result of the potential increase in the number of Underwritten Shares due to possible exercise of the said Share Options. The Options Irrevocable Undertakings will cease to be binding upon completion or, where applicable, lapse of the Rights Issue. As at the Latest Practicable Date, all the abovementioned Share Options holders are employees of subsidiaries of the Company who did not hold any Share. Pursuant to the share option scheme of the Company adopted on 5 June 2013 an option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or in any manner dispose of or create any interest in favour of any third party over or in relation to any option. Given the Options Irrevocable Undertakings and the terms of the said share option scheme, the holders of the 15,000,000 outstanding Share Options will not deal in such Share Options such that any Share will be issuable in the period from the date of the Options Irrevocable Undertakings or the commencement of the Exercisable Period (whichever is earlier) to completion or, where applicable, lapse of the Rights Issue.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The 7,542,126,750 Rights Shares represents 100.00% of the Company's issued share capital as at the Latest Practicable Date and 50.00% of the Company's issued share capital as enlarged by the Rights Issue immediately after the completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the completion of the Rights Issue.

Fund raising methods comparison

The Board has considered other alternative means of fund raising, such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company has approached commercial banks, but it was unable to obtain any debt financing at terms acceptable to the Company due to the fact that (i) the commercial banks are not willing to finance the proposed business plans set out in the paragraphs headed "Reasons for the Rights Issue", including but not limited to margin financing, money lending, structured financing and other financing services and/or greenfield projects; and (ii) other than the collaterals for the existing banking facilities, the Group does not have any other significant asset as collaterals. Also, the Board does not consider debt financing to be desirable at this stage as the expected finance costs for such substantial sum are high and additional borrowings will deteriorate the gearing position of the Group. Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase its interests in the shareholding of the Company by (i) acquiring additional rights entitlement in the open market (subject to the availability); and/or (ii) applying for excess Rights Shares or (b) reduce its interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 12 July 2016.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and who would like to have their names registered in the register of members of the Company, they must lodge all necessary documents with the Registrar at Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 12 July 2016.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 13 July 2016 to Tuesday, 19 July 2016 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotments

The basis of the provisional allotment shall be one Rights Share (in nil-paid form) for every existing Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholder(s)

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholder(s), if any.

As at the Latest Practicable Date, there were two Overseas Shareholders. According to the register of members of the Company, the relevant particulars of such Overseas Shareholders are as follows:

Jurisdiction	Number of registered Shareholder(s)	Number of Shares held as at the Latest Practicable Date
Canada	1	63,000
Taiwan	1	80,000

Each of the Overseas Shareholders represents less than 1% of the total issued Shares as at the Latest Practicable Date.

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s), with registered address(es) (as shown in the register of members of the Company) under the jurisdiction set out in the above in compliance with Rule 13.36(2)(a) of the Listing Rules and taking into account the foreign legal opinion as at the Latest Practicable Date, provided by the Canadian legal adviser and the Taiwanese legal adviser engaged by the Company, the Directors were of the view that:

(i) it is expedient not to extend the Rights Issue to the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company) in Canada given the expenses and effort, which may be incurred or involved in compliance with the relevant regulatory requirements in Canada, and, hence, the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company) in Canada shall be Non-Qualifying Shareholder(s); and

(ii) it is neither necessary nor expedient not to extend the Rights Issue to the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company) in Taiwan and, hence, the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company in Taiwan shall be Qualifying Shareholders.

As such, the Company will send the Prospectus to the Non-Qualifying Shareholder(s) for their information only, but will not send any PAL and EAF to them. Receipt of a copy of the Prospectus does not and will not constitute an offer to the Non-Qualifying Shareholder(s).

It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares or make an application for excess Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and/or observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form during the period from Friday, 22 July 2016 to Friday, 29 July 2016 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholder(s) will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Subscription Price

The Subscription Price for the Rights Shares is HK$0.066 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(a) a discount of approximately 58.23% to the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 59.51% to the closing price of HK$0.163 per Share as quoted on the Stock Exchange on the date of the Underwriting Agreement;

(c) a discount of approximately 41.07% to the theoretical ex-rights price of approximately HK$0.112 per Share based on the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;

(d) a discount of approximately 52.38% to the average of the closing prices of approximately HK$0.139 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 38.36% to the average of the closing prices of approximately HK$0.107 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

(f) a discount of approximately 21.32% to the average of the closing prices of approximately HK$0.084 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;

(g) a discount of approximately 48.44% to the closing price of HK$0.128 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(h) a discount of approximately 25.82% to the net asset value per Share of approximately HK$0.089 (based on the consolidated net assets of the Group of approximately HK$671.0 million as at 31 December 2015 based on the audited consolidated financial statements and the number of Shares in issue as at the Latest Practicable Date of 7,542,126,750 Shares); and

(i) a discount of approximately 26.06% to the adjusted net asset value per Share of approximately HK$0.089 (based on the adjusted consolidated net assets of the Group of approximately HK$673.2 million which represents the sum of the consolidated net assets of the Group of approximately HK$671.0 million as at 31 December 2015 as shown in the audited consolidated financial statements for the year ended 31 December 2015 and the excess of HK$2.2 million of the market value of the investment properties of approximately HK$399.70 million as at 31 May 2016 as shown in the valuation report set out in Appendix III to this Circular over the fair value of such properties of approximately HK$397.50 million as recognised in the audited consolidated financial statements for the year ended 2015, divided by the number of Shares in issue as at the Latest Practicable Date of 7,542,126,750 Shares).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, the following:

i. the historical closing price of the Shares was on an descending trend since 1 January 2016 up to 18 February 2016, and fluctuated between HK$0.06 per Share and HK$0.08 per Share with an average price of approximately HK$0.064 for such period;

ii. the recent upward trend of the prevailing market prices of the Shares from 18 February 2016 to the Last Trading Day from the closing price of HK$0.062 per Share to the closing price of HK$0.158 per Share, represented an increase of approximately 154.84%;

iii. the Company recorded a loss of approximately HK$14.9 million for the financial year ended 31 December 2015 and had net current asset of approximately HK$434.4 million as at 31 December 2015. The expected amount to be raised by the Rights Issue represents approximately 74.18% of the Company's equity as at 31 December 2015 and approximately 41.77% of the Company's market capitalization as at the Last Trading Day;

iv. the funding and capital needs of the Company for its business plans and prospect set out in the paragraphs headed "Reasons for the Rights Issues" below;

v. as disclosed in the announcement of the Company in respect of the rights issue completed in June 2015 dated 30 April 2015, the theoretical ex-rights price of the Shares amounts to HK$0.149 per Share. As quoted on the Stock Exchange on the Last Trading Day, the price of the Share amounted to HK$0.158 each, which is approximately 6.04% above the aforesaid theoretical ex-rights price. However, the average closing prices of the Shares for the 30 and 90 consecutive trading days up to and including the Last Trading Day (refer to (e) and (f) above) fell below the abovementioned theoretical ex-rights price by approximately 28.14% and 43.70%, respectively. As such, the Directors considered that the Subscription Price, which represents a discount of approximately 41.07% to the theoretical ex-rights price (refer to (c) above), was set at a reasonable amount to attract the Qualifying Shareholders to participate in the Rights Issue taking into account the volatile market in the past several months before the date of the Announcement. The rights issue completed in June 2015 was over-subscribed. In view of the positive response from the Shareholders to the abovementioned rights issue and the favourable Subscription Price, the Directors expected that the Rights Issue will unlikely result in a significant dilution to the Qualifying Shareholders on an overall basis;

vi. in view of the uncertainties and the recent volatility in the Hong Kong stock market stemming from fluctuating market sentiment, and the possible devaluation trend of Asian currencies given the anticipation of the future fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors believe that it would be difficult to attract the Qualifying Shareholders to make further investment in the Company through the Rights Issue if the Subscription Price is not set at a discount to the recent closing prices of the Shares; and

vii. although the Rights Issue has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the inherent value and the market price of the Shares. While the Rights Issue is fully underwritten by the Underwriter, an existing Shareholder may make an informed decision in electing to accept or decline part of or all of his/her/its provisional allotment of nil-paid rights. The Underwriter would be accepting the Rights Shares on the same price as any other Qualifying Shareholder.

The Directors consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market, while the Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue are able to acquire additional nil-paid rights in the market and/or through an EAF; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

In dollar terms, if the existing Shareholders elect not to participate in the Rights Issue, there will be an approximately 29.11% dilution in value of shareholding in the Company from the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day to the theoretical ex-rights price of approximately HK$0.112 per Share in the Company based on the aforesaid closing price of HK$0.158 per Share.

Mr. Ng, the Chairman of the Board, an executive Director and the beneficial owner of the entire interests in the Underwriter, has abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver in view of his material interests therein. Ms. Cheung has also abstained from voting on such Board resolutions given the common directorship in the Company and the Underwriter and, hence, the deemed interests in the proposed transactions. Ms. Jessica Ng, the daughter of Mr. Ng, has abstained from voting on the said Board resolutions voluntarily on the ground of good corporate governance. Notwithstanding the above, the Directors are of the view that the terms and structure of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above), the subscription ratio and the potential dilution effect on the shareholding interests of the Qualifying Shareholders (which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares), are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally.

Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 1,650,000 Shares by virtue of his spouse's interest in such Shares. Save for the normal interest in the abovementioned 1,650,000 Shares, which represents approximately 0.02% of the Shares currently in issue, despite being a Shareholder, he is also being an independent non-executive Director, has no involvement in the aforesaid transactions, thus he is entitled voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and making recommendations to the Independent Shareholders.

The net price per Rights Share (i.e. Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK$0.065.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Thursday, 11 August 2016 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Thursday, 11 August 2016 by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for (if any) the unsold entitlements of the Non-Qualifying Shareholders and the Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Wednesday, 3 August 2016.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the grant of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy and other applicable fees and charges in Hong Kong, if any.

No part of the securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application for listing of or permission to deal in the Shares, the Rights Shares or any other securities of the Company is being made, or is proposed to be sought, on any other stock exchange.

THE UNDERWRITING AGREEMENT

On 20 April 2016, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by certain Shareholders and Directors pursuant to the Irrevocable Undertakings.

Agreement date	:	20 April 2016
Underwriter	:	Uni-spark Investments Limited The Underwriter is wholly-owned by Mr. Ng, the Chairman of the Board and an executive Director, beneficially.
Total number of Rights Shares underwritten by the Underwriter	:	5,202,547,805 Rights Shares (having taken into account the Irrevocable Undertakings and assuming no new Share being issued and no Share being repurchased on or before the Record Date).
Commission	:	The Underwriter will receive 2% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiations between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

As mentioned in the sub-paragraphs headed "Subscription Price" in the paragraphs headed "Proposed Rights Issue" above, Mr. Ng, Ms. Cheung and Ms. Jessica Ng have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Notwithstanding the above, the Directors (including the members of the Independent Board Committee who have taken into account the advice of the IFA) are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders.

The Company had not approached any other independent underwriters to consider underwriting the Rights Issue because the Underwriter is indirectly wholly owned by Mr. Ng, who is also the Substantial Shareholder of the Company with sufficient financial backing and a track record of completing capital market deals successfully with the Company. The Company is also mindful of the laws and regulations in Hong Kong pertaining to the need to keep inside information confidential pending an announcement and not putting any person in a privileged dealing position. As the Rights Issue is a piece of highly material and price sensitive information, the Company did not consider approaching multiple potential underwriters with whom it does not have prior business relationship to be conducive to compliance with the relevant laws and regulations.

It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. Uni-spark Investments Limited's role as the Underwriter and the Irrevocable Undertakings given by Mr. Ng and his associates signify strong support from the Substantial Shareholder to the Group and his confidence in the prospects and development of the Group.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimizing dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the prevailing share price of the Company; (ii) the current uncertainties and low market sentiment in the Hong Kong stock market; (iii) the Subscription Price and ratio as well as the acceptance rate of the rights issue completed in June 2015; (iv) the latest business performance and financial position of the Group and (v) the funding and capital needs of the Company. Given the over-subscription of the rights issue completed in June 2015, the Directors believe that the maximum dilution to all Qualifying Shareholders as a result of nil acceptance of the Rights Shares by them would unlikely occur.

Apart from the aforesaid factors, given that the maximum possible underwriting exposure of about HK$343.4 million is quite a substantial amount taking into account the Company's financial position, the Directors consider that selecting a company wholly owned by Mr. Ng, who is willing to support the continuing growth of the Group, as the Underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Ng, together with his associates, and Ms. Cheung hold in aggregate 2,032,071,156 and 307,507,789 Shares, respectively, representing approximately 26.94% and 4.08% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng and his associates, namely Fung Shing Group Limited, Parkfield Holdings Limited and Ronaster Investments Limited (refer to the paragraphs headed "Shareholding Structure of the Company" for details), and Ms. Cheung have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of an aggregate of 2,032,071,156 and 307,507,789 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before the completion or, where applicable, lapse of the Rights Issue such that any other persons that are not parties to the Irrevocable Undertakings (the "**Other Parties**") would be entitled to the Rights Issue in respect of those Shares that are held by the Other Parties as at the Latest Practicable Date.

Save for the Irrevocable Undertakings, the Board has not received any information from any Substantial Shareholders of his/her/its intention to take up the securities of the Company to be offered to them under the Rights Issue.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

(A) one or more of the following events or matters shall occur, arise, exist, or come into effect:

i. the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;

ii. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;

iii. any material adverse change in the business or in the financial or trading position of any member of the Group after the signing of the Underwriting Agreement;

iv. any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;

v. after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

vi. there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

vii. the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or the Takeovers Code or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company,

which, in the reasonable opinion of the Underwriter:

(a) is or are likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;

(b) is or are likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(c) makes it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue;

(B) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the representations, warranties and undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(C) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to rescind the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made if the Underwriting Agreement is terminated by the Underwriter or the Company.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

(a) the Independent Shareholders passing the ordinary resolutions at the EGM by way of poll to approve (i) the Rights Issue; (ii) the Underwriting Agreement and the transactions contemplated thereunder; and (iii) the Whitewash Waiver (refer to the paragraphs headed "Listing Rules Implications" and "Takeovers Code Implications and Application for Whitewash Waiver" for further information);

(b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;

(c) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;

(d) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Posting Date;

(e) each of the relevant Shareholders and Directors complying with his/her/its obligations under the Irrevocable Undertakings;

(f) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination; and

(g) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination.

The conditions precedent set out in paragraphs (a) to (f) above are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraph (g) in whole or in part by written notice to the Company. As at the Latest Practicable Date, none of the conditions set out above has been fulfilled (or waived).

If the conditions precedent set out in above paragraphs are not satisfied, and/or remained unfulfilled at the respective time and dates specified therein (or such other time as may be extended by the Underwriter (as permitted under the relevant legal and regulatory requirements)), the Underwriting Agreement shall terminate (save in respect of the provisions in relation to fees and expenses, indemnity, notices and governing law and any rights or obligations which have accrued under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed. The Irrevocable Undertakings shall lapse upon the termination of the Underwriting Agreement.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 7,542,126,750 Shares in issue. As at the Latest Practicable date, the Company had 45,000,000 outstanding Share Options, of which 15,000,000 Share Options will vest during the Exercisable Period, while 15,000,000 and 15,000,000 outstanding Share Options will remain unvested until 9 June 2017 and 9 June 2018, respectively both being subsequent to completion of the Rights Issue. Pursuant to the Options Irrevocable Undertakings holders of 15,000,000 Shares Options have undertaken not to exercise such Share Options from the date of Options Irrevocable Undertakings or the commencement of the Exercisable Period (whichever is earlier) to completion or where applicable, lapse of the Rights Issue. Thus, no outstanding Share Options would be exercised prior to the completion or, where applicable, lapse of the Rights Issue. In addition to the above, as pursuant to the share option scheme of the Company, no Share Options may be transferred or assigned. As such, the Share Option holders who have given the Options Irrevocable Undertaking will not deal in the 15,000,000 Share Options, which have vested, in any manner such that persons who are not parties to the options would be entitled to exercise the said 15,000,000 Share Options at until the completion or, where applicable, the laspe or of the Right Issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to the completion of the Rights Issue save for the following, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders; and (iii) immediately after the completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings:

	As at the Latest Practicable Date		Immediately after the completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately after the completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
The Underwriter	–	–	–	–	5,202,547,805	34.49
Fung Shing Group Limited *(Note 1)*	588,150,756	7.80	1,176,301,512	7.80	1,176,301,512	7.80
Parkfield Holdings Limited *(Note 1)*	1,115,592,000	14.79	2,231,184,000	14.79	2,231,184,000	14.79
Ronastar Investments Limited *(Note 1)*	49,996,800	0.66	99,993,600	0.66	99,993,600	0.66
Mr. Ng *(Notes 1 and 2)*	278,331,600	3.69	556,663,200	3.69	556,663,200	3.69
Sub-total of the Underwriter, Mr. Ng and the companies controlled by him	2,032,071,156	26.94	4,064,142,312	26.94	9,266,690,117	61.43
Ms. Cheung *(Notes 2 and 4)*	307,507,789	4.08	615,015,578	4.08	615,015,578	4.08
Mr. Gorges *(Note 4)*	125,000,000	1.66	250,000,000	1.66	125,000,000	0.83
Mr. Paul Ng *(Note 5)*	292,500,000	3.88	585,000,000	3.88	292,500,000	1.94
Sub-total of the Underwriter and parties acting in concert with it	2,757,078,945	36.56	5,514,157,890	36.56	10,299,205,695	68.28
Hon. Raymond Arthur William Sears, Q.C. *(Notes 2 and 3)*	1,650,000	0.02	3,300,000	0.02	1,650,000	0.01
Public Shareholders (excluding the Underwriter, the parties acting in concert therewith and Directors)	4,783,397,805	63.42	9,566,795,610	63.42	4,783,397,805	31.71
Total	7,542,126,750	100.0	15,084,253,500	100.0	15,084,253,500	100.0

Notes:

1. Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited are wholly-owned by Mr. Ng, the sole director of each of the above companies. As such, Mr. Ng is the beneficial owner of the Shares held by such companies.

2. Mr. Ng, Ms. Cheung and Hon. Raymond Arthur William Sears, Q.C. are Directors.

3. The 1,650,000 Shares are the spouse interest of Hon. Raymond Arthur William Sears, Q.C.

4. The parties acting in concert with the Underwriter include Mr. Ng, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited. The abovementioned companies are under the control of Mr. Ng (see Note 1 above). By virtue of being a director of the Underwriter, Ms. Cheung and Mr. Gorges are also a party acting in concert with it.

5. By virtue of being a close relative of Mr. Ng, Mr. Paul Ng is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code.

REASONS FOR THE RIGHTS ISSUE

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory, underwriting and wealth management services, property investment and investment holding.

As a result of continued expansion of commercial banks and financial institutions into brokerage and related businesses, the numerous acquisitions of local securities firms by Chinese and overseas investors and the increasing market share dominated by foreign owned banks and securities firms in Hong Kong financial markets, the Board believes that it is a requisite of local brokerage firms, like the Company, to increase its capital base for expanding its business operation and scale to maintain its market competitiveness. The Company will use its best effort to pursue its strategic goals and to take advantage of business opportunities as China continues to develop its capital markets to make them more open. To sharpen its competitiveness to meet the challenges ahead, it is necessary for the Company to increase its capital base to further develop its business, in particular:

- expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services. The expansion of lending business depends on the availability of the Group's capital resources and would enhance the Group's ability to broaden its client base as well as increase interest income. A larger amount of available funds would allow us to offer financing services to more clients and/or meet the needs of the clients (existing or prospective) who want higher credit limits better;

- entering into cooperative arrangements with Independent Third Parties to jointly establish a securities firm in China. As at the Latest Practicable Date, the Company had not identified any specific partner in the mainland. Also, no specific timeline has been set for such cooperative arrangements which may involve investments in significant sum. In the absence of a strong capital base and readily available funds for such investment, the Company may not be able to grasp the opportunities in this respect;

- expanding the placing and underwriting business. The number of placing and underwriting transactions and the size of placing and underwriting transactions that the Group may undertake depends on the availability of its capital resources. The Company intends to further expand the placing and underwriting business by participating in more placing and underwriting transactions and placing and underwriting transactions of larger size; and

- expanding the brokerage business so as to tap business opportunities arising from the Stock Connects among Hong Kong, Shanghai, Shenzhen and London through upgrading and improving the Group's information and technology infrastructure and trading platform, recruiting additional staff for sales and marketing team in Hong Kong, mainland China as well as the United Kingdom.

In view of the aforesaid proposed business plan, taking into account the Group's latest financial position, the Company has imminent fund raising needs. Certain activities set out in the abovementioned proposed plan are regulated activities under the SFC carried out by the Group's subsidiaries which are SFC licensed corporations that are required to comply with the financial resource requirement (i.e. minimum capital requirement) for further business expansion and also is restricted to obtain certain amount of bank borrowings and/or debt financing in accordance with the Securities and Futures Ordinance. Having considered these factors, the Directors are of the view that the Rights Issue will increase the capital base of the Group as well as provide additional funds at a reasonable cost to support the Group's continuing development and business growth and also give the Qualifying Shareholders the opportunity to subscribe for the Shares according to their respective shareholding interests in the Company. Hence, the Directors consider that fund raising through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Board (including the members of the Independent Board Committee who have taken into account the advice of the IFA) are of the view that the Rights Issue is in the best interest of the Company and its Shareholders as a whole. The Rights Issue will not only strengthen the Group's capital base but will also allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and participate in the development of the Group through the Rights Issue.

The gross proceeds from the Rights Issue amounts to approximately HK$497.8 million before expenses. The estimated expenses in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK$489.3 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue together with the part of the proceeds from the rights issue completed in June 2015 intended to be applied for the money lending business, which remained un-utilized, of approximately HK$80.0 million (refer to the paragraph headed "Fund Raising Activities Involving Issue of Securities in the Past 12 Months" below for details), totaling approximately HK$569.3 million, for its business plan stated in the paragraphs headed "Reasons for the Rights Issue" in the above as follows:

- approximately HK$263.0 million for expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services based on the estimated amount of capital resources required;

- approximately HK$280.0 million for establishing a securities joint venture in China based on the relevant minimum registered capital requirement and the shareholding of the joint venture which the Group targets to own;

- approximately HK$20.0 million for expanding the placing and underwriting business based on the estimated amount of capital resources required; and

- the remaining sum of approximately HK$6.3 million for developing the brokerage business and as general working capital of the Group.

To the extent that the proceeds are not immediately required, the Group will seek potential business opportunities in the securities and financial markets or may repay its bank borrowings so as to maximize the efficiency and return of such idle funds, broaden the income source and improve the financial position of the Group.

