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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor (*Vice Chairman*)
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)
Dr. Wang Wei Hsin (*Chief Executive Officer*)

Independent Non-executive Directors

Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

AUDIT COMMITTEE

Mr. Tung Woon Cheung Eric
(*Chairman of the Committee*)
Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth

REMUNERATION & NOMINATION COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth
(*Chairman of the Committee*)
Hon. Raymond Arthur William Sears, Q.C.
Mr. Tung Woon Cheung Eric

REGISTERED OFFICE

28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants

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
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Fubon Bank (Hong Kong) Limited
Chiyu Banking Corporation Ltd.
CIMB Bank Berhad

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

STOCK CODE

00619

WEBSITE

http://www.sctrade.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Financial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

FINANCIAL SUMMARY

The Group recorded revenue of HK$121.4 million and loss after tax of HK$56.7 million for the year ended 31 December 2016, representing a decrease of 18.2% and an increase of 280.5% respectively, from the corresponding amounts reported in 2015.

2016 was a challenging yet transformational year for the Group. In tandem with a series of major global events during the year, including the decision of the United Kingdom to leave the European Union ("Brexit") and Donald Trump's unexpected victory of the US presidential election, global markets exhibited high volatility and the performance of global financial markets was mixed. The Hong Kong economy and financial market were inevitably affected by global volatility and further suppressed by the increasing concerns over China's slowdown in economy that triggered fierce capital outflows and fast-paced devaluation of Chinese yuan during the year.

The Group's brokerage business suffered from the slumbering stock market turnover, with the total value of the local market turnover for 2016 decreasing by 37% as compared to 2015, resulting in a significant decrease in revenue and an increase in loss for the year. The Group also reported a substantial loss on trading and investment under the volatile investment environment.

The Group focused on building and expanding its corporate advisory services, and saw this segment's performance turn around, despite that the market's overall IPO activities had slowed down with both the total number of new listings and the value of funds raised declining 36.6% and 26.0% respectively, from a year earlier. The Group also focused on strengthening its other business units, in diversifying its service focus from traditional brokerage service, to reestablishing its asset management business, growing its lending business as well as broadening its clientele base.

DIVIDEND

No interim dividend was paid (2015: Nil). The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

BUSINESS REVIEW

Broking, trading and investment

Revenue from the brokering segment decreased from HK$69.4 million for the year ended 31 December 2015 to HK$30.3 million for the year ended 31 December 2016, representing a decline of 56.3%. Operating loss for the brokering business amounted to HK$65.1 million for the year ended 31 December 2016 as compared with HK$19.4 million for the same corresponding period in 2015.

Securities portfolio as of 31 December 2016 increased to HK$414.3 million as compared with HK$205.0 million as of 31 December 2015. The Group's shareholding interest in each of the securities represented not more than 5% of the issued share capital of the relevant listed companies.

The table below sets out a breakdown of financial assets at fair value through profit or loss as at 31 December 2016:

Stock code	Name of security	Carrying value as at 31 December 2016	Percentage of shareholding interest	Fair value gain/(loss) during the year
		HK$'000		HK$'000
670	China Eastern Airlines Corporation Limited	87,568	0.170	(18,949)
992	Lenovo Group Limited	85,305	0.163	(15,323)
1033	Sinopec Oilfield Service Corporation	52,065	0.244	(4,854)
1618	Metallurgical Corporation of China Limited	47,339	0.082	10,377
1171	Yanzhou Coal Mining Company Limited	23,128	0.089	4,448
Others		118,941		(42,366)
Total		**414,346**		**(66,667)**

In light of the volatile market conditions in 2016, in particular the last quarter, the Group recorded a loss of HK$43.1 million for the year ended 31 December 2016 under the trading and investment segment as compared with the gain of HK$4.2 million recorded for the corresponding period in 2015. The Board considers the performance of the Group's trading investment portfolio may remain susceptible to external market conditions. The Group will continue to closely monitor the performance of its investment portfolio and maintain a strategy of diversification to reduce effects of price fluctuation of any single security from time to time.

Margin financing and money lending

Our margin loan and advance portfolio for margin financing and finance lease increased by 13.2% to HK$323.1 million as at 31 December 2016 as compared with HK$285.3 million as at 31 December 2015. Revenue from the margin financing and money lending segment was HK$22.1 million for the year ended 31 December 2016 as compared with HK$25.3 million for the corresponding period in 2015. Operating profit for this segment increased by 33.1% to HK$17.7 million for the year ended 31 December 2016 as compared with HK$13.3 million for the year ended 31 December 2015. The Group will continue to expand and diversify its lending portfolio.