As at the Latest Practicable Date, based on the information available to the Board and the existing business plan of the Group, the Board's latest estimate on the Company's expected funding needs for the next 12 months would be approximately the sum of net proceeds from the Rights Issue and the balance of the proceeds from the rights issue completed in June 2015, which remained un-utilized, and in arriving at such estimation, the Board based on the assumption that the Group will be able to implement its business plans as scheduled and had taken into account the expected amount to be provided for funding the Group's lending, placing, underwriting and brokerage businesses and joint venture investment in PRC given the current market conditions.

FUTURE FUND RAISING EXERCISE

As at the Latest Practicable Date, save for the Rights Issue, the Company has not identified any concrete fund raising plan. The proceeds from the Rights Issue may not satisfy the upcoming financing needs in full if there is any change of the Group's current circumstances and business plan or if there shall arise any other potential business opportunities.

Hence, the Board does not rule out the possibility that the Company will conduct further debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company raised HK$249.4 million (after deduction of costs and expenses incurred) in the rights issue completed in June 2015. Approximately HK$58.6 million and HK$94.6 million of the proceeds from the abovementioned rights issue have been used for the brokerage and margin financing business, respectively. Approximately HK$16.2 million of the said proceeds has been used as working capital of the Group. Owing to the disposal of a subsidiary in November 2015, which is engaged in personal loan business, an amount of approximately HK$80.0 million intended to be applied to the money lending business has been reserved for the Group's property related lending business. Meanwhile, the Group is exploring various lending products to widen its product offering. As mentioned in the paragraphs headed "Use of Proceeds" in the above, such sum will be utilized to fund the Group's lending businesses.

INFORMATION ON THE UNDERWRITER

The Underwriter is an investment holding company, and is not engaged in underwriting of issue of securities in its ordinary course of business. Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the Chairman of the Board, holds the entire beneficial interests in the Underwriter and Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited, being corporate party acting in concert with the Underwriter. Ms. Cheung, Mr. Gorges are the directors of the Underwriter. Mr. Ng is the beneficial owner and sole director of the above mentioned corporate party acting in concert of the Underwriter.

It is the intention of the Underwriter to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. The Underwriter has no intention to introduce any change to the businesses of the Group including redeployment of the fixed assets of the Group.

LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50% (either on its own or when aggregated with the rights issue completed in June 2015, which falls within the 12-month period immediately preceding the date of Announcement), the Rights Issue is conditional on approval by the Shareholders by way of poll in the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19(6)(a) of the Listing Rules since there is no controlling shareholder. Accordingly, (i) Mr. Ng and his associates (namely Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and Mr. Paul Ng); and (ii) Ms. Cheung who held an aggregate of 2,632,078,945 Shares, representing approximately 34.90% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting in the resolution to approve the Rights Issue in the EGM by way of poll under the Listing Rules. For details of the shareholdings held by Mr. Ng and his associates as well as Ms. Cheung and the relationships among them please refer to the disclosure under the paragraphs headed "Shareholding Structure of the Company" above. As explained in the paragraphs headed "Takeovers Code Implications and Application for Whitewash Waiver" below, Mr. Gorges, being a director of the Underwriter, shall also abstain from voting in the resolution to approve the Rights Issue in the EGM by way of poll under the Takeovers Code. As at the Latest Practicable Date, Mr. Gorges held 125,000,000 Shares, representing approximately 1.66% of the issued share capital of the Company. As such, the parties who are required to abstain from voting in the resolution to approve the Rights Issue collectively held 2,757,078,945 Shares or approximately 36.56% of the Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the Chairman of the Board, held the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions of the Company under the Listing Rules. However, the issue of Rights Shares to the Underwriter is fully exempt under Rule 14A.92(2) of the Listing Rules as there is arrangement for the Qualifying Shareholders to apply for the excess Rights Shares in compliance with Rule 7.21(1) of the Listing Rules. Notwithstanding the above, the payment of underwriting commission, which exceeds HK$3.0 million, to the Underwriter is subject to the announcement and reporting requirements but exempt from the Independent Shareholders' approval requirement under Rule 14A.76 of the Listing Rules as the relevant percentage ratio (other than the profits ratio) as defined in the Listing Rules is more than 0.1% but less than 5%. Despite the aforesaid exemptions under Chapter 14A of the Listing Rules, the Underwriting Agreement is subject to Independent Shareholders' approval under Rule 7.19(9) of the Listing Rules as the Rights Issue is conditional on approval by the Shareholders under Rule 7.19(6)(a) of the Listing Rules (refer to the preceding paragraph).

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the beneficial owner of the entire interests in the Underwriter, is interested in 2,032,071,156 Shares, representing approximately 26.94% of the total number of issued Shares. Also, Ms. Cheung, a party acting in concert with the Underwriter, owns 307,507,789 Shares as at the Latest Practicable Date, representing approximately 4.08% of the total number of issued Shares. Mr. Gorges, being one of the directors of the Underwriter, and, hence, a party acting in concert therewith owned 125,000,000 Shares as at the Latest Practicable Date, representing approximately 1.66% of the total number of issued Shares. In November 2015, Mr. Gorges disposed of a total of 120,500,000 Shares with a total consideration of HK$10,276,050 (comprising (i) 15,300,000 Shares in the week of 16 November 2015 at HK$0.089 per Share; and (ii) 105,200,000 Shares in the week of 23 November 2015 at the price per Share ranging from HK$0.083 to HK$0.089). Mr. Paul Ng, a son of Mr. Ng, is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code by virtue of being a close relative of Mr. Ng. As at the Latest Practicable Date, Mr. Paul Ng is interested in 292,500,000 Shares, representing approximately 3.88% of the total number of issued Shares. Ms. Jessica Ng, the daughter of Mr. Ng, is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code by virtue of being a close relative of Mr. Ng. As at the Latest Practicable Date, Ms. Jessica Ng did not hold any Share and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Accordingly, the Underwriter and the parties acting in concert with it are interested in 2,757,078,945 Shares in aggregate, representing approximately 36.56% of the total number of issued Shares (refer to the paragraphs headed "Shareholding Structure of the Company" in the above for details).

Pursuant to the Underwriting Agreement, the Underwriter will subscribe for and take up a maximum of 5,202,547,805 Rights Shares that are not subscribed for under the Rights Issue in the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it who have provided the Irrevocable Undertakings) takes up any Rights Share under the Rights Issue.

If the Underwriter takes up the maximum possible number of excess Rights Shares not taken up by the Qualifying Shareholders as referred to in the preceding paragraph in full, it may result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Ms. Cheung, Mr. Gorges and Mr. Paul Ng) in the Company from approximately 36.56% of the issued share capital of the Company to approximately 68.28% of the then enlarged issued share capital of the Company immediately after the completion of the Rights Issue. As the Underwriter (which does not hold any Share as at the Latest Practicable Date) and parties acting in concert with it, hold not less than 30%, but not more than 50%, of the voting rights of the Company collectively as at the Latest Practicable Date (refer to the paragraphs headed "Shareholding Structure of the Company" in the above for details), if any one or more of them (including the Underwriter) acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the Company by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application has been made by the Underwriter to the Executive for granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive and will be conditional upon, among others, the approval of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it (including but not limited to Mr. Ng, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Ms. Cheung, Mr. Gorges and Mr. Paul Ng) and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

The maximum potential holding of voting rights of the Underwriter, together with parties acting in concert with it, resulting from subscription of the Underwritten Shares pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. With the Whitewash Waiver, the Underwriter and the parties acting in concert with it may increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a mandatory general offer.

Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 1,650,000 Shares by virtue of his spouse's interest in such Shares which represent approximately 0.02% of the Shares currently in issue as at the Latest Practicable Date. Hon. Raymond Arthur William Sears, does not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Hon. Raymond Arthur William Sears, Q.C. has voted at the Board resolutions approving the Rights Issue, Underwriting Agreement and Whitewash Waiver in his capacity as an independent non-executive Director. Other than this, he has no involvement or direct/indirect interest in the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, other than as a shareholder of the Company by virtue of his the aforesaid deemed interest in the Company as a Shareholder. Hon. Raymond Arthur William Sears, Q.C. is therefore eligible to be a member of the Independent Board Committee and to make recommendations to the Independent Shareholders after taking into account the advice of the IFA, and is not required to abstain from voting on the resolutions approving the Rights Issue, the Underwriting Agreement and Whitewash Waiver at the EGM.

As at the Latest Practicable Date, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric do not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric have voted at the Board resolutions approving the Rights Issue, Underwriting Agreement and Whitewash Waiver in capacity as independent non-executive Directors. Other than this, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric have no involvement or direct/indirect interest in the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric are therefore eligible to be members of the Independent Board Committee and to make recommendations to the Independent Shareholders after taking into account the advice of the IFA and are not required to abstain from voting on the resolutions approving the Rights Issue, the Underwriting Agreement and Whitewash Waiver at the EGM.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

Save and except for the disposal of Shares by Mr. Gorges as described in the paragraphs headed "Takeovers Code implication and application for Whitewash Waiver" above, there has been no dealing of Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by the Underwriter and parties acting in concert with it for the six months' period immediately prior to the date of the Announcement and the subsequent period ending on and including the Latest Practicable Date.

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it are interested in 2,757,078,945 Shares (or approximately 36.56% of the issued share capital of the Company). Save as disclosed, the Underwriter and parties acting in concert with it:

(a) do not hold or have any control or direction over any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(b) have not received any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Underwriting Agreement or the Rights Issue or the Whitewash Waiver; and

(c) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save for the transactions contemplated under the Underwriting Agreement (including the Irrevocable Undertakings), there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company which may be material to the Underwriting Agreement, the Whitewash Waiver and/or the Rights Issue.

There was no agreements or arrangements relating to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Underwriting Agreement, the Whitewash Waiver and the Rights Issue other than those set out in the sub- paragraph headed "Conditions of the Rights Issue" under the above paragraph headed "The Underwriting Agreement" to which the Underwriter is a party.

EGM

The register of members of the Company will be closed from Friday, 24 June 2016 to Thursday, 30 June 2016 (both dates inclusive) for determining the entitlements to attend the EGM. No transfer of Shares will be registered during this period.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Rights Issue; (ii) the Underwriting Agreement and (iii) the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, Underwriting Agreement and the Whitewash Waiver at the EGM by way of poll.

In accordance with the Listing Rules and the Takeovers Code, (i) the Underwriter and its respective associates; (ii) any parties acting in concert with the Underwriter; (iii) the Directors (including, among others, Mr. Ng, Ms. Cheung and Ms. Jessica Ng but excluding members of the Independent Board Committee) and chief executive of the Company and their respective associates and (iv) Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriter and parties acting in concert with it, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. Save as disclosed, no other Shareholder is involved or interested in or has a material interest in the transactions contemplated under the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and, hence, is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the EGM. As explained in the paragraph headed "Takeovers Code Implications and Application for Whitewash Waiver", Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director deemed to be interested in 1,650,000 Shares, is not required to abstain from voting on the relevant resolutions at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendation to the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. The IFA has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Subject to, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver being approved at the EGM by way of poll, the Prospectus Documents or the Prospectus, whichever being appropriate, will be dispatched to the Qualifying Shareholders and, for information only, the Non-qualifying Shareholders in due course.

ADJUSTMENT TO EXERCISE PRICE AND NUMBER OF SHARE OPTIONS

Adjustment to exercise price and number of Shares issuable upon the exercise of the Share Options may be required under the relevant terms of the share option scheme of the Company upon completion of the Right Issue. The Company will notify the holders of the Share Options and the Shareholders by way of announcement, if and when necessary, upon completion of the Rights Issue and such adjustment, if required to be made, will be confirmed by its auditor.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraphs headed "Termination of the Underwriting Agreement" under the paragraphs headed "The Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Monday, 11 July 2016. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 22 July 2016 to Friday, 29 July 2016 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Directors (including the independent non-executive Directors who have taken into account the advice of the IFA) are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors who have taken into account the advice of the IFA) recommend the Independent Shareholders to vote in favour of all resolution(s) to be proposed at the EGM.

Your attention is drawn to the letter of recommendations from the Independent Board Committee containing its recommendations to the Independent Shareholders set out on pages 37 to 38 of this circular and the letter from the IFA containing its advice to the Independent Shareholders and the Independent Board Committee and the principal factors which it has considered in arriving at its advice with regard to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver set out on pages 39 to 61 of this circular.

Shareholders are advised to read carefully the letter of recommendations from the Independent Board Committee regarding the Rights Issue, the Underwriting Agreement and the Whitewash Waiver on pages 37 to 38 of this circular. The Independent Board Committee, having taken into account the advice of the IFA, the text of which is set out on pages 39 to 61 of this circular, considers that the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By the order of the Board
South China Financial Holdings Limited
Ms. Ng Yuk Mui Jessica
Executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00619)

14 June 2016

To the Independent Shareholders

Dear Sirs or Madams,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE; AND (II) APPLICATION FOR WHITEWASH WAIVER; (III) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION; AND (IV) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company to the Shareholders dated 14 June 2016 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to provide recommendations to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver.

The IFA has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 39 to 61 of the Circular.

Your attention is also drawn to the Letter from the Board set out on pages 10 to 36 of the Circular.

Having considered the factors and reasons considered by, and the opinion of, the IFA as set out in the "Letter from the IFA" in the Circular, we are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders while the Underwriting Agreement and the Rights Issue are not entered in the ordinary and usual course of business of the Company. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
The Independent Board Committee

Hon. Raymond Arthur William Sears, Q.C.	**Mrs. Tse Wong Siu Yin Elizabeth**	**Mr. Tung Woon Cheung Eric**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from the IFA setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
Suites 2202-2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

14 June 2016

To the Independent Board Committee and
the Independent Shareholders of
South China Financial Holdings Limited

Dear Sirs,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, details of which are contained in the announcement of the Company dated 20 April 2016 (the "**Announcement**"), the clarification announcement of the Company dated 10 May 2016 (the "**Clarification Announcement**") and in the letter from the board (the "**Letter from the Board**") on page 10 to page 36 of the circular of the Company dated 14 June 2016 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the Letter from the Board, subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK$497.8 million (before expenses) on the basis of one Rights Share for every existing Share held on the Record Date by issuing 7,542,126,750 Rights Shares at the Subscription Price of HK$0.066 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in the Letter from the Board. The Rights Issue is subject to the satisfaction of certain conditions as described under the section headed "Conditions of the Rights Issue" in the Letter from the Board. In particular, it is subject to the Underwriting Agreement having become unconditional and the Underwriting Agreement not being terminated in accordance with its terms as stated under the section headed "Termination of the Underwriting Agreement" in this Circular. Accordingly, the Rights Issue may or may not proceed.

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50% (either on its own or when aggregated with the rights issue completed in June 2015, which falls within the 12-month period immediately preceding the date of the Announcement), the Rights Issue is conditional on approval by the Shareholders in the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19(6)(a) of the Listing Rules since there is no controlling shareholder. Accordingly, Mr. Ng and his associates (namely Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and Mr. Paul Ng) and Ms. Cheung, shall abstain from voting in the resolution to approve the Rights Issue in the EGM in accordance with the Listing Rules.

As at the Latest Practicable Date, the Underwriter and the parties acting in concert with it are interested in 2,757,078,945 Shares in aggregate, representing approximately 36.56% of the Shares currently in issue. Pursuant to the Underwriting Agreement, the Underwriter will subscribe for and take up a maximum of 5,202,547,805 Rights Shares that are not subscribed for under the Rights Issue in the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it who have provided the Irrevocable Undertakings) takes up any Rights Share under the Rights Issue, resulting in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Ms. Cheung, Mr. Gorges and Mr. Paul Ng) in the Company from approximately 36.56% of the existing issued share capital of the Company to approximately 68.28% of the then enlarged issued share capital of the Company immediately after the completion of the Rights Issue. As the Underwriter (which does not hold any Share as at the Latest Practicable Date) and parties acting in concert with it hold not less than 30%, but not more than 50%, of the voting rights of the Company collectively, if any one or more of them (including the Underwriter) acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the Company by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among others, the approval of the Independent Shareholders at the EGM by way of poll, in which the Underwriter and parties acting in concert with it, including but not limited to Mr. Ng, the Chairman of the Board, an executive Director and the beneficial owner of the entire interests in the Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited, each being wholly-owned by Mr. Ng, and Ms. Cheung and Mr. Gorges, each being the director of the Underwriter, and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM (Details please refer to the Letter from the Board).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Hon. Raymond Arthur William Sears, Q.C., Mrs. Tse Wong Siu Yin Elizabeth, and Mr. Tung Woon Cheung Eric, has been established to advise the Independent Shareholders on whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and as to voting in respect of the relevant resolutions at the EGM.

We, Goldin Financial Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and to make a recommendation as to, among others, whether the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee.

Apart from normal professional fees for our services to the Company in connection with the engagements described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, the Underwriter or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates or concert parties as at the Latest Practicable Date. We are independent under Rule 13.84 of the Listing Rules and under the Takeovers Code to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Clarification Announcement, the Underwriting Agreement, the financial statements of the Company for the year ended 31 December 2015 (the "**Annual Report 2015**") and the financial statements of the Company for the year ended 31 December 2014 (the "**Annual Report 2014**"). We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as at the Latest Practicable Date and the Shareholders will be notified of any material changes (if any) as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations on the Rights Issue, the Underwriting Agreement and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory, underwriting and wealth management services, property investment and investment holding. Set out below are certain audited financial information of the Group for the three financial years ended 31 December 2015 as extracted from the Annual Report 2015 and the Annual Report 2014, respectively.

Table 1: Financial highlights of the Group

	For the year ended 31 December		
	2015	**2014**	**2013**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Broking	69,394	54,068	55,461
Trading and investment	33,716	9,855	16,654
Margin financing and money lending	25,284	19,825	19,803
Corporate advisory and underwriting	6,381	5,688	4,276
Wealth management	1,470	3,006	3,450
Property investment	10,431	8,390	5,345
Other business	1,784	4,912	–
	148,460	**105,744**	**104,989**
Profit/(Loss) for the year attributable to equity holders of the Company	(14,842)	(72,893)	1,218

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	442,132	455,120	491,118
Current assets	1,354,464	1,329,163	1,169,167
Current liabilities	920,064	1,159,750	941,919
Non-current liabilities	205,532	190,656	215,803
Net current assets	434,400	169,413	227,248
Net assets	671,000	433,877	502,563

For the year ended 31 December 2015

For the year ended 31 December 2015, the Group recorded revenue of approximately HK$148.46 million, representing an increase of approximately 40.40% as compared to approximately HK$105.74 million as recorded in the previous year. We understand that the increase in revenue was mainly attributable to (i) the increase of commission income as driven by the increase of daily turnover for the year ended 31 December 2015 as compared to the previous reporting period, which leads to an increase in segment revenue from broking by approximately 28.35%; and (ii) the increase in trading gain in equity securities which is a gain in disposal of certain listed securities from the Group's financial assets portfolio that includes certain securities outperforming the market significantly during the reporting year, and accounts for approximately 242.12% as compared to the previous year which leads to the increase in segment revenue from trading and investment to increase from approximately HK$9.86 million as recorded for the year ended 31 December 2014 to approximately HK$33.72 million as recorded for the year ended 31 December 2015, while the Group realised a relatively smaller gain from the disposal of listed securities from its financial assets portfolio for the year ended 31 December 2014.

For the year ended 31 December 2015, the Group recorded loss attributable to equity holders of the Company of approximately HK$14.84 million, which represents an improvement from the loss attributable to equity holders of the Company of approximately HK$72.89 million as recorded in the previous year. Based on the Annual Report 2015, the reduction in loss attributable to the equity holders of the Company for the year ended 31 December 2015 was mainly attributable to (i) the absence of fair value loss on investment properties of approximately HK$33.16 million which was recorded in the previous year; and (ii) the increased revenue by approximately HK$42.72 million for the year ended 31 December 2015 as discussed in the above paragraph.

As at 31 December 2015, the Group's net current assets amounted to approximately HK$434.40 million and the net assets of the Group amounted to approximately HK$671.0 million.

For the year ended 31 December 2014

For the year ended 31 December 2014, the Group recorded revenue of approximately HK$105.74 million, representing a slight increase from approximately HK$104.99 million recorded in the respective previous year. With reference to the Annual Report 2014, the segment revenue from (i) broking, trading and investment; and (ii) margin financing and money lending, both being the Group's major business segments, were about the same level in comparison to the year ended 31 December 2013, respectively, which demonstrated the revenue from the aforesaid major segments were relatively stable over the periods. On the other hand, we understand that the segment revenue from corporate advisory and underwriting recorded an increase of approximately 33.02% from approximately HK$4.28 million for the year ended 31 December 2013 to approximately HK$5.69 million for the year ended 31 December 2014 which is mainly attributable to the increase in number of projects taken and corporate advisory fee recognised for the year ended 31 December 2014 as compared to the year ended 31 December 2013, as the number of staff in the corporate finance division has significantly increased as compared to the respective previous year, thereby enhancing the effort in the pitching and the execution process for the corporate advisory projects.

For the year ended 31 December 2014, the Group recorded loss attributable to equity holders of the Company of approximately HK$72.89 million, while the Group recorded profit attributable to the equity holders of the Company of approximately HK$1.22 million for the year ended 31 December 2013. We understand that the variance between the profit-loss attributable to equity holders of the Company for the year ended 31 December 2014 and 31 December 2013 was mainly attributable to the net effect of (i) the fair value loss on investment properties of approximately HK$33.16 million recognised for the year ended 31 December 2014 against the fair value gain of approximately HK$72.03 million recognised for the year ended 31 December 2013; and (ii) the fair value gain in financial asset of approximately HK$0.93 million recognised for the year ended 31 December 2014 against a fair value loss in financial asset of approximately HK$26.24 million recognised for the year ended 31 December 2013. Such fair value gain/loss on investment properties and financial assets were not reflected in the revenue, leading to the discrepancy from a profit-making position for the year ended 31 December 2013 to a loss-making position for the year ended 31 December 2014, despite the stable revenue recorded in both financial years. The Group had engaged an independent valuer to conduct valuation on the investment properties for each reporting year/period according to the applicable accounting standards, using the direct comparison approach by making reference to comparable sales transactions as available in the relevant market taking into account the prevailing market conditions. We consider such fair value gain/loss on investment properties are not arising from the underlying business activities of the Group and that the performance of each of its business segment is satisfactory.

As at 31 December 2014, the net current assets and the net assets of the Group amounted to approximately HK$169.41 million and HK$433.88 million, respectively.