In response to the Hong Kong Monetary Authority's tightened regulation of mortgage loan business by non-bank financial institutions, the Group shifted its money lending business from property-related lending to personal lending. The Group resumed its personal lending business starting from December of 2016. The loan portfolio of money lending as of 31 December 2016 was HK$1.9 million (2015: Nil) and recorded revenue therefrom of HK$0.1 million in 2016.

Corporate advisory and underwriting

In comparison to 2015, the Hong Kong IPO market slowed down in the first half of 2016. The fundraising size tumbled 56.6% in the first 6 months to June 2016 with the number of new listings falling from 51 to 40 over the same period last year. Hong Kong IPO activities saw revival and regained momentum in the second half of 2016, with a total of 126 new listings and IPO fundraising reaching approximately HK$196 billion, making Hong Kong the global leader in the latter for the second consecutive year in 2016 according to the Hong Kong Stock Exchange's news release.

The Group's investment banking team reestablished its foothold in the market in 2016 after efforts to bolster the Group's investment banking service platform in the second half of 2015. During the year, we completed one Main Board IPO case in which we acted as sole sponsor, sole global coordinator, sole underwriter and sole bookrunner. We also completed a number of structured financing transactions and participated in several primary and secondary market placings, and continued to extend our footprint in the corporate advisory sector.

Revenue from our corporate advisory and underwriting business increased by 232.8% from HK$6.4 million for the year ended 31 December 2015 to HK$21.3 million for the year ended 31 December 2016. Profit for the segment for the year ended 31 December 2016 was HK$7.7 million, compared to an operating loss of approximately HK$72,000 for the year ended 31 December 2015.

Asset and wealth management

With an overall corporate strategy to develop the Group into a full-fledged financial services institution, the Group resolved to apply for a type 9 license from the Securities and Futures Commission to carry on the regulated activity in asset management during the year. With the approval of the license, the Group restarted its asset management business in November, with initial focus on product development for the Group.

The Group is committed to providing a full range of financial planning and wealth management services for customers. Products include mutual funds, unit trusts, MPF, a variety of insurance products and investment-linked products. The Group's wealth management arm, South China Wealth Management Limited is a member of the Professional Insurance Brokers Association and registered with the Mandatory Provident Fund Schemes Authority.

Revenue from the asset and wealth management segment was HK$1.0 million for the year ended 31 December 2016 as compared with HK$1.5 million for the corresponding period in 2015. Operating loss decreased from HK$6.2 million for the year ended 31 December 2015 to HK$4.1 million for the year ended 31 December 2016.

Property investment

As of 31 December 2016, approximately 80% of the total gross floor areas under the investment properties were rented out to third parties. Rental income decreased by 9.6% to HK$9.4 million in 2016 as opposed to the corresponding period in 2015.

There was a fair value gain of HK$42.5 million on the investment properties recorded for the year ended 31 December 2016 whereas neither revaluation gain nor loss was booked in 2015. Operating profit of HK$50.5 million was recorded in 2016, an improvement of HK$41.2 million from the operating profit recorded in 2015.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2016, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

Fund raising

On 20 April 2016, the Company announced for a proposed rights issue of 7,542,126,750 rights shares to the qualifying shareholders on the basis of one rights share for every one share of the Company held on the record date at a subscription price of HK$0.066 per rights share (the "Rights Issue"). The Rights Issue was completed on 11 August 2016 and raised gross proceeds of approximately HK$497.8 million before expenses. For details of the Rights Issue, please refer to the Company's prospectus dated 20 July 2016 (the "Prospectus").

The estimated net proceeds of the Rights Issue presented in the Prospectus was approximately HK$489.3 million and the intended use of the net proceeds from the Rights Issue together with the part of the net proceeds amounting to HK$249.4 million raised from the rights issue completed in June 2015 intended to be applied for the money lending business, which remained unutilized, of approximately HK$80 million, totaling approximately HK$569.3 million, is set out below:

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

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

- approximately HK$20 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 capital of the Group.

The actual amount of net proceeds from the Rights Issue was HK$489.0 million as opposed to the estimated HK$489.3 million owing to higher costs incidental to the Rights Issue incurred. The total net proceeds, comprising the approximately HK$80 million unutilized proceeds from the rights issue completed in June 2015 and the net proceeds from the Rights Issue, was approximately HK$569.0 million. For details of the HK$80 million un-utilized proceeds from the rights issue completed in June 2015, please refer to "Funds Raising Activities Involving Issue of Securities in the Past 12 Months" under the Letter from the Board of the Prospectus.