2. Reasons for the Rights Issue and the use of proceeds

As stated in the Letter from the Board, the gross proceeds from the Rights Issue amounts to approximately HK$497.8 million before expenses, and the estimated net proceeds of the Rights Issue amounts to approximately HK$489.3 million after deduction of the estimated costs and expenses expected to be incurred in the Rights Issue. Such net proceeds from the Rights Issue, together with the un-utilised balance of proceeds from the rights issue of the Company completed in June 2015 of approximately HK$80.0 million, which results in a total proceeds of approximately HK$569.3 million, is intended to be applied as follows:

- approximately HK$263.0 million for expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services based on the estimated amount of capital resources required;

- approximately HK$280.0 million for establishing a securities joint venture in China based on the relevant minimum registered capital requirement and the shareholding of the joint venture which the Group targets to own;

- approximately HK$20.0 million for expanding the placing and underwriting business based on the estimated amount of capital resources required; and

- approximately HK$6.3 million for developing the brokerage business and as general working capital of the Group.

As set out in the Letter from the Board, in order to maintain the market competitiveness and sustainability of the Group given (i) the fierce expansion of commercial banks and financial institutions into the brokerage and related businesses; (ii) the increased frequency of acquisitions of local securities firms by Chinese and overseas investors; and (iii) the increasing market share of the security market being dominated by foreign owned banks and securities firms, the Group has been analysing its existing business segments and has developed a strategic business plan with the goal to meet the challenges it faces. In order to implement the business plan, a larger capital base is required. Upon analysis, it is noted that the intended use of proceeds from the Rights Issue will serve as capital resource for and facilitate the implementation of the proposed business plan of the Group.

Expansion of lending business

Based on the Annual Report 2015, the operating profit from the segment of margin financing and money lending has increased by approximately 68.31% as compared to the previous financial year. The Group maintains a stable client base in terms of number of margin loan borrowers as at 31 December 2014 and as at 31 December 2015. We understand that the size of the lending business is reflected by the amount of loan receivables of the Group. The Group recorded an increase in the Group's loans receivable (being the amounts mainly arose from the margin financing and the finance lease operations of the Group) by approximately 41.96% to HK$285.26 million as at 31 December 2015 as compared with HK$200.94 million as at 31 December 2014. As such, the increase in the loan size is primarily due to the increased willingness of margin borrowers to borrow margin loans of larger size. Since the beginning of the year, the Company has been approached by interested parties to offer financing services and has received a number of proposals, particularly in respect of structured financing which involve significant amount of loan principal. As advised by the management of the Company, some potential clients were turned down due to the size of funds required, in particular, the Group would retain a portion of available funds (on top of the fund used to satisfy the minimum capital requirement for regulatory purpose) which serves as a buffer for protection against the unforeseen significant adverse market condition (if any) in the volatile market depending on the prevailing market condition, which is a common market practice to control risk exposure. With such growing demand for margin loan and money borrowing from the existing and/or prospective clients of the Company, should the Group obtains additional funding from the Rights Issue, more fund will be available for its lending business (after the retention of such buffer for protection). Given the available capital funds as enlarged by the proceeds, the Group plans to enlarge its client pool, in terms of number of borrowers, by offering financing solutions to a wider range of borrowers since the Group will have more funds (after retention of buffer for protection) for its lending business and be able to better match client needs in terms of credit limits, tenor or otherwise, and be in a position to make offers to more potential clients. As at the Latest Practicable Date, no particular agreement and understanding have been entered into as the management of the Company considers it to be inappropriate to enter into any significant commitment before sufficient funds are in place. Having equipped with a larger amount of available funds by the amount of the proceeds would allow the Group to broaden the offering of financing services, including but not limited to margin financing, money lending, structured financing and other financing services, and increase the corresponding interest income from its money lending business by having not only more borrowers but also increased loan size for the borrowers who expect higher credit limit, and to achieve business growth in such segment.

Establishment of securities firm in China

Given that majority of the Group's subsidiaries have their principal place of business in Hong Kong, in order to capture the business opportunities outside of Hong Kong, particularly in the mainland, the Group intends to establish a securities firm in China through entering into cooperative arrangements with Independent Third Parties to jointly establish a securities firm in China. A strong capital base and readily available funds are therefore necessary for such investment which may involve a significant amount. According to 中華人民共和國證券法 (Securities Law of the People's Republic of China), the minimum requirement of registered capital for setting up a securities firm in China is RMB500 million for the engagement in two or more business areas among underwriting and sponsorship, securities dealership, asset management and other securities business. Under the requirement of Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), the maximum allowable equity interest in a joint venture that a Hong Kong-funded financial institution can subscribe for is 49%, except for Shanghai, Guangdong and Shenzhen which allow subscription for a maximum equity interest of 51% for a Hong Kong-funded financial institution. As advised by management of the Company, the Company intends to subscribe for not more than 49% or 51% of equity interest in a joint venture entity, depending on the place of establishment of the joint venture. The establishment of the said joint venture should comply with 中華人民共和國證券法 (Securities Law of the People's Republic of China) and other applicable requirements of the China Securities Regulatory Commission and other relevant authorities in China. The equity stakes that the Company can subscribe for in a joint venture company using the proceeds of approximately HK$280.0 million is expected to be approximately 47.36%. As advised by the management of the Company, the Company may, subject to the availability of internal resources, subscribe for the maximum allowable equity interest in the said joint venture should the Company be able to bargain for favourable terms regarding the formation of joint venture. Further, The growth of the China stock market in recent years has been strong. The Shanghai Stock Exchange recorded an average annual growth rate in the number of shares traded of approximately 48.29% from 2011 to 2015, while the number of transactions represents an average annual growth of approximately 41.70% from 2011 to 2015, indicating that the China stock market is generally active. With reference to the statistics issued by 中國證券登記結算有限公司 (The China Securities Depository and Clearing Corporation Limited) (http://www.chinaclear.cn/zdjs/xmzkb/center_mzkb.shtml), as at 13 May 2016, the accumulated number of individuals and the accumulated number of institutional investors who have opened their A share accounts recorded in the proportion of approximately 99.72% versus 0.28% respectively. As such, we consider the need for securities firms in China that provide investment services to these individual investors, is potentially high. The opening up of the China stock market has encouraged more Chinese investors to participate in the stock market, which has driven up the Shanghai Composite Index, an indicator for performance of China stock market, to close at 3,061.02 points as recorded at the end of 2014, reaching a four-year high since the end of 2010, resulting from the loosening of brokers' capital limit and easing monetary policy from the central government in China. The part of the proceeds for the investment in the jointly established security firm in China would enable the Group to cater the investment needs of investors in China by leveraging on its extensive capabilities on provision of investment services such as brokerage service and margin financing. We are advised by the Company that once the capital base of the Group is strengthened by the proceeds from the Rights Issue, the Company, with available financial resources to meet the need of capital contribution requirements in relation to the establishment of the said joint venture, will seek to identify potential joint venture partner(s) and explore possible opportunities in setting up a securities firm in China. The Company will inform the Shareholders in due course once it has reached an agreement to set up such joint venture with the identified joint venture partner(s) by way of announcement and in accordance with the Listing Rules. The Company will then engage professional party(ies) for execution in setting up the joint venture or otherwise where required. As at the Latest Practicable Date, the Company had not identified any specific partner in the mainland for the cooperative arrangements and did not have a solid timeframe for the establishment of securities firm in China in such regards.

Expansion of placing and underwriting business

The Group intends to expand its placing and underwriting business by participating in more placing and underwriting transactions and placing and underwriting transactions of larger size, which requires sufficient availability of capital resources in accordance to the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules of the SFC when the Company acts as the placing agent or the underwriter to underwrite specific number of underlying shares. With the opening up of the China equity capital market, increasing number of firms in China are looking to enter into primary listing in Hong Kong. According to the HKEX Fact Book 2015 issued by the Stock Exchange, amount of equity funds raised by companies listed on main board of the Stock Exchange shows a significant increase of approximately 151.31% in 2014 as compared to that recorded in 2013, which is expected to be the result of the launch of Shanghai-Hong Kong Stock Connect. In 2015, equity/fund raised by IPO and post-IPO increased by approximately 18.34% and 20.04%, respectively, as compared to that recorded in 2014. According to the Annual Report 2015, it is the intention of the Group to continue its active engagement in the equity capital market in Hong Kong, as supported by the increased revenue recorded for the year ended 31 December 2015 for the segment of corporate advisory and underwriting by approximately 12.18% as compared to the previous financial year. Given the historical revenue in the business segment of corporate advisory and underwriting which is on a growing trend, the Group plans to participate in more placing and underwriting transactions and placing and underwriting transactions of larger size which require the support from larger capital resources in order to fulfil the abovementioned liquid capital requirement. With the proven track record, the Group expects a further growth in revenue with the expansion of the placing and underwriting business, thus enhancing the value for its Shareholders.

Development of brokerage business

The Group intends to expand its brokerage business so as to tap into business opportunities arising from the Stock Connects among Hong Kong, Shanghai, Shenzhen and London through upgrading the existing information and technology infrastructure and trading platform, recruiting additional staff for sales and marketing team in Hong Kong, China and the United Kingdom. With reference to the HKEX Fact Book 2015, the average growth of the five-year average turnover from 2011 to 2015 recorded approximately 10.88% in the Hong Kong stock market, it is anticipated that the overall growing trend in market turnover will continue. Further, it is expected that the Shenzhen-Hong Kong Stock Connect will be established this year with reference to the news article published by the State Council of the PRC on 16 March 2016 (http://english.gov.cn/premier/news/2016/03/16/content_281475308598090.htm). With such supportive strategy by the China government to open up the China stock market, it is expected that, save for the unpredictable and unforeseen market conditions, the overall growing trend in market turnover will sustain in the next two to three years. As stated in the Annual Report 2015, it is the intention of the Group to improve its electronic trading system and service quality to enhance clients' experience. In view of more Stock Connects to be launched in the near future and with the advanced technology that facilitates real-time trading, together with improved customer services and effective marketing promotion, the Group expects a further growth in revenue in the broking segment in the long-run, generated from brokerage commission and related fees arising from the increased number of transactions.

Taking into consideration (i) the Company has put effort in identifying potential ways to expand its existing business segments as described in the above proposed business plans, with the view to support business growth and to enhance performance of the Group; and (ii) the Company would be in a position to negotiate for better terms with an enlarged capital base from the proceeds of the Rights Issue for the proposed formation of securities firm in China, we consider that the allocation of the proceeds from the Rights Issue is fair and reasonable.

Based on the Annual Report 2015, the Group has a cash and bank balance of approximately HK$110.72 million as at 31 December 2015 to satisfy its operational needs. Taking into account (i) the available banking facilities which are not subject to any restrictions as to the utilisation thereof for the proposed business plans of the Group; (ii) the cash needed for daily settlement of the security brokerage business of the Group which depends on the size of trading volume on each trading day; and (iii) the liquid capital requirements to be fulfilled by the Group under the Hong Kong Securities and Futures (Financial Resources) Rules of the SFC, if the Group is to implement its proposed business plans involving an aggregate capital amount of approximately HK$569.3 million as scheduled and as elaborated above, we consider that the cash and bank balance of the Group, the aforesaid banking facilities available for the proposed business plans of the Group, together with the un-utilised balance of proceeds from the rights issue of the Company completed in June 2015, will not be sufficient to satisfy the funding needs for both the aforesaid business expansions and for the existing business operations of the Group and therefore the Company has to raise additional funds. As mentioned in the Letter from the Board, taking into account the abovementioned business plans, the Board's latest estimate on the Company's expected additional funding needs for the next 12 months would be approximately the sum of the net proceeds from the Rights Issue of approximately HK$489.3 million.

If, to the extent that the proceeds from the Rights Issue are not immediately required, the Group will seek potential investment opportunities in the securities and financial markets for such fund pending utilization or apply such fund to repay its bank borrowings so as to maximise the utilisation rate and return out of the idle funds while improving the financial position of the Group. We have discussed with the Company on the details of the intended usage of such un-utilised funds. We are advised that such funds, if any, will be used to repay the revolving credit lines of the Company which impose floating interest rate based on the Hong Kong Interbank Offered Rate (HIBOR), ranging from HIBOR plus 1.25% to HIBOR plus 2.55% (with reference to the disclosure in note 28 of the Annual Report 2015). The interest payment depends on the amount of facility used by the Group and the prevailing HIBOR during the corresponding period. Through repayment of the revolving facilities, it is expected that the borrowing costs of the Company will be lowered and the gearing of the Group will improve. As such, we consider that using the proceeds that are not immediately required to repay bank borrowings is a common market practice of working capital management and we are of the view that the funding needs of the Company is imminent and that the proceeds from the Rights Issue that are not immediately required could be applied shortly.

Fund raising alternatives

Upon enquiry with the management of the Company, we were given to understand that the Board has considered various fund raising methods including but not limited to debt financing, bank borrowings and placing of new Shares. In respect of debt financing, the Company was unable to obtain any debt financing at terms acceptable to the Company as the intended use of proceeds are to finance the proposed business plans which have uncertainty on the investment returns and may be regarded as unfavourable to commercial banks providing debt financing, in terms of associated default risks of the debts. Further, save for the collaterals pledged for the existing banking facilities, the Company does not have any other significant assets to be provided as collaterals for debt/bank borrowings. The Company has also taken into account the substantial finance cost arising from the considerable size of the loan principal, which is likely to deteriorate the gearing of the Group. As to placing of new Shares, it is common market practice to be conducted on a best effort basis and as such the amount to be raised from the placing would be relatively uncertain and subject to market condition, which may not meet the target amount of funding needs for the Group, being approximately HK$489.3 million. In addition, placing will result in immediate dilution effect to the shareholding interests of existing shareholders without offering the existing shareholders the opportunity to participate in the enlargement of the capital base of the Company and the potential growth of the Group. Further, we concur with the view of the Directors that selecting a company wholly owned by Mr. Ng, who is willing to support the continuing growth of the Group, as the Underwriter for the Rights Issue, is in the interests of the Company and the Shareholders as a whole taking into account the substantial amount of maximum underwriting exposure of approximately HK$343.4 million and also the consecutive loss-making position of the Group.

Given that (i) the use of proceeds under the Rights Issue is in line with the business plans of the Group as elaborated above; (ii) the sum of net proceeds from the Rights Issue and the un-utilised balance from the previous rights issue of the Company approximates the estimated funding needs of the Group for the implementation of its business plans; (iii) the net proceeds raised from the Rights Issue would strengthen the Company's capital base and enhance its financial position at the outset; (iv) the Rights Issue enables all Qualifying Shareholders to have an equal opportunity to participate in the enlargement of the Company's capital base and the Company's future growth; (v) the Company could raise necessary funds with more certainty as it is fully underwritten by the Underwriter under the Underwriting Agreement (as compared to placing which is normally conducted on a best effort basis); (vi) the Rights Issue provides additional funds for the Group at a reasonable cost as compared to debt borrowings; and (vii) the Underwriter is wholly owned by Mr. Ng who is willing to support the continuous growth of the Group, we concur with the Directors' view that the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Group and the Shareholders as a whole.

3. Principal terms of the Rights Issue

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK$497.8 million (before expenses) on the basis of one Rights Share for every existing Share held on the Record Date, by issuing 7,542,126,750 Rights Shares at the Subscription Price of HK$0.066 per Rights Share. On 20 April 2016, the Company entered into the Underwriting Agreement with the Underwriter, which is a company beneficially wholly-owned by Mr. Ng, the Chairman of the Board and an executive Director, to set out terms for the Rights Issue. Set out below are the summary of the Rights Issue.

Basis of the Rights Issue	:	One Rights Share for every existing Share held at the close of business on the Record Date
Subscription Price	:	HK$0.066 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	7,542,126,750 Shares
Number of Rights Shares	:	7,542,126,750 Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)
Number of issued shares of the Company upon completion of the Rights Issue	:	15,084,253,500 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the completion of the Rights Issue
Underwriter	:	Uni-spark Investments Limited
Total number of Rights Shares underwritten by the Underwriter	:	5,202,547,805 Rights Shares (having taken into account the Irrevocable Undertakings (as described in below paragraph) and assuming no new Share being issued and no Share being repurchased on or before the Record Date)
Commission	:	the Underwriter will receive 2% of the aggregate Subscription Price of the Underwritten Shares

The Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Ng, together with his associates, and Ms. Cheung hold in aggregate 2,032,071,156 and 307,507,789 Shares, respectively, representing approximately 26.94% and 4.08% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng and his associates, namely Fung Shing Group Limited, Parkfield Holdings Limited and Ronaster Investments Limited, and Ms. Cheung have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of an aggregate of 2,032,071,156 and 307,507,789

Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before the completion or, where applicable, lapse of the Rights Issue, such that any other persons that are not parties to the Irrevocable Undertakings (the "**Other Parties**") would be entitled to the Rights Issue in respect of those Shares that are held by the Other Parties as at the Latest Practicable Date.

The Options Irrevocable Undertakings

As at the Latest Practicable Date, the Company had 45,000,000 outstanding Share Options, of which 15,000,000 Share Options will vest during the Exercisable Period, while 15,000,000 and 15,000,000 outstanding Share Options will remain unvested until 9 June 2017 and 9 June 2018, respectively both being subsequent to completion of the Rights Issue. Pursuant to the Options Irrevocable Undertakings, holders of 15,000,000 Shares Options have undertaken not to exercise such Share Options from the date of the Options Irrevocable Undertakings or the commencement of the Exercisable Period (whichever is earlier) to completion or, where applicable, lapse of the Rights Issue. Thus, no outstanding Share Options would be exercised prior to the completion or, where applicable, lapse of the Rights Issue. In addition to the above, as pursuant to the share option scheme of the Company, no Share Options may be transferred or assigned. As such, the Share Options holders who have given the Options Irrevocable Undertakings will not deal in the 15,000,000 Share Options, in any manner such that persons who are not parties to the Options Irrevocable Undertakings would be entitled to exercise the said 15,000,000 Share Options until the completion or, where applicable, the lapse of the Rights Issue.

The Subscription Price

The Subscription Price is HK$0.066 per Rights Share which represents:

(i) a discount of approximately 58.23% to the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 59.51% to the closing price of HK$0.163 per Share as quoted on the Stock Exchange on the date of the Underwriting Agreement;

(iii) a discount of approximately 41.07% to the theoretical ex-rights price of approximately HK$0.112 per Share based on the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a discount of approximately 52.38% to the average of the closing prices of approximately HK$0.139 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 38.36% to the average of the closing prices of approximately HK$0.107 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

(vi) a discount of approximately 21.32% to the average of the closing prices of approximately HK$0.084 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;

(vii) a discount of approximately 48.44% to the closing price of HK$0.128 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(viii) a discount of approximately 25.842% to the net asset value per Share of approximately HK$0.089 (based on the consolidated net assets of the Group of approximately HK$671.0 million as at 31 December 2015 based on the audited consolidated financial statements and the number of Shares in issue as at the Latest Practicable Date of 7,542,126,750 Shares); and

(ix) a discount of approximately 26.06% to the adjusted net asset value per Share of approximately HK$0.089 (based on the adjusted consolidated net assets of the Group of approximately HK$673.2 million, which represents the sum of the consolidated net assets of the Group of approximately HK$671.0 million as at 31 December 2015 as shown in the audited consolidated financial statements for the year ended 31 December 2015 and the excess of HK$2.2 million of the market value of the investment properties of approximately HK$399.70 million as at 31 May 2016 as shown in the valuation report set out in Appendix III to this Circular over the fair value of such properties of approximately HK$397.50 million as recognised in the audited consolidated financial statements for the year ended 2015, divided by the number of Shares in issue as at the Latest Practicable Date of 7,542,126,750 Shares).

The net price per Rights Share (i.e. Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK$0.065.

As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter taking into account, among others, a number of market factors and the internal funding needs of the Group. Having considered that the Subscription Price was set at a discount to the recent closing prices of the Shares which would encourage the Shareholders to take up their entitlements to maintain their respective shareholdings in the Company, the Directors consider that the setting of the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

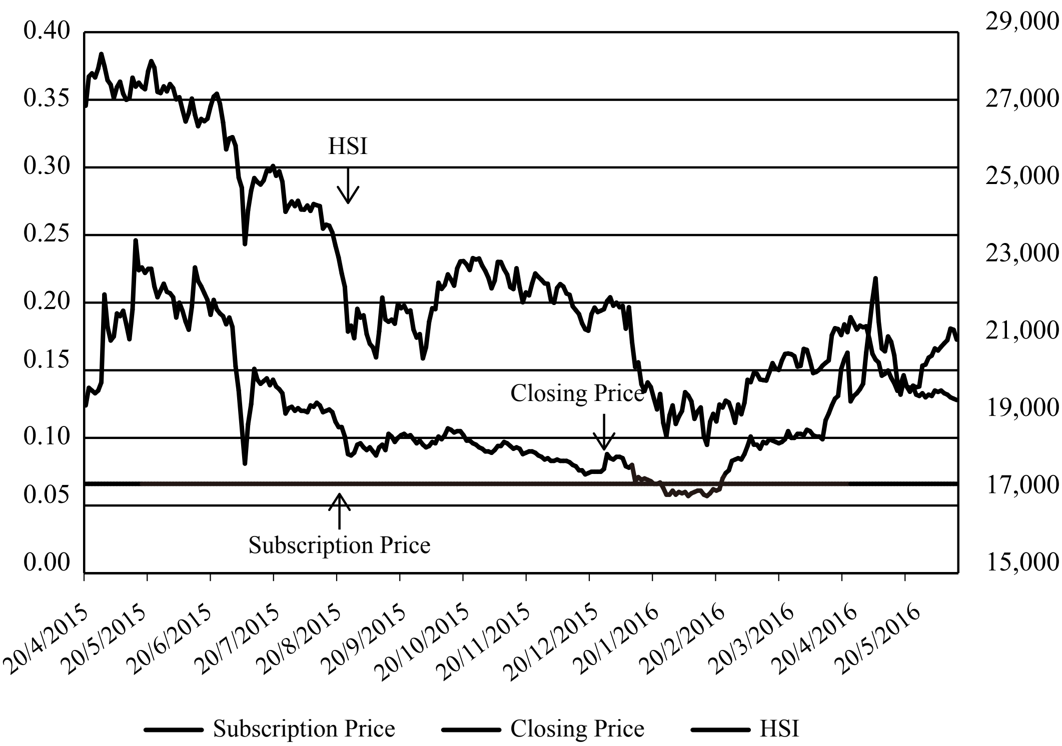
To assess the fairness and reasonableness of the Subscription Price, we have analysed the Subscription Price with reference to the historical Share price performance as discussed below.

Historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 20 April 2015 (being the first trading day of the 12-month period prior to the Last Trading Day) up to and including the Latest Practicable Date (the "**Review Period**"). We consider the Review Period which covers a full year prior to the Underwriting Agreement, represents a reasonable period to provide a general overview of the recent price performance of the Shares when conducting an analysis among the historical closing prices of the Shares, the Hang Seng Index ("**HSI**") and the Subscription Price.