Change in use of proceeds

As at 28 February 2017, the unutilized proceeds amounted to HK$391.2 million, of which approximately HK$280 million and HK$87.2 million, were intended to be used to set up a securities joint-venture in mainland China, and for use towards the lending business. Subsequent to the completion of the Rights Issue, the Group identified parties for the purpose of establishing a securities joint venture in mainland China, but such initial negotiations did not come to fruition. The Company is of the view that the process is unlikely to complete in the offing, and shall continue to actively seek appropriate partners. In order to further the Company's overall business strategy in strengthening all business units of its financial services, as well as developing new business units, the Company has reconsidered the optimal allocation and use of proceeds, and has revised the allocation as follows:

Uses	**Original allocation of estimated net proceeds disclosed in the Prospectus** HK$ million (Approximately)	**Revised allocation of actual net proceeds** HK$ million (Approximately)	**Utilized amount of revised allocation as at 28 February 2017** HK$ million (Approximately)	**Unutilized amount of revised allocation as at 28 February 2017** HK$ million (Approximately)
Securities Joint Venture	280.0	280.0	–	280.0
Lending business	263.0	103.0	15.8	87.2
Placing and underwriting business	20.0	20.0	20.0	–
Brokerage business and working capital (*Note 1*)	6.3	82.0	82.0	–
Asset management related business (*Note 2*)	–	34.0	10.0	24.0
Bullion business (*Note 3*)	–	25.0	25.0	–
Acquisition of financial magazines publications companies and development of FPR related business (*Note 4*)	–	25.0	25.0	–
Total	569.3	569.0	177.8	391.2

Notes:

1. mainly utilized in the Group's general operating expenses, including staff remuneration costs, as well as repayment of part of mortgage loans due.

2. mainly utilized in meeting the capital requirement relating to asset management business as well as towards seed capital in fund products developed by the Company and the costs incidental to setting up of fund products.

3. mainly utilized in meeting capital requirements under the bullion business.

4. mainly utilized on the acquisition of financial magazines and establishing the operation and recruitment of professionals specializing in financial public relations.

Consistent with the long term goal of supporting the sustainable and healthy development of the Company's principal operating activities, the Company intends to apply the following capital management and interim deployment strategies in respect of the abovementioned approximately HK$391.2 million of the proceeds, pending the identification and conclusion of a securities joint venture and subject to the progress in growing the lending business and launch of the fund products under asset management business:

1. used as standby capital to support the securities brokerage business, the securities financing business and lending business when needed; and

2. for better effectiveness and returns in respect of the Company's capital management, and to improve cash flow management, the Company shall adopt a treasury management model that may involve (but shall not be limited to) repayment of revolving bank loans, holding fixed income instruments, high grade equity instruments and other financial investments.

Other than as stated above, the original proposed application of the funds remains unchanged, and the Company shall continue to deploy resources to build and strengthen its capabilities to deliver full-fledged financial and media related services.

The Company considers the above adjustment in the use of the net proceeds is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

EVENT AFTER THE REPORTING PERIOD

Reference was made to the Company's announcements dated 3 and 24 November 2016 and 13 December 2016 in relation to acquisition of the entire issued share capital of Golden Ways Limited and Media Bonus Limited (the "Acquisition"). The Acquisition was completed on 18 January 2017 (the "Completion Date") and Golden Ways Limited and Media Bonus Limited and its subsidiaries (collectively, the "Target Companies Group") became the wholly-owned subsidiaries of the Company upon the completion. For details of the Acquisition, please refer to the Company's announcements dated 3 and 24 November 2016 and 13 December 2016 and the circular dated 29 December 2016 (the "Circular").

The consideration of the Acquisition was HK$20 million (the "Consideration"), subject to the adjustment set out in the sub-paragraph headed "3. Consideration and adjustment to the Consideration" under the paragraph headed "II. The Agreement" under the Letter from the Board of the Circular. As the aggregate of the net assets of the Target Companies Group immediately before completion as at the Completion Date amounted to HK$2.3 million, the Group was liable to pay the vendors of the Target Companies Group HK$2.3 million being the amount of adjustment to the Consideration, on a dollar-for-dollar basis. Both the Consideration and the amount of adjustment to the Consideration were settled in cash by bank remittance in accordance with the payment terms stipulated in the Circular.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term bank credit facilities which were reviewed on a yearly basis and a long term mortgage loan. The facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The outstanding credit facilities were guaranteed by the Company.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, other borrowings, less cash and bank balances. Capital represents total equity. As at 31 December 2016, net debt amounted to HK$209.3 million (31 December 2015: HK$321.3 million), which, when related to the Group's capital and net debt of HK$1,303.7 million (31 December 2015: HK$992.3 million), represented a gearing ratio of approximately 16.1% (31 December 2015: 32.4%).