Chart 1 below shows the daily closing price of the Shares as quoted on the Stock Exchange versus the Subscription Price and the HSI during the Review Period:

Chart 1: Share price performance against the Subscription Price and the HSI during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk) and the website of the Hang Seng Indexes (www.hsi.com.hk)

Note: Trading in the Shares was suspended from 28 April 2015 to 30 April 2015 during the Review Period.

As shown in Chart 1 above, the Shares were traded at above the Subscription Price throughout the Review Period except for the period from late January to mid-February 2016. The downward trend of the closing Share price during the period from late January to mid-February 2016 was generally in line with the similar trend of the HSI in the same period, which was primarily due to the overall negative market sentiment during such period. During the Review Period, the historical closing price of the Shares was traded within a range from the lowest closing price per Share of HK$0.057 to the highest closing price per Share of HK$0.246 and an average closing price per Share (which accounts for short term volatility of the Shares in the Review Period) of approximately HK$0.118. The Subscription Price of HK$0.066 represents (i) a slight premium of approximately 15.79% to the aforementioned lowest closing price per Share; (ii) a discount of approximately 73.17% to the aforementioned highest closing price per Share; and (iii) a discount of approximately 44.24% to the average closing price per Share during the Review Period, respectively. Despite the Subscription Price is set at a discount to the historical closing price of the Shares, we are advised that it is the Company's intention to deepen the discount to the Subscription Price offered to the Qualifying Shareholders in order to encourage them to participate in the Rights Issue and to maintain their proportional shareholding in the Company. Given the continuous loss-making position of the Group (as discussed in the above section headed "Background information of the Group"), the Group recorded loss attributable to equity holders of the Company for the two consecutive years for the year ended 31 December 2014 and for the year ended 31 December 2015 and the uncertainties, including, among others, the general economic outlook and market competition faced by the Group, and the recent volatility in the Hong Kong stock market (as shown by the performance of Share price and the HSI in Chart 1 above), we consider that setting the Subscription Price at a discount to the prevailing market price of the Share serves as an incentive for the existing Shareholders to participate in the Rights Issue and to maintain their respective shareholding in the Company and also to engage in the future growth of the Company. As such, we concur with the view of the Directors to set the Subscription Price at a discount to the average closing price of the Shares during the Review Period.

As illustrated from Chart 1, it is noted that the movement of the closing prices of the Shares was generally in line with the trend of the HSI during the period from May 2015 to mid-February 2016, in particular, both showing a gradually decreasing pattern. As such, we consider that the performance of the Shares was primarily due to the worsening stock market sentiment in Hong Kong and the PRC in the aforesaid period. The Shares and the HSI then deviate from their descending trend and begin to increase after reaching their respective lowest levels during the Review Period, indicating an improvement in overall market sentiment.

Taking into consideration of (i) the setting of the Subscription Price at a discount to the market price could enhance the attractiveness of the Rights Issue since the discount would encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interests in the Company and participate in the future growth of the Company, we are of the view that the setting of the Subscription Price at a discount is justifiable.

As stated in the Letter from the Board and as confirmed with the Directors, it is the Company's intention to deepen the discount to the Subscription Price offered to Qualifying Shareholders in order to encourage them to participate in the Rights Issue and the future development and growth of the Company upon implementation of the business plans. Further, the Subscription Price was determined after taking into account the entitlement ratio of 1 for 1, leading to a maximum dilution of 50%, and the estimated amount of capital to be required for the implementation of the proposed business plans.

Given that (i) we understand from the Company that the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter after taking into account various factors including, among others, the historical market price of the Shares, as well as other terms under the Rights Issue such as the entitlement ratio and the estimated amount of additional fund required; (ii) the Group was at a loss-making position for the two years ended 31 December 2015 as discussed in the section headed "Background information of the Group" and capital is needed for its intended business expansion; and (iii) setting the Subscription Price at a discount to the prevailing market price would enhance the attractiveness of the Rights Issue and accordingly allow Qualifying Shareholders to maintain their respective shareholding interests in the Company, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Application for excess Rights Shares

As stated in the Letter from the Board, Qualifying Shareholders may apply, by way of excess application, for unsold entitlements of the Non-Qualifying Shareholders (if any), and for any Rights Shares provisionally allotted but not accepted. The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

We are not aware of the allocation arrangement of excess application of the Rights Issue being unusual, and we consider such allocation arrangement of excess Rights Shares is in line with general market practice.

Underwriting commission

Pursuant to the Underwriting Agreement, the Underwriter will receive from the Company 2% of the aggregate Subscription Price of the Underwritten Shares as the underwriting commission. The aforesaid underwriting commission shall not be payable if the Underwriting Agreement is terminated by the Underwriter, but the Company shall pay all fees and expenses to the Underwriter in respect of the Rights Issue. Having considered that the commission rate is determined after arm's length negotiation between the Company and the Underwriter, we are of the view that the underwriting commission payable to the Underwriter is justifiable.

We have also reviewed other major terms of the Underwriting Agreement including, but not limited to, the payment terms, the termination of the Underwriting Agreement and conditions of the Underwriting Agreement (details of which are set out in the Letter from the Board) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Considering that (i) it is the Directors' intention to set the Subscription Price at a discount to the prevailing closing price of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue; (ii) given the loss-making position for the two years ended 31 December 2015, deeper discount could attract the Qualifying Shareholders to participate in the Rights Issue; (iii) the underwriting commission for the Rights Issue is justifiable as elaborated in the above paragraph; and (iv) each of the Qualifying Shareholder has equal opportunity to participate in the Rights Issue and is entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its existing shareholding in the Company, we are of the view that the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the interests of the Independent Shareholders

The changes in shareholding structure of the Company arising from the Rights Issue are set out in the paragraphs headed "Shareholding Structure of the Company" in the Letter from the Board. All Qualifying Shareholders are entitled to subscribe for the Rights Shares. The shareholding interest of the public Shareholders will have a maximum dilution of 50.00% from approximately 63.42% as at the Latest Practicable Date to approximately 31.71% immediately upon the completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings.

In dollar terms, if the Qualifying Shareholders elect not to participate in the Rights Issue, there will be an approximately 29.11% dilution in value of shareholding in the Company from the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day to the theoretical ex-rights price of approximately HK$0.112 per Share in the Company based on the aforesaid closing price of HK$0.158 per Share. Despite that the dilution impact in terms of value of the Rights Issue is 29.11%, there will be no dilution impact to the Qualifying Shareholders' respective existing shareholding interests as at the Latest Practicable Date in terms of dollar value if they take up their respective entitlement in the Rights Issue in full.

Taking into account (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue; (ii) the inherent dilutive nature of rights issues in general if the existing shareholders do not subscribe for in full their assured entitlements; and (iii) the net proceeds from the Rights Issue would strengthen the Company's capital base thereby better preparing the Group for its business expansion, we are of the view that the potential dilution effect of the Rights Issue is acceptable.

5. Financial effects of the Rights Issue

Net tangible assets

According to the section headed "Unaudited Pro Forma Financial Information of the Group" set out in Appendix II to the Circular, the consolidated net tangible assets of the Group as at 31 December 2015 was approximately HK$670.16 million. The unaudited pro forma adjusted consolidated net tangible assets of the Group would amount to approximately HK$1,159.44 million as at 31 December 2015 assuming the completion of the Rights Issue (on the basis that 7,542,126,750 Rights Shares to be issued at the Subscription Price) be on that date. As at 31 December 2015, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after the completion of the Rights Issue would decrease to approximately HK$0.077 from approximately HK$0.089 before completion of the Rights Issue. The adjusted consolidated net tangible assets of the Group as at 31 December 2015 will be approximately HK$672.36 million (based on the sum of the consolidated net assets of the Group of approximately HK$670.16 million as at 31 December 2015 and the excess of HK$2.2 million of the market value of the investment properties of approximately HK$399.70 million as at 31 May 2016 as shown in the valuation report as set out in Appendix III to the Circular over the fair value of such properties of approximately HK$397.50 million as recognised in the audited consolidated financial statements for the year ended 31 December 2015). Based on the aforesaid adjusted consolidated net tangible assets of the Group as at 31 December 2015 of approximately HK$672.36 million, the unaudited pro forma adjusted consolidated net tangible assets of the Group would amount to approximately HK$1,161.64 million as at 31 December 2015 assuming the completion of the Rights Issue (on the basis that 7,542,126,750 Rights Shares to be issued at the Subscription Price) be on that date. As such, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after the completion of the Rights Issue would decrease to approximately HK$0.077 from approximately HK$0.089 before completion of the Rights Issue. Such decrease is due to the Subscription Price of HK$0.066 being lower than the consolidated net tangible assets per Share and the adjusted consolidated net tangible assets per Share, respectively, as at 31 December 2015.

Although the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share and the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share after adjustment of the fair value change on investment properties of the Group, would decrease as stated above, taking into consideration (i) the Rights Issue would provide the funding for the Group for its proposed plan of business expansion and the increased capital resources could better position the Group to compete with other market participants; and (ii) the Qualifying Shareholders will not be disadvantaged in terms of dilution impact if he/she/it takes up in full his/her/its entitlement in the Rights Issue as well as enabling them to participate in the future growth of the Group, we are of the view that the aforesaid decrease in unaudited pro forma adjusted consolidated net tangible assets per Share is justifiable.

Liquidity

According to the Annual Report 2015, the cash and bank balances of the Group as at 31 December 2015 was approximately HK$110.72 million. Upon completion of the Rights Issue, the cash and bank balances of the Group is expected to increase by the estimated net proceeds of approximately HK$489.3 million based on 7,542,126,750 Rights Shares to be issued at the Subscription Price. As such, the net current assets and current ratio of the Company will improve, thereby enhancing the financial position of the Group.

Gearing ratio

According to the Annual Report 2015, as at 31 December 2015, the gearing ratio (net debt (includes interest-bearing bank borrowings, other borrowings, less cash and bank balances) divided by total equity plus net debt), was approximately 32.38%. Upon completion of the Rights Issue, the capital base of the Group would be enlarged whilst the borrowings of the Group are not expected to change as a result of the Rights Issue. As such, the gearing ratio of the Group is expected to be improved upon completion of the Rights Issue.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue.

6. Whitewash Waiver

As at the Latest Practicable Date, Mr. Ng, a Substantial Shareholder of the Company, an executive Director and the beneficial owner of the entire interests in the Underwriter, is interested in 2,032,071,156 Shares, representing approximately 26.94% of the total number of issued Shares. Also, Ms. Cheung, a party acting in concert with the Underwriter, owns 307,507,789 Shares as at the Latest Practicable Date, representing approximately 4.08% of the total number of issued Shares. Mr. Gorges, being one of the directors of the Underwriter and, hence, a party acting in concert with the Underwriter, owned 125,000,000 Shares as at the Latest Practicable Date, representing approximately 1.66% of the total number of issued Shares. In November 2015, Mr. Gorges disposed of a total of 120,500,000 Shares with a total consideration of HK$10,276,050 (comprising (i) 15,300,000 Shares in the week of 16 November 2015 at HK$0.089 per Share; and (ii) 105,200,000 Shares in the week of 23 November 2015 at the price per Share ranging from HK$0.083 to HK$0.089).

Mr. Paul Ng, a son of Mr. Ng, is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code by virtue of being a close relative of Mr. Ng. As at the Latest Practicable Date, Mr. Paul Ng is interested in 292,500,000 Shares, representing approximately 3.88% of the total number of issued Shares. Ms. Jessica Ng, the daughter of Mr. Ng, is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code by virtue of being a close relative of Mr. Ng. As at the Latest Practicable Date, Ms. Jessica Ng did not hold any Share and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Accordingly, the Underwriter and the parties acting in concert with it are interested in 2,757,078,945 Shares in aggregate, representing approximately 36.56% of the total number of issued Shares as at the Latest Practicable Date.

Pursuant to the Underwriting Agreement, the Underwriter will subscribe for and take up a maximum of 5,202,547,805 Rights Shares that are not subscribed for under the Rights Issue in the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it who have provided the Irrevocable Undertakings) takes up any Rights Share under the Rights Issue. If the Underwriter takes up the aforesaid maximum of 5,202,547,805 Rights Shares, it may result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Ms. Cheung, Mr. Gorges and Mr. Paul Ng) in the Company from approximately 36.56% of the issued share capital of the Company to approximately 68.28% of the then enlarged issued share capital of the Company immediately after the completion of the Rights Issue. As the Underwriter and parties acting in concert with it, hold not less than 30%, but not more than 50%, of the voting rights of the Company collectively as at the Latest Practicable Date, if any one or more of them (including the Underwriter) acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the Company by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

The maximum potential holding of voting rights of the Underwriter, together with parties acting in concert with it, resulting from subscription of the Underwritten Shares pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among others, the approval of the Independent Shareholders at the EGM by way of poll. The Underwriter and the parties acting in concert with it may increase their holding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

Completion of the Rights Issue is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders of relevant resolutions by way of poll at the EGM. If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Rights Issue will lapse and will not proceed. Accordingly, the Company will lose all the benefits that are expected to be brought by the Rights Issue, including the availability of funds out of the net proceeds to be raised from the Rights Issue for the purpose of implementing its proposed business plans of:

(i) expanding the lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services which allows the Group to maintain and broaden its client portfolio from which the Group generates revenue by offering various financing services and meeting the needs of the clients who want higher credit limit;

(ii) establishing a securities joint venture in China based on the relevant minimum registered capital requirement and the shareholding of the joint venture which the Group targets to own, and allows the Group to tap into the growing demand of financial services in China;

(iii) expanding the placing and underwriting business which enables the Group to participate in more placing and underwriting transactions and placing and underwriting transactions of larger size which require the support from larger capital resources, and is expected to enhance the revenue growth in such segment; and

(iv) developing the brokerage business (with amount not so utilised serving as general working capital for the Group), which enables the Group to advance its electronic trading system and improve its service quality in order to enhance its competitiveness and be better equipped for handling more brokerage business.

Based on our analysis on the reasons for and benefit of the entering into of the Rights Issue and as discussed in the above section headed "Reasons for the Rights Issue and the use of proceeds", it is expected that the overall outlook of the financial services industry is optimistic given the supportive policies in Hong Kong and in China. As such, we are of the view that the Group can benefit from expanding the above business segments. Further, it is expected that the Group, having equipped with a larger capital base, would reduce the opportunities forgone as to lending money and allow the Group to better match client needs in terms of credit limit.

Based on our analysis of the terms of the Underwriting Agreement and the Rights Issue, we consider that the entering into of the Underwriting Agreement and the Rights Issue is in the interests of the Company and the Shareholders as a whole. As such, we are of the view that for the purpose of implementing the Rights Issue, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interests of the Company and the Shareholders.

RECOMMENDATIONS

With respect of the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, based on the abovementioned principal factors and reasons for the entering into of the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, we are of the view that, while the Underwriting Agreement and the Rights Issue are not entered into in the ordinary and usual course of business of the Company, the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Goldin Financial Limited

Billy Tang
Director

Note: *Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin Financial Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance profession.*

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for the three years ended 31 December 2015 are disclosed in the annual report of the Company for the year ended 31 December 2013 (pages 23 to 100) (http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0424/LTN201404241106.pdf), the annual report of the Company for the year ended 31 December 2014 (pages 24 to 104) (http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0428/LTN20150428603.pdf) and the annual report of the Company for the year ended 31 December 2015 (pages 28 to 112) (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN20160427621.pdf), respectively, which are also published on the Company's designated website (https://www.sctrade.com/html/en/info/services/investor_finholdings.asp).

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015, as extracted from the relevant annual reports of the Company.

Set out below is a summary of the audited financial results of the Group for each of the three years ended 31 December 2013, 2014 and 2015 as extracted from the annual reports of the Company for the years ended 31 December 2013, 2014 and 2015. There was no item which is exceptional because of size, nature or incidence in the consolidated income statement of the Group and no dividend declared in, each of the aforesaid years. The Company's auditors, Ernst & Young, have not issued any qualified opinion or modified audited opinion on the Group's financial statements for the three years ended 31 December 2015.

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	104,989	105,744	148,460
Profit/(loss) before taxation	1,141	(72,331)	(9,265)
Income tax credit/(expense)	62	(573)	(5,613)
Profit/(loss) for the year	1,203	(72,904)	(14,878)
Profit/(loss) for the year attributable to:			
Equity holders of the Company	1,218	(72,893)	(14,842)
Non-controlling interests	(15)	(11)	(36)
Earnings/(loss) per share attributable to equity holders of the Company			
Basic and diluted (HK cents)	0.02 cents	(1.21) cents	(0.22) cents
	(restated)	(restated)	
	Note 1	*Note 2*	

Note:

1. *According to HKAS 33 Appendix A, the basic and diluted earnings per Share for the year ended 31 December 2013 was adjusted to reflect the rights issue completed in the year ended 31 December 2015.*

2. *As disclosed in the notes to the audited consolidated financial statements of the Company for the year ended 31 December 2015, the basic and diluted loss per Share for the year ended 31 December 2014 was adjusted to reflect the rights issue completed in the year ended 31 December 2015 whereby 2,514,042,250 Shares were issued on the basis of one rights share for every two then existing Shares held on 11 May 2015.*

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2015

Set out below are the audited financial statements of the Group for the two years ended 31 December 2015.

Consolidated Statement of Profit or Loss
Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	148,460	105,744
Other income		3,390	1,890
Fair value loss on investment properties		–	(33,159)
Fair value gain/(loss) on financial assets at fair value through profit or loss		(3,189)	933
Reversal of impairment/(impairment) of loans and trade receivables, net		1,045	(428)
Other operating expenses		(147,105)	(136,947)
Profit/(loss) from operating activities		2,601	(61,967)
Finance costs	7	(7,551)	(7,545)
Impairment of investment in an associate		(688)	–
Share of loss of an associate		(3,627)	(2,819)
LOSS BEFORE TAX	6	(9,265)	(72,331)
Income tax expense	10	(5,613)	(573)
LOSS FOR THE YEAR		(14,878)	(72,904)
Attributable to:			
Equity holders of the Company		(14,842)	(72,893)
Non-controlling interests		(36)	(11)
		(14,878)	(72,904)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11		(restated)
Basic and diluted		(HK0.22 cents)	(HK1.21 cents)

Consolidated Statement of Financial Position
31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,442	3,619
Investment properties	13	397,500	397,500
Intangible assets	14	836	836
Investments in associates	16	–	4,315
Available-for-sale investments	18	33,258	28,467
Other assets	15	6,369	13,031
Long term loans receivable	17	–	6,502
Long term deposits	22	727	850
Total non-current assets		442,132	455,120
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	204,960	148,524
Loans receivable	17	285,258	194,436
Trade receivables	21	120,947	191,586
Other receivables, prepayments and deposits	22	31,763	36,737
Pledged time deposits	23	39,156	1,997
Cash held on behalf of clients	24	561,659	628,708
Cash and bank balances	23	110,721	127,175
Total current assets		1,354,464	1,329,163
CURRENT LIABILITIES			
Client deposits	25	613,391	704,414
Trade payables	26	27,093	110,943
Other payables and accruals	27	18,485	19,708
Tax payable		4,326	21
Interest-bearing bank borrowings	28	256,769	324,664
Total current liabilities		920,064	1,159,750
NET CURRENT ASSETS		434,400	169,413
TOTAL ASSETS LESS CURRENT LIABILITIES		876,532	624,533

	Notes	2015 *HK$'000*	2014 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	175,209	160,185
Deposits received		582	1,467
Deferred tax liabilities	19	29,741	29,004
Total non-current liabilities		205,532	190,656
Net assets		671,000	433,877
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	29	597,685	348,334
Other reserves	31	73,315	85,000
		671,000	433,334
Non-controlling interests		–	543
Total equity		671,000	433,877

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		Attributable to equity holders of the Company										
		Share capital	Share premium account	Capital redemption reserve	Property revaluation reserve#	Available for-sale investment revaluation reserve	Share option reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014		125,652	220,027	1,670	120,145	3,256	729	6,878	23,652	502,009	554	502,563
Loss for the year		–	–	–	–	–	–	–	(72,893)	(72,893)	(11)	(72,904)
Other comprehensive income/ (loss) for the year		–	–	–	–	5,600	–	(1,638)	–	3,962	–	3,962
Total comprehensive income/ (loss) for the year		–	–	–	–	5,600	–	(1,638)	(72,893)	(68,931)	(11)	(68,942)
Transition to no-par value regime	29	221,697	(220,027)	(1,670)	–	–	–	–	–	–	–	–
Issue of shares upon exercise of share options	29	985	–	–	–	–	(729)	–	–	256	–	256
At 31 December 2014 and 1 January 2015		348,334	–	–	120,145*	8,856*	–*	5,240*	(49,241)*	433,334	543	433,877
Loss for the year		–	–	–	–	–	–	–	(14,842)	(14,842)	(36)	(14,878)
Other comprehensive income/ (loss) for the year		–	–	–	–	4,791	–	(3,572)	–	1,219	–	1,219
Total comprehensive income/ (loss) for the year		–	–	–	–	4,791	–	(3,572)	(14,842)	(13,623)	(36)	(13,659)
Reduction of share capital of a subsidiary		–	–	–	–	–	–	–	–	–	(263)	(263)
Disposal of a subsidiary	33(b)	–	–	–	–	–	–	–	–	–	(244)	(244)
Issue of shares	29	251,404	–	–	–	–	–	–	–	251,404	–	251,404
Share issue expenses	29	(2,053)	–	–	–	–	–	–	–	(2,053)	–	(2,053)
Equity-settled share option arrangements	30	–	–	–	–	–	1,938	–	–	1,938	–	1,938
At 31 December 2015		597,685	–	–	120,145*	13,647*	1,938*	1,668*	(64,083)*	671,000	–	671,000

\# The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value on 30 June 2012.

* These reserve accounts comprise the consolidated other reserves of HK$73,315,000 (2014: HK$85,000,000) in the consolidated statement of financial position.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
LOSS FOR THE YEAR		(14,878)	(72,904)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX			
To be reclassified to profit or loss in subsequent periods	32	1,219	3,962
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(13,659)	(68,942)
Attributable to:			
Equity holders of the Company		(13,623)	(68,931)
Non-controlling interests		(36)	(11)
		(13,659)	(68,942)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(9,265)	(72,331)
Adjustments for:			
Finance costs	7	7,551	7,545
Share of loss of an associate		3,627	2,819
Dividend income from listed investments	5	(1,475)	(1,474)
Fair value loss on investment properties		–	33,159
Fair value loss/(gain) on financial assets at fair value through profit or loss		3,189	(933)
Impairment of investment in an associate	16	688	–
Impairment/(reversal of impairment) of loans and trade receivables, net	6	(1,045)	428
Depreciation	6	2,283	3,093
Equity-settled share option expense	30	1,938	–
		7,491	(27,694)
Decrease/(increase) in financial assets at fair value through profit or loss		(59,625)	12,839
Decrease/(increase) in loans receivable		(84,707)	21,724
Decrease/(increase) in trade receivables		58,497	(43,246)
Decrease/(increase) in other receivables, prepayments and deposits		4,653	(20,056)
Decrease/(increase) in cash held on behalf of clients		67,049	(108,324)
Decrease in amounts due from related companies		226	897
Increase/(decrease) in client deposits		(91,023)	251,762
Decrease in trade payables		(83,850)	(58,603)
Increase/(decrease) in other payables and accruals		(1,932)	7,598
Cash generated from/(used in) operations		(183,221)	36,897
Interest paid		(7,551)	(7,545)
Hong Kong profits tax paid		(360)	–
Overseas taxes paid		(198)	(477)
Net cash flows generated from/(used in) operating activities		(191,330)	28,875

	Notes	2015 HK$'000	2014 HK$'000
Net cash flows generated from/(used in) operating activities		(191,330)	28,875
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from listed investments		1,475	1,474
Purchases of items of property, plant and equipment	12	(2,164)	(820)
Additions to investment properties	13	–	(659)
Disposal of subsidiaries	33	4,833	4,553
Decrease/(increase) in other assets		6,662	(3,160)
Net cash flows generated from investing activities		10,806	1,388
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		6,148,288	4,276,600
Repayment of bank loans		(6,179,176)	(4,268,490)
Issue of shares	29	251,404	256
Share issue expenses	29	(2,053)	–
Payments to non-controlling shareholders of a subsidiary in respect of the reduction of share capital of the subsidiary		(263)	–
Net cash flows generated from financing activities		218,200	8,366
NET INCREASE IN CASH AND CASH EQUIVALENTS		37,676	38,629
Cash and cash equivalents at beginning of year		114,491	77,085
Effect of foreign exchange rate changes, net		(2,290)	(1,223)
CASH AND CASH EQUIVALENTS AT END OF YEAR		149,877	114,491
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	23	110,721	127,175
Pledged time deposits with original maturity of less than three months when acquired	23	39,156	1,997
Bank overdrafts	28	–	(14,681)
Cash and cash equivalents as stated in the statement of cash flows		149,877	114,491

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION

South China Financial Holdings Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

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

- securities, commodities, bullion and forex broking and trading
- margin financing and money lending
- provision of corporate advisory and underwriting services
- wealth management
- property investment
- investment holding

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Polyluck Trading Limited	Hong Kong	HK$2	100	Property investment
South China Bullion Company Limited	Hong Kong	HK$30,000,000	100	Bullion dealing
South China Capital Limited	Hong Kong	HK$25,000,000	100	Provision of corporate advisory services
South China Forex Limited	Hong Kong	HK$45,000,000	100	Forex dealing
South China Commodities Limited	Hong Kong	HK$56,000,000	100	Commodities broking
South China Finance Company Limited	Hong Kong	HK$1,000,000	100	Provision of loan financing
South China Finance And Management Limited	Hong Kong	HK$2	100	Share dealing and provision of management services
South China Finance (Nominees) Limited	Hong Kong	HK$2	100	Provision of nominee services
South China Precious Metal Limited	Hong Kong	HK$2	100	Futures trading

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
South China Research Limited	Hong Kong	HK$600,000	100	Research publication
South China Securities Limited	Hong Kong	HK$130,000,000	100	Securities broking, margin financing and provision of underwriting services
Kingwise Secretarial Services Limited	Hong Kong	HK$2	100	Securities and futures trading
South China Finance Lease Holdings Limited	Hong Kong	HK$1	100	Investment holding
South China Wealth Management Limited	Hong Kong	HK$3,000,000	100	Insurance broking
South China Securities (UK) Limited*	United Kingdom	GBP200,000	100	Securities broking
藍華投資咨詢（上海）有限公司*^	The People's Republic of China ("PRC")/ Mainland China	US$100,000	100	Provision of corporate advisory services and investment holding
Nanjing Southchina Leasing Co., Limited*^	PRC/Mainland China	RMB100,000,000	100	Provision of loan financing

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

^ 藍華投資咨詢（上海）有限公司 and Nanjing Southchina Leasing Co., Limited are registered as wholly-foreign-owned enterprises under PRC law.

Except for Polyluck Trading Limited, 藍華投資咨詢（上海）有限公司 and Nanjing Southchina Leasing Co., Limited, all principal subsidiaries are directly held by the Company.

During the year, the Group disposed of its entire equity interests in South China Asset Management Limited and South China Financial Credits Limited to a related company of the Company. Further details of these disposals are included in note 33 to the financial statements.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (that is, existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 Originally effective for annual periods beginning on or after 1 January 2016, which has been deferred/removed and the adoption of the amendments continues to be permitted.

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

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

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. In January 2016, the HKICPA issued an update which defers/removes the effective date. A new effective date of the amendments will be determined at a future date.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

(i) the materiality requirements in HKAS 1;

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

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

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the lease terms
Furniture and equipment	10% to 25%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) *Group as a lessee*

Rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(ii) *Group as a lessor*

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group leases out its investment properties under operating leases, and rentals receivable are credited to the statement of profit or loss on the straight-line basis over the lease terms.

The amounts due from the lessees under finance leases are recorded in the consolidated statement of financial position as "Loans receivable". The amount comprises the gross investment in the finance leases less gross earnings allocated to future accounting periods. The total gross earnings under finance leases are allocated to the accounting periods over the duration of the underlying agreements so as to produce an approximately constant periodic rate of return on the net cash investment for each accounting period.

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive or negative net changes in fair value presented in the statement of profit or loss. These net fair value changes do not include any dividends earned on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

Subsequent measurement – Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Revenue recognition

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

(a) commission and brokerage income, accrued on all broking transactions on a trade date basis;

(b) profit or loss on the trading of securities, forex, bullion and futures contracts, on a trade date basis;

(c) service and handling fee income, when the underlying services have been provided;

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

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders’ right to receive payment has been established.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual has to be made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Share-based payments

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

In respect of share options, the cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 30 to the financial statements.

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

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

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

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

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

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

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Impairment of trade and loans receivables

The Group reviews its loan portfolios to assess whether there is any objective evidence that a loan receivable is impaired at least on a yearly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade and loans receivables before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methods and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The aggregate carrying amount of trade and loans receivables at 31 December 2015 was HK$406,205,000 (2014: HK$392,524,000). More details are given in notes 17 and 21 to the financial statements.

Estimation uncertainty

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

Impairment of non-financial assets

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

Estimation of fair value of investment properties

Investment properties are carried in the statement of financial position at their fair value. The fair value was based on valuation on these properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services. The Group has seven reportable operating segments as follows:

(a) the broking segment engages in securities, commodities and futures contracts broking;

(b) the trading and investment segment engages in securities, forex, bullion and futures contracts trading and investment holding;

(c) the margin financing and money lending segment engages in the provision of margin and personal loan financing;

(d) the corporate advisory and underwriting segment engages in the provision of corporate advisory and underwriting services;

(e) the wealth management segment engages in insurance broking;

(f) the property investment segment; and

(g) other business segment includes the provision of clearing and custodian services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs relating to the Group's treasury function, head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment transactions are conducted with reference to the prices charged to third parties at the then prevailing market prices.

Year ended 31 December 2015

	Broking	Trading and investment	Margin financing and money lending	Corporate advisory and underwriting	Wealth management	Property investment	Other business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Revenue from external customers	69,394	33,716	25,284	6,381	1,470	10,431	1,784	148,460
Segment results:	(19,386)	4,213	13,337	(72)	(6,178)	9,298	998	2,210
Reconciliation:								
Corporate and other unallocated income, net								391
Impairment of investment in an associate								(688)
Share of loss of an associate								(3,627)
Finance costs								(7,551)
Loss before tax								(9,265)
Segment assets:	777,217	243,023	329,819	5,891	2,119	398,212	2,393	1,758,674
Reconciliation:								
Corporate and other unallocated assets								37,922
Total assets								1,796,596
Segment liabilities:	(638,124)	(59,595)	(84,534)	(307)	(383)	(3,307)	(4,716)	(790,966)
Reconciliation:								
Corporate and other unallocated liabilities								(334,630)
Total liabilities								(1,125,596)
Other segment information:								
Fair value loss on financial assets at fair value through profit or loss	–	3,189	–	–	–	–	–	3,189
Impairment/(reversal of impairment) of loans and trade receivables, net	127	–	(1,201)	–	29	–	–	(1,045)
Depreciation	1,668	193	161	85	151	25	–	2,283
Capital expenditure*	1,593	188	174	42	146	21	–	2,164

* Capital expenditure represents additions to property, plant and equipment.

Year ended 31 December 2014

	Broking	Trading and investment	Margin financing and money lending	Corporate advisory and underwriting	Wealth management	Property investment	Other business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Revenue from external customers	54,068	9,855	19,825	5,688	3,006	8,390	4,912	105,744
Segment results:	(24,389)	(11,396)	7,924	(1,422)	(1,906)	(26,184)	1,975	(55,398)
Reconciliation:								
Corporate and other unallocated expenses, net								(6,569)
Share of loss of an associate								(2,819)
Finance costs								(7,545)
Loss before tax								(72,331)
Segment assets:	913,497	199,702	252,955	5,316	1,174	398,900	2,276	1,773,820
Reconciliation:								
Corporate and other unallocated assets								10,463
Total assets								1,784,283
Segment liabilities:	(801,688)	(59,805)	(195,208)	(673)	(584)	(3,303)	(4,568)	(1,065,829)
Reconciliation:								
Corporate and other unallocated liabilities								(284,577)
Total liabilities								(1,350,406)
Other segment information:								
Fair value gain on financial assets at fair value through profit or loss	–	(933)	–	–	–	–	–	(933)
Impairment of loans and trade receivables, net	98	–	330	–	–	–	–	428
Depreciation	2,065	513	261	139	86	29	–	3,093
Capital expenditure*	499	127	65	101	21	666	–	1,479

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

Geographical information

Non-current assets

	2015	**2014**
	HK$'000	*HK$'000*
Hong Kong	408,773	406,382
Other jurisdictions	101	20,271
	408,874	426,653

The non-current asset information above is based on the locations of the assets and excludes available-for-sale investments.

5. REVENUE

Revenue represents commission and brokerage income from securities, forex, bullion and futures contracts and insurance broking; profit on the trading of securities, forex, bullion and futures contracts; interest income; handling fee income; corporate advisory fees; commission income from share underwriting and placing; dividend income and gross rental income.

An analysis of revenue is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Revenue		
Commission and brokerage income	67,272	55,688
Profit on the trading of securities, forex, bullion and futures contracts, net	30,786	5,878
Interest income from loans and trade receivables	23,512	17,551
Interest income from forex and bullion	857	1,229
Handling fee income	4,535	6,328
Rendering of services	7,947	7,003
Dividend income from listed investments	1,475	1,474
Gross rental income	10,431	8,390
Interest income from banks and financial institutions	1,645	2,203
	148,460	105,744

6. LOSS BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of services provided		33,177	32,241
Depreciation	12	2,283	3,093
Auditors' remuneration		1,296	1,272
Minimum lease payments under operating leases		16,200	15,593
Employee benefit expense (including directors' remuneration (note 8)):			
Pension scheme contributions		2,131	2,204
Wages, salaries and benefits in kind		55,230	54,220
Equity-settled share option expense		1,938	–
		59,299	56,424
Interest expense for margin financing and money lending operations:			
Bank loans and overdrafts		3,790	3,933
Foreign exchange differences, net		763	(27)
Impairment/(reversal of impairment) of loans receivable, net	17	(1,202)	330
Impairment of trade receivables, net	21	157	98
Direct operating expenses arising from rental-earning investment properties		1,454	1,455

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans and overdrafts	7,551	7,545

8. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATIONS

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

	Group	
	2015	**2014**
	HK$'000	*HK$'000*
Fees	479	297
Other emoluments:		
Salaries, allowances and benefits in kind	394	2,229
Pension scheme contributions	–	38
	394	2,267
	873	2,564

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Hon. Raymond Arthur William Sears Q.C.	240	100
Mr. Tung Woon Cheung Eric	100	75
Mrs. Tse Wong Siu Yin Elizabeth	100	75
	440	250

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*
2015			
Executive directors:			
Mr. Ng Hung Sang	10	28	–
Ms. Ng Yuk Mui, Jessica*	1	–	–
Mr. Richard Howard Gorges**	9	366	–
Ms. Cheung Choi Ngor	10	–	–
Mr. Ng Yuk Yeung, Paul**	9	–	–
	39	394	–
2014			
Executive directors:			
Mr. Ng Hung Sang	10	374	–
Mr. Richard Howard Gorges	10	600	30
Ms. Cheung Choi Ngor	10	–	–
Mr. Ng Yuk Yeung, Paul	10	–	–
Mr. Chan Hing Wah***	7	1,255	8
	47	2,229	38

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

* Ms. Ng Yuk Mui, Jessica has been appointed as executive director of the Company with effect from 12 November 2015.

** Mr. Richard Howard Gorges and Mr. Ng Yuk Yeung, Paul resigned from their positions as executive directors of the Company with effect from 12 November 2015.

*** Mr. Chan Hing Wah resigned from his position as executive director of the Company with effect from 3 October 2014.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year do not include any director (2014: two directors), details of the directors' remuneration are disclosed in note 8 above. Details of the remuneration for the year of the five (2014: three) non-director highest paid employees are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	7,492	4,134
Pension scheme contributions	71	41
	7,563	4,175

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

	Number of employees	
	2015	**2014**
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	4	2
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	1	–
	5	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax had been made as the Group had available tax losses carried forward to offset the assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2015	**2014**
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	2,591	–
Underprovision in prior years	1,939	–
Current – Elsewhere	346	437
Deferred *(note 19)*	737	136
Total tax charge for the year	5,613	573

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	2015		2014	
	HK$'000	%	*HK$'000*	%
Loss before tax	(9,265)		(72,331)	
Tax at the statutory tax rate	(1,529)	16.5	(11,935)	16.5
Higher tax rates on loss arising elsewhere	(279)	3.0	(197)	0.3
Adjustments in respect of current tax of previous periods	1,939	(20.9)	–	–
Income not subject to tax	(4,048)	43.7	(1,147)	1.6
Expenses not deductible for tax	4,927	(53.2)	7,437	(10.3)
Tax losses not recognised	5,073	(54.8)	8,017	(11.1)
Tax losses utilised from previous periods	(470)	5.1	(1,602)	2.2
Tax charge at the Group's effective rate	5,613	(60.6)	573	(0.8)

11. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the loss for the year attributable to equity holders of the Company of approximately HK$14,842,000 (2014: HK$72,893,000) and the weighted average of 6,885,031,872 (2014: 6,033,103,044 (restated)) ordinary shares in issue during the year. The basic loss per share amount for the year ended 31 December 2014 has been adjusted to reflect the rights issue during the year ended 31 December 2015 (note 29(c)).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 31 December 2014 in respect of a dilution as the impact of the share options outstanding during those years had an anti-dilutive effect on the basic loss per share amounts presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 31 December 2015				
At 31 December 2014 and at 1 January 2015:				
Cost	16,514	41,086	3,316	60,916
Accumulated depreciation	(14,656)	(39,325)	(3,316)	(57,297)
Net carrying amount	1,858	1,761	–	3,619
At 1 January 2015, net of accumulated depreciation	1,858	1,761	–	3,619
Additions	264	1,900	–	2,164
Disposal of a subsidiary *(note 33(b))*	(5)	(45)	–	(50)
Depreciation provided during the year	(657)	(1,626)	–	(2,283)
Exchange realignment	–	(8)	–	(8)
At 31 December 2015, net of accumulated depreciation	1,460	1,982	–	3,442
At 31 December 2015:				
Cost	16,272	42,206	3,316	61,794
Accumulated depreciation	(14,812)	(40,224)	(3,316)	(58,352)
Net carrying amount	1,460	1,982	–	3,442

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 31 December 2014				
At 1 January 2014:				
Cost	16,514	40,266	3,316	60,096
Accumulated depreciation	(13,486)	(37,410)	(3,316)	(54,212)
Net carrying amount	3,028	2,856	–	5,884
At 1 January 2014, net of accumulated depreciation	3,028	2,856	–	5,884
Additions	–	820	–	820
Depreciation provided during the year	(1,170)	(1,923)	–	(3,093)
Exchange realignment	–	8	–	8
At 31 December 2014, net of accumulated depreciation	1,858	1,761	–	3,619
At 31 December 2014:				
Cost	16,514	41,086	3,316	60,916
Accumulated depreciation	(14,656)	(39,325)	(3,316)	(57,297)
Net carrying amount	1,858	1,761	–	3,619

13. INVESTMENT PROPERTIES

	2015 *HK$'000*	2014 *HK$'000*
Carrying amount as at 1 January	397,500	430,000
Additions	–	659
Net loss from a fair value adjustment	–	(33,159)
Carrying amount at 31 December	397,500	397,500

The Group's investment properties consist of commercial office premises in Hong Kong. The directors of the Company have determined that the investment properties consist of one class of asset, that is, commercial, based on the nature, characteristics and risks of these properties. The Group's investment properties were revalued on 31 December 2015 based on valuations performed by Roma Appraisals Limited, independent professionally qualified valuers, at HK$397,500,000. Each year, the Group's chief financial officer decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief executive officer and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

At 31 December 2015, the Group's investment properties with a carrying value of HK$397,500,000 (2014: HK$397,500,000) were pledged to secure general banking facilities granted to the Group (note 28).

Details of the Group's investment properties are as follows:

Location	**Existing use**
26th Floor, Tower one, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	Office building

Fair value hierarchy

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

	Fair value measurement as at 31 December using significant unobservable inputs (Level 3)	
	2015	**2014**
	HK$'000	*HK$'000*
Recurring fair value measurement for:		
Commercial properties	397,500	397,500

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

The fair value of investment properties is determined using the market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis. Below is a summary of the significant inputs to the valuation of investment properties:

	2015	**2014**
	HK$'000	*HK$'000*
Price per square foot	HK$27,067	HK$27,067

A significant increase/decrease in the price per square foot would result in a significant increase/decrease in the fair value of the investment properties.

14. INTANGIBLE ASSETS

	2015	**2014**
	HK$'000	*HK$'000*
Cost at 1 January and at 31 December, net of accumulated amortisation	836	836
At 1 January and 31 December:		
Cost	1,619	1,619
Accumulated amortisation	(783)	(783)
Net carrying amount	836	836

Intangible assets are trading rights that have no expiry date and, in the opinion of the directors, have indefinite useful lives.

Pursuant to the restructuring of the Stock Exchange and the Hong Kong Futures Exchange Limited (the "Futures Exchange") effective on 6 March 2000, the Group received four Stock Exchange Trading Rights, five Futures Exchange Trading Rights and 10,187,500 ordinary shares of HK$1 each in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares") in exchange for its four shares previously held in the Stock Exchange and five shares previously held in the Futures Exchange.

The carrying costs of the previously held shares in the Stock Exchange and the Futures Exchange have been apportioned to the Stock Exchange Trading Rights, the Futures Exchange Trading Rights and the HKEC Shares on the basis of the respective estimated fair values on 6 March 2000.

The Stock Exchange Trading Rights and the Futures Exchange Trading Rights have been classified as intangible assets as disclosed above and have been treated according to the accounting policy as set out in note 2.4 to the financial statements.

15. OTHER ASSETS

	2015	**2014**
	HK$'000	*HK$'000*
Membership in Chinese Gold and Silver Exchange	1,280	1,280
Statutory deposits in respect of securities and commodities dealings	5,089	11,751
	6,369	13,031

Other assets are non-interest-bearing and have no fixed terms of repayment.

16. INVESTMENTS IN ASSOCIATES

	2015	**2014**
	HK$'000	*HK$'000*
Share of net assets	1,804	5,431
Provision for impairment#	(1,804)	(1,116)
	–	4,315

During the year, due to the dismal performance of an associate, an impairment testing for that associate was performed. A full impairment was recognised for investment in an associate with a carrying amount of HK$688,000 because the recoverable amount was expected to be zero. The impairment loss recognised for the year amounted to HK$688,000 (2014: Nil). In prior years, a full provision was recognised for another associate with a carrying amount of HK$1,116,000 because the recoverable amount was expected to be zero.

Particulars of the associates are as follows:

Name	Registered capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
嘉田文化發展（天津）有限公司	RMB20,000,000	PRC/ Mainland China	45	Media and entertainment
上海華威創富股權投資管理有限公司	RMB20,000,000	PRC/ Mainland China	50	Provision of fund management services

The above companies are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above associates are indirectly held by the Company and have been accounted for using the equity method in these financial statements.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015	2014
	HK$'000	*HK$'000*
Share of an associate's loss for the year	(3,627)	(2,819)
Share of an associate's total comprehensive loss	(3,627)	(2,819)
Aggregate carrying amount of the Group's investments in the associates	–	4,315

17. LOANS RECEIVABLE

The Group's loans receivable mainly arose from the margin financing and the finance lease operations during the year.

Loans receivable bear interest at rates with credit periods mutually agreed between the contracting parties. Each customer has a credit limit. The Group maintains strict control over its outstanding loans receivable, and a credit control department has been established to monitor potential credit risk. Margin loans receivable are secured by the pledge of customers' securities as collateral. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's loans receivable relate to a large number of diversified customers and there is no significant concentration of credit risk.

	2015	**2014**
	HK$'000	*HK$'000*
Loans receivable	308,758	226,254
Impairment	(23,500)	(25,316)
	285,258	200,938
Portion classified as current assets	(285,258)	(194,436)
Portion classified as non-current assets	–	6,502
Market value of collateral at 31 December	1,186,722	840,032

At the end of the reporting period, certain listed equity securities provided by clients of approximately HK$194,113,000 (2014: HK$240,019,000) were pledged as collateral to banks to secure banking facilities granted to the Group (note 28).