The Group had a cash balance of HK$355.4 million at the end of the year (31 December 2015: HK$110.7 million). The Group had sufficient working capital to meet its operational needs.

CHARGES ON ASSETS

As at 31 December 2016, the Group's investment properties and listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no material contingent liabilities.

INVESTMENTS

For the year ended 31 December 2016, the Group's portfolio of Hong Kong listed securities increased mainly due to net addition offset by the revaluation loss during the year.

EMPLOYEES

As at 31 December 2016, the total number of employees of the Group was 184 (31 December 2015: 130). Employee's cost (including directors' emoluments) amounted to approximately HK$76.1 million for the year (2015: approximately HK$59.9 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized external training are offered to employees. Continuous professional training will continue to be arranged for those staff who are registered with the Securities and Futures Commission. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Selected employees may also be granted share option and share award under the share option scheme and share award scheme adopted by the Company.

ENVIRONMENTAL POLICIES

We are committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also promote the services of e-statement to our clients which helps to reduce on paper usage. Details of the discussion and performance of the environmental policies are set out in our Environmental, Social and Governance Report which will be posted on the Company's website at www.sctrade.com on and before 28 July 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group continues to be an attractive employer for recognizing and reward the contribution of the employees to the growth and development of the Group through various incentive means.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Suppliers

We firmly believe that our suppliers are equally important in building high-quality businesses. We proactively communicate with our suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its business, financial condition, operations and prospects based on its risk management and internal control systems and considered that the major risks and uncertainties that may affect the Group include (i) the Hong Kong economic conditions and a series of major global events such as Brexit vote, the US presidential election and high volatility of global markets which may directly affect the performance of the Group; (ii) a slowdown in China's economy that triggered fierce capital outflow and fast-paced devaluation of Chinese Yuan during the year; (iii) fluctuations of fair value gain or loss incurred on financial assets, foreign exchange and investment properties; (iv) changes in market interest rates may expose the Group to high interest expense on its net debt obligations carrying floating interest rates; and (v) credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy. In response to the above mentioned possible risks, the Group has a series of risk mitigation controls and risk management policies to cope with the possible risks and has serious scrutiny over the selection of quality customers. The Group has formed various committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly.

PROSPECTS

2016 was not just a year full of challenges, but also a year of transformational changes for the Group. We have expanded new business teams to further develop our market and business horizons, broadening the scope of services and businesses, with intent to reshape ourselves as an even more competitive financial institution in the market. To this end, the Group has resurrected asset management as well as money lending businesses in 2016 and expects these two business lines to bring to us satisfactory and sustainable returns in 2017 and beyond.

Hong Kong IPO activities will remain strong, as Hong Kong maintains its role as a leading financial hub in the region, with an edge in gaining access to international investors. Not only does Hong Kong serve as a key gateway for mainland enterprises for fundraising, but Hong Kong also attracts companies across the globe as their listing destination. To capitalize on such market potential, we will continue to optimize our investment banking platform and diversify our investment banking service offerings.

In line with the Group's overall mission as a distinctive "one-stop services" financial institution, we launched a new business unit to develop its financial public relations ("FPR") business in late 2016. The recent acquisition of the companies engaged in the publication of "Capital" series magazines, a well established financial magazine brand in the market, is expected to create synergy to new FPR business and current businesses of the Group by offering tailor-made public relations and marketing communication solutions to existing and potential customers with the renowned media platform, thereby creating more business opportunities and expanding the Group's revenue sources going forward.

The Group aims to bridge the services provided by its FPR business with the companies acquired under the Acquisition in order to expand its scope of services to corporate clients as a whole after Completion. It is of our view that the combined services of the FPR and media businesses, would distinguish the positioning of the Company as a financial public relations and corporate marketing consultancy service supplier, and create a more comprehensive and competitive service set.

Looking ahead, the Company expects new and expanded businesses will bring to the shareholders satisfactory and sustainable returns in the years to come.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 28 March 2017

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 67, 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 South China Holdings Company Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and South China Assets Holdings Limited, being 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 of the Company on 7 December 1988. Mr. Ng is the father of Ms. Ng Yuk Mui Jessica, 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 63, 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 South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange and an executive director of South China Assets Holdings Limited, being listed on the Growth Enterprise Market of the Stock Exchange. Ms. Cheung also holds several directorships in certain subsidiaries of the Company. 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 of the Company on 7 December 1988.