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Repayable:		
On demand	266,401	173,657
Within 3 months	1,481	1,390
3 months to 1 year	17,376	19,389
1 to 5 years	–	6,502
	285,258	200,938

Movements in the provision for impairment of loans receivable are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
At 1 January	25,316	29,842
Impairment losses recognised *(note 6)*	2,643	1,221
Impairment losses reversed *(note 6)*	(2,664)	(540)
Amount written off as uncollectible	–	(5,207)
Derecognition of impairment upon disposal of subsidiaries	(1,795)	–
At 31 December	23,500	25,316
Recovery of loans receivable written off in previous years *(note 6)*	(1,181)	(351)

Included in the above impairment of loans receivable is a provision for individually impaired loans receivable of HK$23,500,000 (2014: HK$25,063,000) with a carrying amount before provision of HK$25,492,000 (2014: HK$28,194,000), and the balance at the prior year end included collectively impaired loans receivable of HK$253,000 with a carrying amount before provision of HK$4,814,000. The individually impaired loans receivable relate to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group holds certain listed equity securities of clients as collateral over these individually impaired loans receivable.

The aged analysis of the loans receivable that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	283,266	193,246

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

Finance lease receivables

Included in loans receivable were receivables in respect of assets leased under finance leases as set out below:

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts receivable under finance leases:				
Within one year	17,276	19,735	16,497	18,284
In the second to fifth years, inclusive	–	5,587	–	5,155
	17,276	25,322	16,497	23,439
Less: Unearned finance income	(779)	(1,883)		
Present value of minimum lease payment receivables	16,497	23,439		

The Group has entered into finance lease arrangements with customers in respect of items of equipment. The finance leases were entered into for terms ranging from one to three years.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at fair value	30,870	26,040
Club debentures, at fair value	2,388	2,427
	33,258	28,467

During the year, the net gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$4,791,000 (2014: HK$5,600,000) (note 32).

As at 31 December 2015, the Group's listed equity investments with a carrying value of HK$30,870,000 (2014: HK$26,040,000) were pledged as security for the Group's bank borrowings, as further detailed in note 28 to the financial statements.

The above investments were designated as available-for-sale financial assets. They have no fixed maturity date or coupon rate. The fair values of these investments are based on quoted market prices.

19. DEFERRED TAX

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

Deferred tax liabilities

	Loss available for offsetting against future taxable profits *HK$'000*	Depreciation allowance in excess of related depreciation *HK$'000*	Fair value adjustments arising from transfer of owner-occupied property to investment property *HK$'000*	Total *HK$'000*
2015				
At 1 January 2015	(9,099)	14,303	23,800	29,004
Deferred tax charged to profit or loss during the year *(note 10)*	486	251	–	737
At 31 December 2015	(8,613)	14,554	23,800	29,741
2014				
At 1 January 2014	(8,984)	14,052	23,800	28,868
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	(115)	251	–	136
At 31 December 2014	(9,099)	14,303	23,800	29,004

Deferred tax assets have not been recognised in respect of the following items:

	2015 *HK$'000*	**2014** *HK$'000*
Tax losses	485,714	486,055
Deductible temporary differences	254	283
	485,968	486,338

The above tax losses of the Group included tax losses arising in Hong Kong of HK$470,877,000 (2014: HK$472,398,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$14,837,000 (2014: HK$13,657,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. These subsidiaries have recorded accumulated losses since 1 January 2008.

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 *HK$'000*	**2014** *HK$'000*
Listed equity investments in Hong Kong, at market value	201,500	148,524
Listed equity investments in China, at market value	3,460	–
	204,960	148,524

The financial assets at the end of the reporting period were classified as:

	2015 *HK$'000*	**2014** *HK$'000*
Held for trading	180,560	148,524
Designated upon initial recognition *(note)*	24,400	–
	204,960	148,524

Note:

On 10 June 2015, the board approved the establishment of the Company's Employees' Share Award Scheme (the "Share Award Scheme"). Pursuant to the rules of the Share Award Scheme, the Company has set up a trust (the "Trust") to hold the shares purchased by the Group pursuant to the terms of the Share Award Scheme before transferring to employees upon vesting.

During the year, pursuant to the Share Award Scheme, the Group purchased certain ordinary shares of South China Holdings Company Limited (previously known as South China (China) Limited), a Company listed on the Hong Kong Stock Exchange, which is also a connected party of the Company, at a total consideration of HK$11,800,000. The Group designated these shares as financial assets at fair value through profit or loss upon initial recognition as they are managed and their performance is evaluated on a fair value basis, which will be awarded to employees of the Group under the Share Award Scheme.

During the year, the Group did not grant any shares to employees under the Share Award Scheme.

As at 31 December 2015, approximately HK$140,425,000 (2014: HK$90,619,000) of listed securities were pledged to banks to secure banking facilities granted to the Group (note 28).

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$192,334,000 (2014: HK$174,887,000).

21. TRADE RECEIVABLES

	2015	**2014**
	HK$'000	*HK$'000*
Trade receivables	121,425	191,907
Impairment	(478)	(321)
	120,947	191,586

The Group's trade receivables arose from securities, forex, bullion and commodities dealings, insurance broking and the provision of corporate advisory and underwriting services during the year.

The Group allows a credit period up to the respective settlement dates of securities, forex, bullion and commodities transactions (normally two business days after the respective trade dates for Hong Kong stocks) or a credit period mutually agreed between the contracting parties. Each customer has a credit limit. The Group maintains strict control over its outstanding receivables and a credit control department has been established to monitor the potential credit risk. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's trade receivables relate to a large number of diversified customers, and there is no significant concentration of credit risk. Overdue trade receivables bear interest by reference to the prime rate.

An aged analysis of the Group's trade receivables at the end of the reporting period, based on the settlement due date and net of provisions for impairment, is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Current to 90 days	120,947	191,586

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

	2015	**2014**
	HK$'000	*HK$'000*
At 1 January	321	2,316
Impairment losses recognised *(note 6)*	285	138
Impairment losses reversed *(note 6)*	(128)	(40)
Amount written off as uncollectible	–	(2,093)
	478	321

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$478,000 (2014: HK$321,000) with a carrying amount of HK$994,000 (2014: HK$951,000). The individually impaired trade receivables relate to customers that were in default or delinquency in payments. The Group holds certain listed equity securities of clients as collateral over these individually impaired trade receivables.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	109,359	184,583
Less than 1 month past due	2,571	2,251
1 to 3 months past due	2,247	2,352
3 months to 1 year past due	6,254	1,770
	120,431	190,956

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

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

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015	2014
	HK$'000	*HK$'000*
Prepayments	14,247	11,820
Deposits	5,935	20,364
Other receivables	12,308	5,403
	32,490	37,587
Portion classified as current assets	(31,763)	(36,737)
Portion classified as non-current assets	727	850

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in other receivables as at 31 December 2015 was HK$582,000 (2014: Nil), an amount due from South China Strategic Limited, a subsidiary of South China Holdings Company Limited, a director of which is also a director of the Company. The amount is unsecured, non-interest-bearing and has no fixed terms of repayment. The maximum outstanding balance during the year was HK$1,902,000.

Included in other receivables as at 31 December 2014 was HK$808,000, an amount due from South China Media Limited, a director of which is also a director of the Company. The amount was unsecured, non-interest-bearing and had no fixed terms of repayment. The maximum outstanding balance during the year was HK$1,164,000, which has been fully settled during the year.

23. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

	Note	2015 HK$'000	2014 HK$'000
Cash and bank balances		110,721	127,175
Time deposits		39,156	1,997
		149,877	129,172
Less: Pledged time deposits:			
Pledged for a guarantee provided to Hong Kong Exchanges and Clearing Limited for securities dealings		(500)	(500)
Pledged for bank loans	28	(38,656)	(1,497)
		(39,156)	(1,997)
Cash and bank balances		110,721	127,175

At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$44,304,000 (2014: HK$48,475,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. CASH HELD ON BEHALF OF CLIENTS

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

25. CLIENT DEPOSITS

The Group's client deposits arose from securities, forex, bullion and commodities dealings during the year.

The client deposits are unsecured, bear interest at the bank deposit savings rate (2014: bank deposit savings rate) and are repayable on demand.

Included in the client deposits are deposits from directors, the directors' close family members and companies in which certain directors have beneficial interests totalling HK$5,661,000 (2014: HK$17,426,000), which are subject to similar terms offered by the Group to its major clients.

26. TRADE PAYABLES

The Group's trade payables arose from securities, forex, bullion and commodities dealings during the year.

An aged analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Current to 30 days	27,093	110,943

The trade payables are non-interest-bearing and repayable on the settlement day of the relevant trades or upon demand from customers.

27. OTHER PAYABLES AND ACCRUALS

	2015	**2014**
	HK$'000	*HK$'000*
Other payables	15,139	15,175
Accruals	3,346	4,533
	18,485	19,708

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

28. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts – secured			–	HIBOR + 2.5%	On demand	11,991
Bank overdrafts – unsecured			–	Prime rate	On demand	2,690
Bank loans – secured	HIBOR + 1.25% to HIBOR + 2.55%	On demand	224,488			–
	HIBOR + 2.5%	2016	28,830	HIBOR + 1.25% to HIBOR + 2.75%	2015	269,330
	110% of Base Rate	2016	3,451	110% of Base Rate	2015	5,653
Bank loans – unsecured			–	HIBOR + 2.5% to HIBOR + 2.6%	2015	35,000
			256,769			324,664
Non-current						
Bank loans – secured	HIBOR + 2.5%	2017-2023	175,209	HIBOR + 2.5%	2016-2023	156,537
			–	110% of Base Rate	2016	3,648
			175,209			160,185
			431,978			484,849

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	256,769	324,664
In the second year	29,361	22,472
In the third to fifth years, inclusive	88,840	59,693
Beyond five years	57,008	78,020
	431,978	484,849

Notes:

(i) HIBOR represents the Hong Kong Interbank Offered Rate.

(ii) Base Rate represents the People's Bank of China Commercial Base Lending Rate.

Notes:

(a) The Group's overdraft facilities amounted to HK$101,000,000 (2014: HK$111,000,000), none of which had been utilised at the end of the reporting period (2014: HK$14,681,000). The loans were secured by the pledge of certain of the Group's listed equity investments amounting to HK$29,553,000 (2014: HK$19,890,000).

(b) Certain of the Group's bank loans are secured by the Group's:

(i) investment properties situated in Hong Kong, which had a fair value at the end of the reporting period of approximately HK$397,500,000 (2014: HK$397,500,000) (note 13); and

(ii) time deposits amounting to HK$38,656,000 (2014: HK$1,497,000) (note 23).

In addition, listed equity investments belonging to the Group and clients totalling approximately HK$365,408,000 (2014: HK$356,678,000) were pledged to banks to secure banking facilities granted to a subsidiary of the Group at the end of the reporting period (notes 17, 18 and 20).

(c) Except for the loans with interest charged at Base Rate, which are denominated in Renminbi, all borrowings are denominated in Hong Kong dollars.

29. SHARE CAPITAL

Shares

	2015	**2014**
	HK$'000	*HK$'000*
Issued and fully paid:		
7,542,126,750 (2014: 5,028,084,500) ordinary shares	597,685	348,334

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

	Number of shares in issue	**Share capital**	**Share premium account**	**Capital redemption reserve**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	5,026,084,500	125,652	220,027	1,670	347,349
Transfer to no-par value regime *(note (a))*	–	221,697	(220,027)	(1,670)	–
Issue of shares upon exercise of share options *(note (b))*	2,000,000	985	–	–	985
At 31 December 2014 and 1 January 2015	5,028,084,500	348,334	–	–	348,334
Rights issue *(note (c))*	2,514,042,250	251,404	–	–	251,404
	7,542,126,750	599,738	–	–	599,738
Share issue expenses	–	(2,053)	–	–	(2,053)
At 31 December 2015	7,542,126,750	597,685	–	–	597,685

Notes:

(a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital.

(b) In the prior year, the subscription rights attaching to 2,000,000 share options were exercised at the subscription price of HK$0.128 per share (note 30(a)), resulting in the issue of 2,000,000 shares for a total cash consideration of HK$256,000. An amount of HK$729,000 was transferred from the share option reserve to share capital upon exercise of the share options during that year.

(c) A rights issue of one rights share for every two existing shares held by members on the register of members on 11 May 2015 was made, at an issue price of HK$0.1 per rights share, resulting in the issue of 2,514,042,250 shares for a total cash consideration, before rights share issue expenses, of HK$251,404,225.

30. SHARE OPTION SCHEMES

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was terminated on 5 June 2012. No further option will be granted under the 2002 Share Option Scheme after the termination thereof but the subsisting share options granted thereunder prior to the said termination shall continue to be valid and exercisable pursuant to the terms of the 2002 Share Option Scheme.

At the annual general meeting of the Company held on 5 June 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme") which became effective on 11 June 2012. Under the 2012 Share Option Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes operated by the Company. Details of the share option schemes are as follows:

(a) 2002 Share Option Scheme

(1) Purpose of the 2002 Share Option Scheme

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any entity in which any member of the Group holds any equity interest (the "Invested Entity"). The shareholders of the Company approved the adoption of the 2002 Share Option Scheme at the annual general meeting held on 31 May 2002.

(2) Participants of the 2002 Share Option Scheme

According to the 2002 Share Option Scheme, the board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, consultant or contractor of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder; and

(ix) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(3) Total number of shares available for issue under the 2002 Share Option Scheme

The maximum number of shares in respect of which share options may be granted under the 2002 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares issue as at the date of approval of the 2002 Share Option Scheme.

However, since the 2002 Share Option Scheme had already been terminated, no further share will be issued pursuant to the grant of further share options under the 2002 Share Option Scheme. Options lapsed in accordance with the terms of the 2002 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

(4) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2002 Share Option Scheme to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being unless otherwise approved by the shareholders of the Company, if applicable.

(5) Period within which the shares must be taken up under an option

The board may, at its absolute discretion determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The board may also impose restrictions on the exercise of a share option during the period when a share option may be exercised.

(6) Minimum period, if any, for which an option must be held before it can be exercised

There is no specific requirement under the 2002 Share Option Scheme that an option must be held for any minimum period before it can be exercised. But the terms of the 2002 Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant to any particular option.

(7) Amount payable upon acceptance of the option and the period within which payment must be made

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within five business days from the date of offer of the options.

(8) Basis of determining the exercise price of the option

The exercise price is determined by the board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(9) Remaining life of the 2002 Share Option Scheme

The 2002 Share Option Scheme was inforce for a period of 10 years commencing on 28 June 2002 and was terminated on 5 June 2012.

The following share options were outstanding under the 2002 Share Option Scheme during the prior year:

	2015		**2014**	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	**Weighted average exercise price** *HK$ per share*	**Number of options** *'000*
At 1 January	–	–	0.128	2,000
Exercised during the year	–	–	0.128	(2,000)
At 31 December		–		–

As at 31 December 2014, 1 January 2015 and 31 December 2015, the Company had no outstanding share options under 2002 Share Option Scheme.

No share option was granted during the year (2014: Nil). No share option expense was recognised (2014: Nil) during the year ended 31 December 2015.

(b) 2012 Share Option Scheme

(1) Purpose of the 2012 Share Option Scheme

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any Invested Entity, the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

(2) Participants of the 2012 Share Option Scheme

According to the 2012 Share Option Scheme, the board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representatives of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(3) Total number of shares available for issue under the 2012 Share Option Scheme

The maximum number of shares in respect of which share options may be granted under the 2012 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2012 Share Option Scheme, that is, a total of 502,833,450. Options lapsed in accordance with the terms of the 2012 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

As at 31 December 2015, the total number of ordinary shares available for issue pursuant to the grant of share options under the 2012 Share Option Scheme is 502,833,450, representing approximately 6.67% of the ordinary shares in issue as at 31 December 2015 and the date of this Annual Report.

(4) *Maximum entitlement of each participant*

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% (or such other percentage as may be permitted under the Listing Rules and all other applicable law and regulations) of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

Any grant of share option to a connected person (as defined in the Listing Rules) or his associates (as defined in the Listing Rules) must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of the option).

Where a grant of share options is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of share options, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve (12) months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of HK$5 million (or such other amount or on such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share options must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting (except where such connected person(s) intends to vote against the proposed grant of share options and his intention to do so has been stated in the circular).

(5) *Period within which the shares must be taken up under an option*

The board may at its absolute discretion determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(6) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised. But the terms of the 2012 Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant of any particular option.

(7) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the options.

(8) *Basis of determining the exercise price of the option*

The exercise price is determined by the board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(9) *Remaining life of the 2012 share option scheme*

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

The following share options were outstanding under the 2012 Share Option Scheme during the year:

	2015		**2014**	
	Weighted average exercise price per share	**Number of options**	**Weighted average exercise price per share**	**Number of options**
	HK$	*'000*	*HK$*	*'000*
At 1 January	–	–	–	–
Granted during the year	0.202	60,000	–	–
At 31 December	0.202	60,000		–

Particulars of the outstanding share options granted under the 2012 Share Option Scheme and the movements of such share options during the year are as follows:

	Number of share options								
Name or category of participant	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2015	Number of ordinary shares issuable upon the exercise of the outstanding share options *(Note a)*	Exercise price per share HK$ *(Note b)*	Date of grant of share options (DD/MM/YYYY)	Exercise period of share options (DD/MM/YYYY)
Employees	–	20,000,000	–	–	20,000,000	20,000,000	0.202	09/06/2015	09/06/2016–08/06/2018
	–	20,000,000	–	–	20,000,000	20,000,000	0.202	09/06/2015	09/06/2017–08/06/2019
	–	20,000,000	–	–	20,000,000	20,000,000	0.202	09/06/2015	09/06/2018–08/06/2020
Total	–	60,000,000	–	–	60,000,000	60,000,000			

Notes:

(a) representing 0.8% of total issued voting shares in the Company as at 31 December 2015.

(b) share price immediately preceding the grant date of share options on 9 June 2015 was HK$0.2.

During the year, the Company granted 60,000,000 share options to certain employees on 9 June 2015. The fair value of these share options granted during the year was HK$5,875,000 (2014: Nil), of which the Group recognised a share option expense of HK$1,938,000 (2014: Nil) during the year ended 31 December 2015. No share option was granted in the prior year.

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

	2015
Share price (at grant date)	HK$0.194
Exercise price	HK$0.202
Expected volatility	76.09% to 85.61%
Expected dividend yield	Nil
Contractual option life	3 to 5 years
Risk-free interest rate	0.813% to 1.286%
Early exercise multiple	2.2
Exit rate	43.216%

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

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

The values of the share options calculated using the trinomial model are subject to certain fundamental limitations due the inherent limitations of the model itself and the subjective nature of and uncertainty relating to the assumptions adopted for the inputs to the model in respect of expected future performance. Any change in the assumptions and, hence, inputs to the model may materially affect the estimation of fair value of an share option.

At the end of the reporting period, the Company had 60,000,000 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 60,000,000 additional ordinary shares in the Company and give rise to proceeds receivables of HK$12,120,000 (before issue expenses).

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 42.

32. OTHER COMPREHENSIVE INCOME FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value of available-for-sale financial assets	4,791	5,600
Exchange differences on translation of foreign operations	(3,572)	(1,638)
Other comprehensive income for the year	1,219	3,962

33. DISPOSAL OF SUBSIDIARIES

	Notes	2015	2014
		HK$'000	*HK$'000*
Net assets disposed of:			
South China Asset Management Limited ("SCA")	*(a)*	5,618	–
South China Financial Credits Limited ("SCFC")	*(b)*	20,311	–
Intercourt Investments Limited	*(c)*	–	4,553
		25,929	4,553
Satisfied by:			
Cash		25,929	4,553

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2015	2014
	HK$'000	*HK$'000*
Cash consideration	25,929	4,553
Cash and bank balances disposed of	(21,096)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	4,833	4,553

(a) On 18 May 2015, the Company entered into an agreement with Wealth Anchor Holdings Limited, a wholly-owned subsidiary of South China Assets Holdings Limited ("SCAH") (formerly known as South China Land Limited), a related company of the Company, whereby the Company disposed of its entire 100% equity interest in SCA, for a cash consideration of approximately HK$5,618,000.

The net assets of SCA disposed of:

	2015
	HK$'000
Trade receivables	93
Cash and bank balances	5,525
	5,618

(b) On 5 November 2015, the Company entered into another agreement with Prosperous Global Holdings Limited, a wholly-owned subsidiary of SCAH, a related company of the Company, whereby the Company disposed of its 98.81% equity interest in South China Financial Credits Limited ("SCFC"), for a cash consideration of HK$20,311,000.

The net assets of SCFC disposed of:

	2015
	HK$'000
Property, plant and equipment	50
Trade receivables	11,892
Other receivables, prepayments and deposits	218
Cash and bank balances	15,571
Other payables and accruals	(176)
Interest-bearing bank borrowings	(7,000)
Non-controlling interests	(244)
	20,311

(c) In the prior year, on 24 April 2014, the Company entered into a deed (the "Deed") with South China Industrial (BVI) Limited ("SC BVI"), and Intercourt Investments Limited ("Intercourt"), the then subsidiary of the Company. Pursuant to the Deed, the Company agreed to sell and SC BVI agreed to buy (i) the entire equity interest in Intercourt; and (ii) the debt of HK$4,552,704 owed by Intercourt to the Company immediately before the transaction, at an aggregate cash consideration of HK$4,552,704.

The net assets of Intercourt disposed of represented a rental deposit of HK$4,552,704 and an amount due to the Company of HK$4,552,704.

SC BVI is a related company of the Company, which is indirectly controlled by a director and his family members.

34. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts which are secured by the assets of the Group are included in note 28 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	7,882	6,643
In the second to fifth years, inclusive	397	2,833
	8,279	9,476

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years.

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

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	5,655	5,749
In the second to fifth years, inclusive	3,600	2,740
After five year	583	968
	9,838	9,457

36. COMMITMENT

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2015	**2014**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Capital contributions to a subsidiary	11,802	12,475
Capital contributions to an associate	8,261	8,733
	20,063	21,208

37. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties, directors and/or companies in which certain directors have beneficial interests, during the year:

	Notes	2015 HK$'000	2014 HK$'000
Commission and brokerage income*	*(i)*	5,200	2,584
Interest income arising from margin financing*	*(ii)*	43	52
Rental and building management fee expenses*	*(iii)*	9,311	6,090
Consultancy fee income*	*(iv)*	224	–
Advertising and promotion expenses*	*(v)*	1,186	–
Proceeds from disposal of subsidiaries received from related companies	*33*	25,929	4,553

* The related party transactions also constitute exempted connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

(i) commission and brokerage income related to the Group's securities broking business and the rate was determined by reference to commission and brokerage fees charged to third parties.

(ii) interest income related to the Group's margin financing business and the amount was calculated based on the Hong Kong dollar prime rate per annum which is similar to the rate offered to the Group's major clients.

(iii) rental and building management expenses related to the leasing of the Group's office premises was charged on a cost reimbursement basis.

(iv) consultancy fee income related to the Group's corporate advisory service was charged at terms mutually agreed between the relevant parties.

(v) advertising and promotion expenses charged by a related company were charged at terms mutually agreed between the relevant parties.

(b) Compensation of key and senior management personnel of the Group:

The executive directors are the key and senior management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

(c) Outstanding balances with related parties:

Details of the Group's balances with affiliates at the end of the reporting period are included in notes 22 and 25 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

	Financial assets at fair value through profit or loss –				
	Designated upon initial recognition	**Held for trading**	**Available-for-sale investments**	**Loans and receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other assets	–	–	–	6,369	6,369
Available-for-sale investments	–	–	33,258	–	33,258
Loans receivable	–	–	–	285,258	285,258
Trade receivables	–	–	–	120,947	120,947
Financial assets at fair value through profit or loss	24,400	180,560	–	–	204,960
Financial assets included in other receivables, prepayments and deposits *(note 22)*	–	–	–	18,243	18,243
Pledged time deposits	–	–	–	39,156	39,156
Cash held on behalf of clients	–	–	–	561,659	561,659
Cash and bank balances	–	–	–	110,721	110,721
	24,400	180,560	33,258	1,142,353	1,380,571

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Client deposits	613,391
Trade payables	27,093
Financial liabilities included in other payables and accruals	13,638
Deposits received	582
Interest-bearing bank borrowings	431,978
	1,086,682

2014

Financial assets

	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Available for-sale investments *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Other assets	–	–	13,031	13,031
Available-for-sale investments	–	28,467	–	28,467
Loans receivable	–	–	200,938	200,938
Trade receivables	–	–	191,586	191,586
Financial assets at fair value through profit or loss	148,524	–	–	148,524
Financial assets included in other receivables, prepayments and deposits *(note 22)*	–	–	25,767	25,767
Pledged time deposits	–	–	1,997	1,997
Cash held on behalf of clients	–	–	628,708	628,708
Cash and bank balances	–	–	127,175	127,175
	148,524	28,467	1,189,202	1,366,193

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Client deposits	704,414
Trade payables	110,943
Financial liabilities included in other payables and accruals	14,650
Deposits received	1,467
Interest-bearing bank borrowings	484,849
	1,316,323

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, cash held on behalf of clients, pledged time deposits, other assets, the current portion of loans receivable, trade receivables, financial assets included in other receivables, prepayments and deposits, client deposits, trade payables, financial liabilities included in other payables, accruals and deposits received and balances with subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the non-current portion of loans receivable, interest-bearing bank borrowings, deposits and subordinated loan to a subsidiary have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2015 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair value of unlisted available-for-sale investments which represented club debentures have been estimated based on market transaction prices.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:				
Equity investments	30,870	–	–	30,870
Debt investments	–	2,388	–	2,388
Financial assets at fair value through profit or loss	204,960	–	–	204,960
	235,830	2,388	–	238,218

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:				
Equity investments	26,040	–	–	26,040
Debt investments	–	2,427	–	2,427
Financial assets at fair value through profit or loss	148,524	–	–	148,524
	174,564	2,427	–	176,991

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, and cash and short term deposits, and listed equity investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with floating interest rates. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate net borrowings).

	Change in basis points	**Change in loss before tax** *HK$'000*
2015		
Hong Kong dollar	50	2,143
Renminbi	50	17
2014		
Hong Kong dollar	50	2,364
Renminbi	50	47

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The Group's concentration of credit risk is mainly in Hong Kong by geographical location. The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans and trade receivables are disclosed in notes 17 and 21 to the financial statements, respectively.

Liquidity risk

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

The Group's borrowings from banks during the year are mainly for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group usually ranges from overnight to one month, and they are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers are able to be realised in the market within a reasonable period of time.

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

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

			2015			
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Client deposits	613,391	–	–	–	–	613,391
Interest-bearing bank borrowings	224,488	9,466	28,692	130,861	59,102	452,609
Trade payables	–	27,093	–	–	–	27,093
Financial liabilities included in other payables and accruals	–	13,638	–	–	–	13,638
Deposits received	–	–	–	582	–	582
	837,879	50,197	28,692	131,443	59,102	1,107,313

			2014			
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Client deposits	704,414	–	–	–	–	704,414
Interest-bearing bank borrowings	285,681	7,315	22,026	95,882	81,994	492,898
Trade payables	–	110,943	–	–	–	110,943
Financial liabilities included in other payables and accruals	–	14,650	–	–	–	14,650
Deposits received	–	–	–	1,467	–	1,467
	990,095	132,908	22,026	97,349	81,994	1,324,372

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 20) and available-for-sale investments (note 18) at the end of the reporting period. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	Carrying amount of equity investments *HK$'000*	Change in loss before tax *HK$'000*	Change in equity* *HK$'000*
2015			
Investments listed in:			
Hong Kong – Available-for-sale	30,870	–	3,087
– Held-for-trading	177,100	17,710	–
– Designated upon initial recognition	24,400	2,440	–
Investments listed in:			
China – Held-for-trading	3,460	346	–
2014			
Investments listed in:			
Hong Kong – Available-for-sale	26,040	–	2,604
– Held-for-trading	148,524	14,852	–

* Excluding retained profits

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Company's regulated subsidiaries are in compliance with related regulations. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank, other borrowings, less cash and bank balances. Capital represents total equity. The gearing ratios at the end of the reporting periods were as follows:

	2015 *HK$'000*	**2014** *HK$'000*
Interest-bearing bank borrowings	431,978	484,849
Less: Cash and bank balances	(110,721)	(127,175)
Net debt	321,257	357,674
Capital	671,000	433,877
Capital and net debt	992,257	791,551
Gearing ratio	32.4%	45.2%

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables set out details of financial instruments subject to offsetting.

	2015					
				Related amounts not set off in the statement of financial position		
Assets	**Gross amounts of recognised financial assets** *HK$'000*	**Gross amounts of recognised financial liabilities set off in the statement of financial position** *HK$'000*	**Net amounts of financial assets presented in the statement of financial position** *HK$'000*	**Financial instruments** *HK$'000*	**Cash collateral pledged** *HK$'000*	**Net amount** *HK$'000*
Trade receivables	224,834	(103,887)	120,947	–	–	120,947
Loans receivable	312,807	(27,549)	285,258	–	–	285,258
	537,641	(131,436)	406,205	–	–	406,205

				Related amounts not set off in the statement of financial position		
Liabilities	**Gross amounts of recognised financial liabilities** *HK$'000*	**Gross amounts of recognised financial assets set off in the statement of financial position** *HK$'000*	**Net amounts of financial liabilities presented in the statement of financial position** *HK$'000*	**Financial instruments** *HK$'000*	**Cash collateral pledged** *HK$'000*	**Net amount** *HK$'000*
Trade payables	158,529	(131,436)	27,093	–	–	27,093

	2014					
				Related amounts not set off in the statement of financial position		
Assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	386,152	(194,566)	191,586	–	–	191,586
Loans receivable	208,775	(7,837)	200,938	–	–	200,938
	594,927	(202,403)	392,524	–	–	392,524

				Related amounts not set off in the statement of financial position		
Liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	313,346	(202,403)	110,943	–	–	110,943

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries		328,353	179,477
Subordinated loan to a subsidiary	*(a)*	100,000	100,000
Total non-current assets		428,353	279,477
CURRENT ASSETS			
Other receivables, prepayments and deposits		5,372	818
Cash and bank balances		254	174
Total current assets		5,626	992
CURRENT LIABILITIES			
Other payables		2,114	48
NET CURRENT ASSETS		3,512	944
TOTAL ASSETS LESS CURRENT LIABILITIES		431,865	280,421
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries		674	5,935
Net assets		431,191	274,486
EQUITY			
Share capital		597,685	348,334
Other reserves	*(b)*	(166,494)	(73,848)
Total equity		431,191	274,486

Notes:

(a) The Company's subordinated loan to a subsidiary, South China Securities Limited, is unsecured, bears interest at a rate of 2% below the Hong Kong dollar prime rate (2014: 2% below the Hong Kong dollar prime rate) per annum, and is repayable on a date as agreed between the Company and the subsidiary, subject to the overriding provision of the subordinated loan agreement that, if the subsidiary becomes insolvent or unable to meet the liquid capital requirements set out in the Hong Kong Securities and Futures (Financial Resources) Rules, the repayment of the loan will be subordinated to the prior repayment of all other creditors of the subsidiary. In the opinion of the directors, the balance is not repayable within one year.

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

	Share premium account *HK$'000*	**Capital redemption reserve** *HK$'000*	**Share option reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	220,027	1,670	729	(89,545)	132,881
Total comprehensive income for the year	–	–	–	15,697	15,697
Transition to no-par value regime	(220,027)	(1,670)	–	–	(221,697)
Issue of shares upon exercise of share options	–	–	(729)	–	(729)
At 31 December 2014 and at 1 January 2015	–	–	–	(73,848)	(73,848)
Total comprehensive loss for the year	–	–	–	(94,584)	(94,584)
Equity-settled share option arrangements	–	–	1,938	–	1,938
At 31 December 2015	–	–	1,938	(168,432)	(166,494)

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to accumulated losses should the related options are exercised, expire or lapse.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2016.

3. INDEBTEDNESS STATEMENT

Borrowing

At the close of business on 31 May 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK$563,569,000, which represented (i) bank loans of HK$262,306,000 secured by certain of the Group's time deposit, listed equity investments of the Group and its margin clients and shares to be allotted to its clients; and (ii) mortgage loans of approximately HK$301,263,000 secured by the Group's investment properties.

Out of the total bank borrowings of approximately HK$563,569,000, HK$541,395,000 of secured bank loans and mortgage loans are guaranteed by the Company.

Save as aforesaid and apart from normal accruals and payables in the ordinary course of business, the Group did not have any debt securities, issued or authorised or otherwise created but unissued, other borrowing's or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits and hire purchase commitments and other mortgages and charges as at the close of business of 31 May 2016.

Contingent liabilities

As at the close of business on 31 May 2016, the Company had contingent liabilities relating to corporate guarantees provided in respect of banking facilities granted to certain subsidiaries of the Group, of which approximately HK$541,395,000 was utilized.

No material changes

The Directors have confirmed that, save as disclosed herein, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 May 2016, up to and including the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful enquiry are of the opinion that, taking into account the available resources of the Group at present, the estimated net proceeds from the Rights Issue, the available banking facilities and the Group's internally generated funds, the Group will have sufficient working capital to satisfy its present requirements for at least 12 months following the date of this circular in the absence of unforeseeable circumstance.

5. MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In the first quarter of 2016, the Group has launched a new trading platform. In addition to the online stock trading services, the new trading platform has mobile trading features as well. Our clients can trade not only the Hong Kong stock but also the U.S. stock and the A shares listed on the Shanghai Stock Exchange under the Shanghai-Hong Kong stock connect on our new trading platform. Such upgrade in functions, features and accessibility enhances the competitiveness of our brokerage business, enables us to serve our clients better and better positions ourselves in recruiting new clients, in particular the investors who are used to trade online or by mobile devices. This would increase the utilization of our trading platform which may, in turn, bring more opportunities for us to serve our clients, existing or prospective, not only in securities trading but also in other areas in which we are specialized. To tap the business opportunities arising from the stock connect among Hong Kong, Shanghai, Shenzhen and London, we will further upgrade our trading platform in due course.

To cope with the keen competition in pricing of the securities brokerage service, we will keep on developing our margin financing business, which is a complement to our securities brokerage services, and put more effort in our money lending businesses.

To build on the existing network and client base, we have allocated more resources to our corporate finance and underwriting arm for its expansion. In view of the increase in the PRC enterprises' cross-border mergers and acquisitions and foreign investments, we are studying whether our London office can facilitate our corporate finance team's work in this respect. As mentioned in the paragraphs headed "Reasons for the Rights Issue" and "Use of Proceeds" in the letter from the board, it is our plan to participate in more placing and underwriting transactions

Given the growth in the PRC capital market and its connections, existing and proposed, with major international financial centers, including the Shanghai-Hong Kong stock connect and the proposed Shenzhen-Hong Kong stock connect and Shanghai-London stock connect, we saw the PRC market as the one with good potential in the long run. As mentioned in the paragraphs headed "Reasons for the Rights Issue" and "Use of Proceeds" in the letter from the board, subject to the opportunities which may arise and the availability of fund, it is our plan to enter the PRC market by establishing a securities firm joint venture with Independent Third Parties in PRC.

Interest rate hikes are anticipated in the U.S. while certain major central banks are expected to maintain their accomodative monetary policies. Although gradual improvement in economy was noted in the U.S., the recovery in Europe and Japan would be slow or sluggish. China is undergoing economic re-structuring and facing downward pressure in economic growth. Although it was expected that active fiscal policies will remain in force in China to promote economic growth in the foreseeable future, the market is concerned about the sustainability of the historical high growth rates of China. Given the divergences in global economies and monetary policies, it was expected that the capital market will remain volatile and the market environment will still be challenging in 2016.

To stand the challenge and strengthen our foundation in the long run, the Group will identify suitable business and investment opportunities in the volatile market with caution and continue to provide a broad range of financial services to its customers.

1. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2015.

The unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared based on the consolidated net tangible assets of the Group derived from the consolidated financial position of the Group as at 31 December 2015, as extracted from the published annual report of the Company for the year ended 31 December 2015, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue.

	Consolidated net tangible assets attributable to the shareholders of the Company as at 31 December 2015	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company immediately after completion of the Rights Issue	Consolidated net tangible assets of the Group per share as at 31 December 2015	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share immediately after completion of the Rights Issue
	Note 1	*Note 2*		*Note 3*	*Note 4*
	HK$'000	*HK$'000*	*HK$'000*		
Based on 7,542,126,750 Rights Issue at a Subscription Price of HK$0.066 per Rights Share	670,164	489,280	1,159,444	HK$0.089	HK$0.077

Notes:

1. The consolidated net tangible assets attributable to the shareholders of the Company as at 31 December 2015 is calculated based on the consolidated net assets attributable to the shareholders of the Company of approximately HK$671,000,000 as at 31 December 2015 after deducting intangible assets of approximately HK$836,000.

2. The estimated net proceeds from the Rights Issue of approximately HK$489,280,000 is calculated based on 7,542,126,750 Rights Shares assuming to be issued on the completion of the Rights Issue (based on 7,542,126,750 Shares in issue as at the Latest Practicable Date) at the Subscription Price of HK$0.066 per Rights Share and after deduction of estimated related expenses of approximately HK$8,500,000.

3. The number of Shares used for the calculation of the consolidated net tangible assets of the Company per Share as at 31 December 2015 is based on 7,542,126,750 Shares of the Company in issue as at 31 December 2015.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue is calculated based on 15,084,253,500 Shares which comprise 7,542,126,750 Shares in issue as at 31 December 2015 and 7,542,126,750 Rights Shares assumed to be issued on completion of the Rights Issue.

5. Save as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

2. REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this prospectus.

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

The Board of Directors
South China Financial Holdings Limited
28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of South China Financial Holdings Limited (the "Company") and its subsidiaries (the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 31 December 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the circular of the Company dated 14 June 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue in the proportion of one rights share for every existing one share held on the record date (the "Rights Issue") on the Group's financial position as at 31 December 2015 as if the Rights Issue had taken place as at 31 December 2015. As part of this process, information about the Group's consolidated net tangible assets has been derived by the Directors from the consolidated statement of financial position of the Group as at 31 December 2015, on which an audit report has been published.

Directors' responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 ("AG 7") *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Rights Issue, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Rights Issue in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
14 June 2016

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the property held by the Company in Hong Kong as at 31 May 2016.

Unit 3806, 38/F, China Resources Building
26 Harbour Road
Wan Chai, Hong Kong

14 June 2016

The Board of Directors
South China Financial Holdings Limited
28th Floor
Bank of China Tower
1 Garden Road
Central, Hong Kong

Dear Sir/Madam,

Re: Property Valuation of 26th Floor of Tower One, Lippo Centre, No.89 Queensway, Hong Kong

In accordance with your instruction for us to value the property held by South China Financial Holdings Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 May 2016 (the "Date of Valuation") for the purpose of incorporation in the circular of the Company dated 14 June 2016.

1. BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes.

2. VALUATION METHODOLOGY

We have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

3. TITLE INVESTIGATION

For the property in Hong Kong, we have carried out land search at the Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices easements, tenure, identification of property, particulars of occupation, floor areas, age of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the floor area of the property under consideration but we have assumed that the floor area shown on the building plans obtained from Building Department are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate is based on information contained in the building plans obtained from Building Department and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, except for applicable stamp duty (equivalent to 8.5% of the consideration), the potential gain arising from the disposal of the property in Hong Kong shall be capital in nature and not subject any taxation.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollars (HK$).

Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Dr. Alan W K Lee
BCom(Property) MFin PhD(BA)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Note: *Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 12 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.*

VALUATION CERTIFICATE

Property held by the Group for investment purpose in Hong Kong

Property	**Description and Tenure**	**Particulars of Occupancy**	**Market Value in Existing State as at 31 May 2016**
26th Floor of Tower One, Lippo Centre, No.89 Queensway, Hong Kong 1,365/102,750th equal and undivided shares of and in Inland Lot No.8615	The property comprises a whole office floor on 26th floor of a 45-storey office building over a commercial podium, completed in 1987. As per building plans obtained from Building Department, the property has a gross floor area of about 14,686.1 sq.ft. (or about 1,364.372 sq.m.). The property is held under Conditions of Sale No.UB11720 for a term of 75 years renewable for 75 years commencing on 15 February 1984. The annual government rent payable for the whole lot is HK$1,000.	As advised by the Group, Units 2601, 2602, 2603B and 2605 of the property are subject to various tenancies with the latest term expiring on 7 March 2017 with a total monthly rental of approximately HK$766,130 exclusive of management fees, Rates and utility charges. Unit 2603A of the property is vacant as at the Date of Valuation.	HK$399,700,000.

Notes:

1. The registered owner of the property is Polyluck Trading Limited vide Memorial No.UB6668439 dated 10 June 1996.

2. The property is subject to the following material encumbrances:

   a. Deed of Mutual Covenant vide Memorial No.UB3824584 dated 31 August 1988;

   b. Mortgage in favour of Nanyang Commercial Bank Limited vide Memorial No.UB8906954 dated 17 March 2003;

   c. Assignment of Rental in favour of Nanyang Commercial Bank Limited vide Memorial No.UB8906955 dated 17 March 2003; and

   d. Tenancy Agreement with Plan RE 2602 in favour of Shanghai Electric Hongkong Co. Limited with the rent of HK$178,500.00 per month vide Memorial No.15040801440024 dated 6 March 2015 (Remarks: For 2 years from 8 March 2015 with an option to renew for a further term of 2 years at the then market rental.

3. The property lies within an area zones as "Commercial" under Central District Outline Zoning Plan No.S/H4/15.

4. Our inspection was performed by Ms. Joanna T.Y. Cheung B.Sc., with over 3-year property valuation experience in June 2016.

5. As advised by the Group, Polyluck Trading Limited is effectively wholly owned by the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Underwriter and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

The directors of the Underwriter jointly and severally accept full responsibility for the accuracy of the information contained in this Circular (other than information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Circular (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Circular the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Under the Hong Kong Companies Ordinance (Cap. 622), the Company, a company incorporated in Hong Kong, does not have an authorised share capital and the Shares do not have a nominal value. The issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue (assuming no issue of new Shares other than the Rights Shares and no repurchases of Share in the period from the Latest Practicable Date to the date of completion of the Rights Issue) are as follows:

	Number of Shares
Shares in issue as at the Latest Practicable Date	7,542,126,750
Rights Shares to be issued and credit as fully paid	7,542,126,750
Shares in issue immediately upon completion of the Rights Issue	15,084,253,500

As at the Latest Practicable Date, the Company had 45,000,000 outstanding Share Options which will vest in the period from 9 June 2016 to 8 June 2020. Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 45,000,000 Shares (which entitle to 45,000,000 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the Latest Practicable Date to the Record Date.

One-third of the abovementioned outstanding Share Options (i.e. 15,000,000 Share Options will vest during the Exercisable Period. If, after the vesting of such Share Options on 9 June 2016, any of the said Share Option holders exercise any of his / her Share Options and become a Shareholder on or before the Record Date, the total number of Shares in issue on the Record Date will increase and the number of Rights Shares and, hence, the number of Underwritten Shares will increase accordingly. To facilitate the Rights Issue, such Share Option holders have given Options Irrevocable Undertakings. With such Options Irrevocable Undertakings, the Company does not have to negotiate with the Underwriter for changes in the terms and conditions of the Underwriting Agreement as a result of the potential increase in the number of Underwritten Shares due to possible exercise of Share Options. The Options Irrevocable Undertakings will cease to be binding upon completion or, where applicable, lapse of the Rights Issue. As at the Latest Practicable Date, all the abovementioned holders of Share Options are employees of subsidiaries of the Company and did not hold any Shares.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including, in particular, as to rights to dividends, voting rights and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank pari passu with each other and the then existing Shares in issue in all aspects including rights to dividends, voting and return of capital.

Subsequent to 31 December 2015, the end of the last financial year of the Company, and up to the Latest Practicable Date, the Company had not issued any Shares

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests of the Directors, the chief executives and their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or required to be recorded pursuant to section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date (%)
Mr. Ng *(Note 7)*	Interests of controlled corporations *(Note 2 & 3)*	8,710,026,917 *(Note 8)*	57.74 *(Note 1)*
	Beneficial owner *(Note 4)*	556,663,200 *(Note 8)*	3.69 *(Note 1)*
Ms. Cheung *(Note 7)*	Beneficial owner *(Note 5)*	615,015,578 *(Note 8)*	4.08 *(Note 1)*
Hon. Raymond Arthur William Sears, Q.C.	Interest of spouse *(Note 6)*	1,650,000	0.01 *(Note 1)*

Notes:

1. Based on the enlarged issued share capital immediately after the completion of the Rights Issue as if the Rights Issue was completed on the Latest Practicable Date.

2. Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited, which held 588,150,756 Shares, 1,115,592,000 Shares and 49,996,800 Shares, respectively, as at the Latest Practicable Date, are wholly-owned by Mr. Ng. As such, Mr. Ng is deemed to be interested in the above-mentioned Shares, totalling 1,753,739,556 Shares under the SFO.

3. These include (i) the 1,753,739,556 Shares referred to in note 2 above; (ii) the collective interests of Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited in 1,753,739,556 Rights Shares to be taken up by such companies pursuant to the Irrevocable Undertakings given by respective companies; and (iii) 5,202,547,805 Rights Shares underwritten by Uni-spark Investments Limited, the Underwriter.

4. These include the interests of Mr. Ng in 278,331,600 Rights Shares to be taken up be him pursuant to the Irrevocable Undertaking given by him.