Ms. Ng Yuk Mui Jessica, aged 38, 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 South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange and an executive director and the executive vice chairman of South China Assets Holdings Limited, being listed on the Growth Enterprise Market of the Stock Exchange. She is the executive vice chairman of South China Media Limited. Ms. 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 of the Company on 12 November 2015. Ms. Ng is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company.

Dr. Wang Wei Hsin, aged 51, is an Executive Director, the Chief Executive Officer and a member of the Executive Committee of the Company. He has extensive management experience in the financial services industry. Prior to joining the Group, Dr. Wang 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. He joined the Group as Chief Executive Officer on 3 May 2016 and appointed as a Director of the Company on 28 March 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hon. Raymond Arthur William Sears, Q.C., aged 84, 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 of the Company on 24 March 2000.

Mrs. Tse Wong Siu Yin Elizabeth, aged 59, 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 South China Holdings Company Limited, being 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. She 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 of the Company on 25 November 1992.

Mr. Tung Woon Cheung Eric, aged 46, 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 of the Company on 21 September 2004.

Directors' Report

The directors of the Company (the "Directors") submit herewith their report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services, asset and wealth management, property investment and investment holding. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the possible risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 3 to 12 of this Annual Report. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the financial statements on pages 36 to 119 of this Annual Report.

No interim dividend was paid (2015: Nil). The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER

Annual General Meeting of the Company will be held on Wednesday, 14 June 2017 ("AGM"). The register of members of the Company will be closed from Thursday, 8 June 2017 to Wednesday, 14 June 2017, both days inclusive, during which period no share transfer will be registered. To be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates of the Company must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 7 June 2017. The notice of the AGM will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and despatched to the shareholders of the Company in due course.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company had no reserves available for distribution.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 120 of this Annual Report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the ordinary shares, share options and share awards (if any) of the Company during the year are set out in notes 30 and 31 to the financial statements.

7,542,126,750 ordinary shares were issued at the subscription price of HK$0.066 each, totaling approximately HK$497.8 million, as a result of the rights issue. Details of the rights issue have been set out in the prospectus dated 20 July 2016 and the announcement dated 10 August 2016.

Details of equity-linked agreement are included in the section "Share Option Schemes" below.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, the trustee of the Company's employees' share award scheme (the "Share Award Scheme") had not purchased any share of the Company pursuant to the terms of the rules and trust deed of the Share Award Scheme. In addition, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the aggregate turnover attributable to the Group's five largest customers accounted for less than 30% of the total turnover for the year. The Group is a provider of financial services and hence it is of no value to disclose details of the Group's suppliers.

DIRECTORS

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

Executive Directors:

Ng Hung Sang (*Chairman*)
Cheung Choi Ngor (*Vice Chairman*)
Ng Yuk Mui Jessica (*Executive Vice Chairman*)
Wang Wei Hsin (*Chief Executive Officer*) (*appointed on 28 March 2017*)

Independent Non-executive Directors:

Raymond Arthur William Sears, Q.C.
Tse Wong Siu Yin Elizabeth
Tung Woon Cheung Eric

A full list of the names of the directors of the Group's subsidiaries can be found on the Company's website at www.sctrade.com.

In accordance with Article 116 of the Articles of Association of the Company, Ms. Cheung Choi Ngor and Hon. Raymond Arthur William Sears, Q.C. will retire from office by rotation, and being eligible, offer themselves for re-election at the AGM. In accordance with Article 99 of the Articles of Association of the Company, Dr. Wang Wei Hsin will retire from office and, being eligible, offer himself for re-election at the AGM. Save as disclosed, all other remaining Directors continue in office.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors up to the date hereof are set out on pages 13 and 14 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or its subsidiaries which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in ordinary shares of the Company

Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding in total issued ordinary shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner	556,663,200	4,423,080,384	29.32%
	Interest of controlled corporation	3,866,417,184 *(Note)*		
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	615,015,578	615,015,578	4.08%
Raymond Arthur William Sears, Q.C.	Interest of spouse	2,650,000	2,650,000	0.02%

Note:

The 3,866,417,184 shares of the Company held by Mr. Ng through controlled corporations included 1,176,301,512 shares held by Fung Shing Group Limited ("Fung Shing"), 2,231,184,000 shares held by Parkfield Holdings Limited ("Parkfield"), 99,993,600 shares held by Ronastar Investments Limited ("Ronastar") and 358,938,072 shares held by Uni-spark Investments Limited ("Uni-spark"). Fung Shing, Parkfield and Ronastar were directly wholly owned by Mr. Ng. Uni-spark was indirect wholly-owned by Mr. Ng.