5. These include the interests of Ms. Cheung in 307,507,789 Rights Shares to be taken up by her pursuant to the Irrevocable Undertaking given by her.

6. The 1,650,000 Shares are the spouse interests of Hon. Raymond Arthur William Sears, Q.C.

7. Mr. Ng is the sole beneficial owner of the Underwriter, while Ms. Cheung is one of the directors of the Underwriter. Thus, Mr. Ng and Ms. Cheung are parties acting in concert with the Underwriter.

8. The number of Shares held represents the number of Shares held by respective persons immediately after the completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any Shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the

SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, interests in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and the amount of each of such person's interests in such Shares, is as follows:

Name	**Nature of interest**	**Number of Shares held**	**Approximate percentage of issued share capital of the Company as at the Latest Practicable Date (%)**
Ms. Ng Lai King Pamela	Interest of spouse	9,266,690,117 *(Note 2)* *(Note 7)*	61.43 *(Note 1)*
Fung Shing Group Limited	Beneficial owner	1,176,301,512 *(Note 3)* *(Note 7)*	7.80 *(Note 1)*
Parkfield Holdings Limited	Beneficial owner	2,231,184,000 *(Note 4)* *(Note 7)*	14.79 *(Note 1)*
Uni-spark Investments Limited	Beneficial owner	5,202,547,805 *(Note 5)* *(Note 7)*	34.49 *(Note 1)*
Tek Lee Finance And Investment Corporation Limited	Interest of a controlled corporation	5,202,547,805 *(Note 5)* *(Note 7)*	34.49 *(Note 1)*
South China (BVI) Limited	Interest of a controlled corporation	5,202,547,805 *(Note 5)* *(Note 7)*	34.49 *(Note 1)*
Fortunate Keen Limited	Interest of a controlled corporation	5,202,547,805 *(Note 5)* *(Note 7)*	34.49 *(Note 1)*
Yeung Wing Yee	Beneficial owner	1,434,150,000 *(Note 6)*	9.51 *(Note 1)*

Notes:

1. Based on the enlarged issued share capital immediately after the completion of the Rights Issue as if the Rights Issue was completed on the Latest Practicable Date.

2. Ms. Ng Lai King Pamela is the spouse of Mr. Ng. By virtue of such spouse interests in the Shares, Ms. Ng Lai King Pamela is deemed to be interested in Mr. Ng, interests in the Shares under the SFO.

3. Fung Shing Group Limited is wholly-owned by Mr. Ng. The number of Shares held by Fung Shing Group Limited includes its interests in 588,150,756 Shares as at the Latest Practicable Date and 588,150,756 Rights Shares to be taken up by it pursuant to the Irrevocable Undertaking given by Fung Shing Group Limited.

4. Parkfield Holdings Limited is wholly-owned by Mr. Ng. The number of Shares held by Parkfield Holdings Limited includes its interests in 1,115,592,000 Shares as at the Latest Practicable Date and 1,115,592,000 Rights Shares to be taken up by it pursuant to the Irrevocable Undertaking given by Parkfield Holdings Limited.

5. Uni-spark Investments Limited, the Underwriter, is wholly-owned by Tek Lee Finance And Investment Corporation Limited, which is wholly-owned by South China (BVI) Limited. South China (BVI) Limited is wholly-owned by Fortunate Keen Limited, which is, in turn, wholly-owned by Mr. Ng. The number of Shares held in Uni-spark Investments Limited includes its interests in 5,202,547,805 Rights Shares underwritten by it.

6. Yeung Wing Yee holds 1,434,150,000 Shares, representing 19.02% of the issued capital as at the Latest Practicable Date, or 9.51% of the enlarged issued share capital after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings.

7. The number of Shares held represents the number of Shares held by respective persons immediately after the completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no other person (other than the Director or the chief executive of the Company as disclosed in the above) had or deemed or taken to have an interest or a short position in any Shares, underlying shares or debentures of the Company or its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

(a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement (i.e. 20 April 2016);

(b) was a continuous contract with a notice period of 12 months or more; or

(c) was a fixed term with more than 12 months to run irrespective of the notice period.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for the Underwriting Agreement, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

The Company and South China Assets Holdings Limited ("**SCAH**"), a company listed on The Growth Enterprise Market of the Stock Exchange, have certain common directors. The principal activities of SCAH include property investment and development, money lending and provision of investment advisory and asset management services.

Mr. Ng, Ms. Cheung and Ms. Jessica Ng, all being executive Directors of the Company, are also the executive directors of SCAH. Mr. Gorges, a former Director resigned on 12 November 2015, is an executive director of SCAH.

Mr. Ng is also the chairman of the board and the controlling shareholder of SCAH. Ms. Cheung and Mr. Gorges are the directors and substantial shareholders of a controlled corporation of Mr. Ng which currently holds 10.29% interest in SCAH directly and 9.74% indirect interest in SCAH through its wholly owned subsidiary. Mr. Ng together with his associates currently hold 64.92% interest in SCAH.

The Group undertakes a wide range of financial services businesses of sizable operation scale operation with solid client portfolio while SCAH is in the course of diversifying into the financial services businesses.

The above-mentioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCAH compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCAH, which consists of nine members to the best of the knowledge of the Directors, and the Group is capable of carrying on its businesses independently and at arm's length from the businesses of SCAH. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCAH is considered to be relatively remote.

Save as disclosed above and other than being appointed as directors to represent the interests of the Company and/or the Group, none of the Directors or their respective associates had interest in any business which compete or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Ernst & Young	Certified Public Accountants
Roma Appraisals Limited	Independent property valuer
Octal Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
South China Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Goldin Financial Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Ernst & Young, Roma Appraisals Limited and Goldin Financial Limited, Octal Capital Limited and South China Capital Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear.

Ernst & Young, Roma Appraisals Limited and Goldin Financial Limited do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Ernst & Young, Roma Appraisals Limited and Goldin Financial Limited do not have any direct or indirect interests in any assets which have been, since 31 December 2015 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. MATERIAL CONTRACTS

Save for the agreements set out below, no contract (not being contract in the ordinary course of business), which is or may be material, has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

(a) the Underwriting Agreement.

(b) the sale and purchase agreement dated 18 May 2015 entered into between the Company and Wealth Anchor Holdings Limited, a wholly-owned subsidiary of South China Assets Holdings Limited (formerly known as South China Land Limited, a company of which Mr. Ng being the controlling shareholder) in respect of the disposal of the entire interest in South China Asset Management Limited, a company engaged in provision of asset management and investment advisory services, at cash consideration at net asset value of South China Asset Management Limited as at 30 April 2015 of HK$5.6 million according to the management accounts thereof (subject to adjustment to align such consideration amount to the net asset value provided in the completion accounts).

(c) the sale and purchase agreement dated 5 November 2015 entered into among the Company, Mr. Ng Yuk Fung, Peter (a son of Mr. Ng), Mr. Ng Yuk Yueng, Paul (a son of Mr. Ng and a then executive Director) and Prosperous Global Holdings Limited, a wholly-owned subsidiary of South China Assets Holdings Limited (formerly known as South China Land Limited, a company of which Mr. Ng being the controlling shareholder) in respect of the disposal of the entire interest in South China Financial Credits Limited, a company engaged in money lending business, at cash consideration at net asset value of South China Financial Credits Limited as at 15 October 2015 of HK$20.8 million according to the management accounts thereof (subject to adjustment to align such consideration amount to the net asset value provided in the completion accounts should the difference between the net asset value as at 15 October 2015 and the net asset value per the completion account exceeds HK$100,000).

10. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges payable by the Company are estimated to be approximately HK$8.5 million.

11. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong

Head office, principal place of business in Hong Kong and office address of all Directors and the authorised representative of the Company	28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
Authorised representative	Ms. Cheung Choi Ngor 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
Share registrar and transfer office	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong
Auditors and Reporting accountants	Ernst & Young *Certified public accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Principal Bankers	Standard Chartered Bank (Hong Kong) Limited Bank of Communications Co., Limited Chong Hing Bank Limited Bank of China (Hong Kong) Limited Nanyang Commercial Bank, Limited Hang Seng Bank Limited The Bank of East Asia, Limited Dah Sing Bank, Limited Industrial and Commercial Bank of China (Asia) Limited Wing Hang Bank Limited China Construction Bank (Asia) Limited DBS Bank (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited China CITIC Bank International Limited Public Bank (Hong Kong) Limited Fubon Bank (Hong Kong) Limited Chiyu Banking Corporation Ltd. CIMB Bank Berhad Shanghai Pudong Development Bank Co., Limited
Stock code	00619

Website	http://www.sctrade.com
Underwriter and parties acting in concert with it	Uni-spark Investments Limited 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
	Ng Hung Sang 12A Belleview Garden 5 Belleview Drive Repulse Bay Hong Kong
	Cheung Choi Ngor Unit C, Casa Pino 154 Waterloo Road Kowloon Tong, Kowloon Hong Kong
	Richard Howard Gorges 7th Floor, A2, Wisdom Court 5 Hatton Road Hong Kong
	Ng Yuk Yeung Paul 8th Floor, Repulse Bay Garden 28 Belleview Drive Repulse Bay Hong Kong
	Fung Shing Group Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands
	Parkfield Holdings Limited P.O. Box 71 Craigmuir Chambers Road Town, Tortola British Virgin Islands
	Ronastar Investments Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands

Joint financial advisers to the Company	Octal Capital Limited 801-805, 8th Floor, Nan Fung Tower 88 Connaught Road Central Hong Kong
	South China Capital Limited 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
Legal adviser to the Company as to Hong Kong laws	Chiu & Partners 40/F, Jardine House 1 Connaught Place Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Goldin Financial Limited 2202-2209, 22/F, Two International Finance Centre 8 Finance Street, Central Hong Kong

12. MISCELLANEOUS

(a) The registered office of the Company is situated at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

(b) The share registrar of the Company is Union Registrars Limited which is situated at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(c) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

(d) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Underwriter (and parties acting in concert with it) and any other person whereby the Shares to be acquired under the Rights Issue will be transferred, charged or pledged to any other persons.

13. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each calendar month during the period commencing six months preceding the date of Announcement, being 20 April 2016, and ending on the Latest Practicable Date, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	Closing price per Share *HK$*
30 October 2015	0.090
30 November 2015	0.083
31 December 2015	0.085
29 January 2016	0.060
29 February 2016	0.084
31 March 2016	0.106
19 April 2016 (the Last Trading Day)	0.158
29 April 2016	0.182
31 May 2016	0.135
10 June 2016 (the Latest Practicable Date)	0.128

The lowest and highest closing prices per Share recorded on the Stock Exchange in the period commencing on 20 October 2015 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$0.057 on 1 February 2016 and 12 February 2016 and HK$0.218 on 4 May 2016 respectively.

14. PARTICULAR OF THE DIRECTORS AND CHIEF EXECUTIVE OFFICER

Executive Directors

Mr. Ng Hung Sang, aged 66, is an executive Director, the chairman and a member of the executive committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the chairman of each of South China Holdings Company Limited ("**SCHC**"), which ordinary shares are listed on the Main Board of the Stock Exchange and South China Assets Holdings Limited ("**SCAH**"), which ordinary shares are listed on the Growth Enterprise Market of the Stock Exchange. He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director on 7 December 1988. He is the father of Ms. Jessica Ng, an executive Director and the executive vice chairman of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 62, is an executive Director, the vice chairman and a member of the executive committee of the Company. She is also an executive director, a vice chairman and the chief executive officer of SCHC, which ordinary shares are listed on the Main Board of the Stock Exchange, and an executive director of SCAH, which ordinary shares are listed on the Growth Enterprise Market of the Stock Exchange. Ms. Cheung also holds several directorships in certain subsidiaries of the Group. She holds a Master degree in business administration from University of Illinois in the United States of America. Ms. Cheung is a member of the National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director on 7 December 1988.

Ms. Ng Yuk Mui Jessica, aged 37, is an executive Director, the executive vice chairman and a member of the executive committee of the Company. Ms. Ng is also a non-executive director of SCHC, which ordinary shares are listed on the Main Board of the Stock Exchange, and an executive director and the executive vice chairman of SCAH, which ordinary shares are listed on the Growth Enterprise Market of the Stock Exchange. She is the executive vice chairman of South China Media Limited. Ms. Jessica Ng holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director on 12 November 2015. Ms. Jessica Ng is the daughter of Mr. Ng, an executive Director, the Chairman and a substantial shareholder of the Company.

Independent non-executive Directors

Hon. Raymond Arthur William Sears, Q.C., aged 83, is an independent non-executive Director, a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. He is a retired High Court Judge and holds a Master's degree in Law from Cambridge University in the United Kingdom. Mr. Sears became a Queen's Counsel in 1975 and was a former vice-chairman of the Judicial Section of the International Bar Association. In the United Kingdom, he had been a leading Counsel in England to the Government and large Authorities on redevelopment and construction projects and to the General Medical Council. In 1986 and 1987, Mr. Sears was a Justice of the Supreme Court of Hong Kong and the Commissioner to the Sultan of Brunei, respectively. From 1994 to 1999, he was a Senior Civil High Court Judge. Mr. Sears was appointed as a Director on 24 March 2000.

Mrs. Tse Wong Siu Yin Elizabeth, aged 58, is an independent non-executive Director, a member of the Audit Committee and the chairman of the Remuneration and Nomination Committee of the Company. She is also an independent non-executive director of SCHC, which ordinary shares are listed on the Main Board of the Stock Exchange. Mrs. Tse is also the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and a member of Small and Medium Enterprises Committee. Mrs. Tse received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree of Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as a Director on 25 November 1992.

Mr. Tung Woon Cheung Eric, aged 45, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is the assistant president and general manager of the finance department of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange; an executive director, the chief financial officer and company secretary of Beijing Enterprises Water Group Limited, a company listed on the Main Board of the Stock Exchange; an independent non-executive director of GR Properties Limited, a company listed on the Main Board of the Stock Exchange; the company secretary of Biosino Bio-technology and Science Incorporation, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Tung graduated from York University, Toronto, Canada with a bachelor honours degree in administrative studies. He is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a U.S. Certified Public Accountant of The American Institute of Certified Public Accountants. Mr. Tung was appointed as a Director on 21 September 2004.

Chief Executive Officer

Dr. Wang Wei Hsin, aged 50, was appointed as the chief executive officer of the Company on 3 May 2016. Prior to joining the Company, he served as a chairman and chief executive officer of SinoPac Securities (Asia) Limited and was responsible for the business development and operations in Asia since 2009. Prior to that, he was chief investment officer for Japan CDW Group and chief financial officer of its Taiwan subsidiary, as well as having played significant roles in Yes-Asia.com and China Development Industrial Bank. Dr. Wang possesses a PhD in Management Science (Financial Engineering) from Imperial College London and was the fellow of Royal Society of Statistics during 1999 to 2000.

15. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

(a) save as disclosed in the paragraphs headed "Shareholding Structure of the Company" in the section headed "Letter from the Board", none of the Underwriter nor any parties acting in concert with it held, owned or controlled any other Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company. In addition, save as disclosed in the paragraphs headed "Takeovers Code Implications and Application for Whitewash Waiver" in the section headed "Letter from the Board", none of the Underwriter nor any parties acting in concert with it had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date;

(b) save as disclosed in the paragraphs headed "Takeovers Code Implications and Application for Whitewash Waiver" in the section headed "Letter from the Board" and the paragraphs headed "Disclosure of Interests" in this appendix, none of the Directors or the directors of the Underwriter was interested in any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, save as disclosed in the paragraph headed "Takeovers Code Implications and Application for Whitewash Waiver" in the section headed "Letter from the Board", none of the directors of the Underwriter had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date;

(c) no person (including the Directors, save for Mr. Ng and Ms. Cheung) had irrevocably committed themselves to vote for or against the resolution(s) to be proposed at the EGM to approve the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, or to accept or reject the Rights Issue save and except that: (i) Mr. Ng and Ms. Cheung will abstain from voting with regards to these resolutions; and (ii) Mr. Ng, together with his associates, and Ms. Cheung have given Irrevocable Undertakings to subscribe their entitlements as Shareholders;

(d) As at Latest Practicable Date, Mr. Ng and Ms. Cheung, each being a Director, who beneficially owned 2,032,071,156 Shares in aggregate [(Note)] and 307,507,789 Shares respectively, (i) they both shall abstain from voting in respect of the aforesaid shareholding interests in the Company with regards to the resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver at EGM; and (ii) have indicated that they will subscribe for the Rights Shares in full as Shareholders as they have given the Irrevocable Undertakings. As at the Latest Practicable Date, Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 1,650,000 Shares by virtue of his spouse's interest in such Shares, whereby it is intended that he will only accept his deemed entitlement of 800,000 Rights Shares in respect of the Rights Issue. Other than these three Directors, no other Directors hold, own, direct any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date, the other Directors had no intention to accept the Rights Issue;

Note: 2,032,071,156 Shares in aggregate owned by Mr. Ng consisted of (i) 588,150,756 Shares owned by Fung Shing Group Limited (a company wholly-owned by Mr. Ng); (ii) 1,115,592,000 Shares owned by Parkfield Holdings Limited (a company wholly-owned by Mr. Ng); (iii) 49,996,800 Shares owned by Ronastar Investments Limited (a company wholly-owned by Mr. Ng); and (iv) 278,331,600 Shares owned by Mr. Ng.

(e) the Underwriter and parties acting in concert with it did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(f) none of the Company nor the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights, which are convertible or exchangeable into Shares, from or to any person;

(g) save as disclosed in the paragraph headed "Disclosure of Interests" in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date;

(h) save for Mr. Ng, the sole beneficial owner of the Underwriter, none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of the Underwriter or similar rights which are convertible or exchangeable into shares of the Underwriter. None of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Underwriter during the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date;

(i) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date and none of them had dealt for value in any securities of the Company during the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date;

(j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code and none of them had dealt for value in any securities of the Company during the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date. In addition, save for the Underwriting Agreement, there is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Rights Issue and the Whitewash Waiver or otherwise connected therewith;

(k) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund manager (other than exempt fund manager) connected with the Company and none of them had dealt for value in any securities of the Company during the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date;

(l) none of the Underwriter and parties acting in concert with it had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares;

(m) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Underwriting Agreement, the Rights Issue and the Whitewash Waiver;

(n) save for the Underwriting Agreement and the undertaking given by each of Mr. Ng, together with his associates, and Ms. Cheung to subscribe for its/his/her entitlement as Shareholder under the Rights Issue, there was no agreement, arrangement or understanding (including any compensation arrangement) (i) between the Underwriter or any party acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Underwriting Agreement, the Rights Issue and the Whitewash Waiver; and (ii) between any Directors and any other persons having any connection with or dependence upon the Underwriting Agreement, the Rights Issue and the Whitewash Waiver;

(o) save for those set out in the paragraphs headed "Conditions of the Rights Issue" in the section headed "Letter from the Board", there was no agreement or arrangement to which the Underwriter or any party acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Underwriting Agreement, the Whitewash Waiver and the Rights Issue; and

(p) save and except the Underwriting Agreement ((i) Mr. Ng is an executive Director and the sole beneficial owner of the Underwriter; (ii) Ms. Cheung is an executive Director and a director of the Underwriter; and (iii) Mr. Gorges is a director of the Underwriter.) there was no material contract entered into by the Underwriter or any party acting in concert with it in which any Director has a material personal interest.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the office of the Company at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekday, except public holidays, and (ii) on the websites of the Company (www.sctrade.com) and (iii) the SFC (www.sfc.hk) during the period from the date of this circular up to and including the date of the EGM.

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Underwriter;

(c) the annual reports of the Company for the two years ended 31 December 2015;

(d) the material contracts (including the Underwriting Agreement) as referred to in the section headed "Material Contracts" in this appendix;

(e) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(f) the accountant's report on the unaudited pro forma financial information of the Group issued by Ernst & Young, the text of which is set out in Appendix II to this circular;

(g) the letter from the Board, the text of which is set out from pages 10 to 36 of this circular;

(h) the letter from the Independent Board Committee, the text of which is set out on pages 37 to 38 of this circular;

(i) the letter from the IFA, the text of which is set out on pages 39 to 61 of this circular;

(j) the valuation certificates and the property valuation report issued by Roma Appraisals Limited dated 14 June 2016, the text of which is set out on pages III-1 to III-5 of this circular;

(k) the Irrevocable Undertakings;

(l) the Options Irrevocable Undertakings; and

(m) this circular.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00619)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of South China Financial Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Thursday, 30 June 2016 at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong to consider and, if thought fit, pass with or without modifications, the following resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular (the "**Circular**") of the Company dated 14 June 2016):

ORDINARY RESOLUTIONS

1. "**THAT** subject to the satisfaction of the conditions of the Rights Issue (as defined below) as set out on page 24 of the Circular dated 14 June 2016:

    (a) the proposed issue by way of rights issue of 7,542,126,750 ordinary shares (the "**Rights Shares**"[#]) at the Subscription Price of HK$0.066 per Rights Share to the Qualifying Shareholders whose names appear on the date by reference to which entitlement under the Rights Issue will be determined (other than the Non-Qualifying Shareholders with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of one Rights Share for every existing Share of the Company then held on the Record Date at the Subscription Price of HK$0.066 per Rights Share and substantially on the terms and conditions of the Rights Issue set out in the Circular be and is hereby approved;

    (b) the Directors be and are hereby authorized to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong;

[#] as defined in the circular of the Company dated 14 June 2016

(c) the Underwriting Agreement and the transactions contemplated thereunder be and are hereby approved and confirmed; and

(d) any one or more Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary, desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transaction contemplated thereunder."

2. "**THAT** the terms of the application for a waiver (the "**Whitewash Waiver**") granted or to be granted by the Executive of the Corporate Finance Division of the Securities and Futures Commission to the Underwriter and parties acting in concert with it (the "**Concert Group**") pursuant to Note 1 on the Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers from an obligation to make a general mandatory offer for all the issued shares of the Company (other than those owned or agreed to be acquired by the Concert Group) as a result of the subscription of the Rights Shares pursuant to the Underwriting Agreement be and are hereby approved and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver."

By the order of the Board
South China Financial Holdings Limited
Ms. Ng Yuk Mui Jessica
Executive Director

Hong Kong, 14 June 2016

Registered office:
28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

Notes:

1. A member of the Company ("**Shareholder**") entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

2. In order to be valid, the form of proxy must be deposited with Union Registrars Limited, the share registrar of the Company, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

3. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the EGM personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

5. Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if the Shareholder so desires and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Ms. Ng Yuk Mui Jessica as executive Directors; and (2) Hon. Raymond Arthur William Sears, Q.C., Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric as independent non-executive Directors .