Save as disclosed herein, as at 31 December 2016, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporations (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 the interests and short positions in which they were deemed or taken 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.

SHARE OPTION SCHEMES

The Company adopted a share option scheme in May 2002 ("2002 Share Option Scheme"), which was terminated in June 2012, and a share option scheme in June 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the above schemes are unlisted. Further details of the abovementioned share option schemes are disclosed in note 31 to the financial statements.

No new share option was granted under the 2002 Share Option Scheme subsequent to its termination in June 2012. During the year ended 31 December 2016, the Company had 36,256,412 share options granted under the 2012 Share Option Scheme, the exercise of which being subject to the fulfillment of the vesting period requirement. Such share options, if exercised in full, will give rise to proceeds receivable of HK$7.07 million in total.

	Number of share options							
Name or category of participants	**At 1 January 2016**	**Lapsed during the year before adjustment**	**Adjusted during the year** (*Note 1*)	**Lapsed during the year after adjustment**	**At 31 December 2016** (*Note 2*)	**Date of grant of share options** (DD/MM/YYYY)	**Exercise period of share options** (DD/MM/YYYY)	**Exercise price per share** (*Note 1*) HK$
Employees	20,000,000	(5,000,000)	538,462	–	15,538,462	09/06/2015	09/06/2016 – 08/06/2018	0.195
	20,000,000	(5,000,000)	538,462	(5,179,487)	10,358,975	09/06/2015	09/06/2017 – 08/06/2019	0.195
	20,000,000	(5,000,000)	538,462	(5,179,487)	10,358,975	09/06/2015	09/06/2018 – 08/06/2020	0.195
Total	60,000,000	(15,000,000)	1,615,386	(10,358,974)	36,256,412			

Notes:

1. *The Company completed a rights issue at 11 August 2016. Accordingly, the exercise price and the number of share options were adjusted from HK$0.202 to HK$0.195 and from 45,000,000 to 46,615,386 respectively.*

2. *Representing 0.309% of the total issued voting shares in the Company as at 31 December 2016.*

EMPLOYEES' SHARE AWARD SCHEME

On 10 June 2015, the Company adopted the Share Award Scheme whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and the conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK$20 million for the purchase of shares of the Company and/or other shares listed on the Main Board or the GEM Board of the Stock Exchange from market. Such shares shall form part of the capital of the trust fund set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

No share award has been granted to the employees of the Company since its adoption.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Option Schemes", at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors, the chief executives or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 2.4 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the year between the Group and connected persons (as defined in the Listing Rules) in which a Director has beneficial interest are set out in the section "Connected Transaction" of this report and note 38 to the financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

The Company has not entered into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, substantial shareholders and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follow:

Long position in the ordinary shares

Shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding in total issued ordinary shares
Ng Lai King Pamela	Interest of spouse (*Note 1*)	4,423,080,384	29.32%
Fung Shing	Beneficial owner (*Note 2*)	1,176,301,512	7.80%
Parkfield	Beneficial owner (*Note 3*)	2,231,184,000	14.79%

Notes:

1. *Ms. Ng Lai King Pamela is the spouse of Mr. Ng. By virtue of the SFO, Ms. Ng Lai King Pamela is deemed to be interested in the 4,423,080,384 shares which Mr. Ng is interested in.*

2. *Fung Shing is wholly-owned by Mr. Ng. The number of shares held by Fung Shing includes its interests in the 1,176,301,512 shares.*

3. *Parkfield is wholly-owned by Mr. Ng. The number of shares held by Parkfield includes its interest in the 2,231,184,000 shares.*

Save as disclosed herein, as at 31 December 2016, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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 in the People's Republic of China, money lending, provision of investment advisory and asset management services and dealing in securities.

Mr. Ng, Ms. Cheung and Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), all being Executive Directors of the Company, are also the executive directors of SCAH during the year.

Mr. Ng is also the chairman of the board and controlling shareholder of SCAH. Ms. Cheung is one of the directors and substantial shareholders of a controlled corporation of Mr. Ng which holds 10.29% interest in SCAH directly and 9.74% indirect interest in SCAH through its wholly-owned subsidiary as at 31 December 2016. Mr. Ng together with his associates hold 64.92% interest in SCAH as at 31 December 2016.

The Group undertakes a wide range of financial services businesses of sizable scale in operations and 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, 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.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgement is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year and up to the date of this report.

CONNECTED TRANSACTION

Set out below is the information in relation to the connected transaction involving the Company and/or its subsidiaries during the year.

Pursuant to the sale and purchase agreement dated 3 November 2016, Perfect Mind Ventures Limited, a direct wholly-owned subsidiary of the Company, had agreed to acquire and Win Gain Investments Limited ("Vendor 1"), a company with the entire interests therein held by Mr. Ng directly, and Surge Fast Assets Limited ("Vendor 2"), a company with the entire interests therein held by Mr. Ng beneficially, (collectively, the "Vendors") had agreed to sell the entire issued share capital of Media Bonus Limited and its subsidaries, a direct wholly-owned subsidiary of Vendor 1, and Golden Ways Limited, a direct wholly-owned subsidiary of Vendor 2, at a total cash consideration of HK$20 million (the "Acquisition"). The Acquisition and the transactions contemplated thereunder were duly approved, ratified and confirmed by the independent shareholders of the Company on 17 January 2017. As Mr. Ng held the entire interests in Vendor 1 directly and Vendor 2 indirectly, each of the Vendors was an associate of Mr. Ng and therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Acquisition constituted a connected transaction for the Company and was subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition was subsequently completed on 18 January 2017 and the total consideration was adjusted with reference to the completion accounts made up to the completion date amounted to approximately HK$22.3 million. Details of the transaction have been disclosed in the announcement and circular dated 3 November 2016 and 29 December 2016 respectively.

AUDITOR

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 28 March 2017

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2016 except that (1) the chairman of the Board and an independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 7 June 2016 and the chairman of the Board and two independent non-executive directors of the Company were unable to attend the extraordinary general meeting of the Company held on 30 June 2016 which deviated from code provisions A.6.7 and E.1.2 of the CG Code as they had other business engagements at the relevant time; and (2) since the resignation of company secretary of the Company with effect from 8 January 2016, the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of company secretary.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2016, the members of the Board were as follows:

Executive Directors

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

Independent Non-executive Directors

Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

Independent Non-executive Directors represented not less than one-third of the Board for the year ended 31 December 2016. As announced by the Company on 28 March 2017, Dr. Wang Wei Hsin has been appointed as an Executive Director with effect from the same day. Directors' biographies and the relevant relationships amongst them are set out in the Directors' Biographical Details on pages 13 and 14 in this Annual Report.

The Board composition is reviewed regularly to ensure that it has a balance of skills and experience appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non- executive Directors is maintained to enable the Board to exercise independent judgement effectively and provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Company has also complied with the Listing Rules requirement that at least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and considers all the Independent Non-executive Directors to be independent.

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy in August 2013. Under the board diversity policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of a candidate for directorship and all Board appointments are based on meritocracy. Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the diversity policy and review the same as appropriate.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association. The Board is collectively responsible for the formulation of the Group's strategy and overseeing the management of the business and affairs of the Group.

Daily operation and management of the business of the Group including, inter alia, the implementation of strategies are delegated to the Executive Committee, which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically.

The roles of Chairman and Chief Executive Officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Key and important decisions are fully discussed at board meetings.

The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held four meetings in 2016:

	Number of Meetings Attended/ Eligible to Attend
Executive Directors	
Ng Hung Sang (*Chairman*)	3/4
Cheung Choi Ngor (*Vice Chairman*)	3/4
Ng Yuk Mui Jessica (*Executive Vice Chairman*)	4/4
Independent Non-executive Directors	
Raymond Arthur William Sears, Q.C.	4/4
Tse Wong Siu Yin Elizabeth	4/4
Tung Woon Cheung Eric	3/4

The Board meets at least four times a year. At least fourteen days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda. Agenda and Board papers are sent to all Directors at least three days before each regular Board meeting. Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company.

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors have full access to information on the Group and are able to seek independent professional advice at the Group's expense as they consider appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding the directors' securities transaction. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company's specific enquiry, all Directors of the Company confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 December 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management provides a confirmation to the Board on the effectiveness of these systems.

Risk management and internal control systems have been designed to monitor and facilitate the accomplishment of the Group's business objectives, Group's strategic priorities, safeguard the Group's assets against loss and misappropriation, ensure maintenance of proper accounting records for the provision of reliable financial information, ensure compliance with applicable laws, rules, regulations, and to provide reasonable, but not absolute, assurance against fraud and corruption. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management under the supervision of the Board has established an on-going process for developing a Group risk profile, identifying, evaluating and managing the significant risks faced by the Group. This process includes updating the systems of risk management and internal control when there are changes to business environment or regulatory guidelines. During the year of 2016, the Group has revised and implemented the group-wide anti-money laundering and terrorist financing; whistle blowing; anti-bribery; anti-fraud and data protection, privacy and advertising policies in order to improve risk management and internal control over the Group.

The Internal Audit Department formulates audit plan periodically, agrees the same with the Audit Committee, and highlights any significant findings and recommendations to the Audit Committee and the Board. The audit plan covers key controls of the major business units on a rotation basis. The Internal Audit Department may also conduct ad-hoc review in light of the concerns expressed by management or the Audit Committee from time to time, if any.

The Company regulates the handling and dissemination of inside information as set out in the Policy on Disclosure of Inside Information to ensure compliance with the disclosure obligations under the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance. Director, manager or secretary, or any other persons involved in the management, of the Company who become aware of any inside information should promptly bring it to the attention of the Company Secretary of the Company who will assess the likely impact of any event that may impact the price or trading volume of the shares of the Company and decide whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable.

The review of the effectiveness of risk management and internal control systems has been conducted continuously and report to the Audit Committee and the Board at least twice a year on new or changing risk and risk levels, and new or changing risk mitigation actions agreed to resolve material internal control defects. The review has covered the Group's financial reporting, risk management and all material controls, including financial, operational and compliance controls.

In addition to the duties of the Audit Committee as mentioned above, the Audit Committee on-going reviews the internal audit functions with particular emphasis on the scope and quality of the internal audits and independence of the internal audit function. The Audit Committee also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The Board has received a confirmation from management on the effectiveness of the Group's risk management and internal control systems. The Board is satisfied that the risk management and internal control systems are in place for the year under review. There were no significant control failings or material defects that have been identified during the year, as a result, no material impact was found on the Group's finance performance or condition.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group.

The statement by the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages from 31 to 35 of this Annual Report.

AUDITOR'S REMUNERATION

The fees paid/payable to the auditor of the Company for the year ended 31 December 2016 in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to HK$1,280,000 and HK$425,000, respectively. The non-audit services were provided by the Auditor to report on the rights issues in 2016.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

To enhance the Directors of the changes in applicable rules and regulations and the developments in corporate governance, the Company also provides the Directors with updates on the relevant topics. In addition, the Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills.

According to the records maintained by the Company, the Directors have received the following training in the year ended 31 December 2016:

	Type of trainings: Attending Seminars/ Conferences and/or Similar Events	Reading Materials and Updates
Executive Directors		
Ng Hung Sang (*Chairman*)		✓
Cheung Choi Ngor (*Vice Chairman*)		✓
Ng Yuk Mui Jessica (*Executive Vice Chairman*)		✓
Independent Non-executive Directors		
Raymond Arthur William Sears, Q.C.		✓
Tse Wong Siu Yin Elizabeth	✓	✓
Tung Woon Cheung Eric		✓

DIRECTORS' REMUNERATION

The remuneration payable to executive directors is determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the non-executive directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his/her own remuneration.

Remuneration details of the Directors (on individual name basis) for the year ended 31 December 2016 are disclosed in note 8 to the consolidated financial statements on pages from 71 to 72 of this annual report.

AUDIT COMMITTEE

The Audit Committee consists of all Independent Non-executive Directors, Mr. Tung Woon Cheung Eric (Chairman of the committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin Elizabeth.

As set out in the terms of reference posted on the websites of the Stock Exchange and the Company, the principal duties of the Audit Committee, which are substantially the same as the relevant code provisions in the CG Code, include overseeing the Group's financial reporting system, risk management and internal control system and the relationship with the Company's auditor, and reviewing the Group's financial information, arrangement for employees to raise concerns on financial reporting improprieties and corporate governance functions. The Board has also delegated the responsibility of performing corporate governance duties to the Audit Committee.

The Audit Committee held two meetings and met with the internal and external auditors twice during the year ended 31 December 2016. It has reviewed, among others, the half-yearly and annual results, internal audit plan, internal control report to audit committee, audit strategy, external auditor's report to the Audit Committee, the independence and terms of engagement of the external auditor and corporate governance report. There were two private sessions between the Audit Committee members and the external auditor without the presence of management in the Audit Committee meetings held in 2016. The attendance records of the members of the Audit Committee at the abovementioned Audit Committee meetings are as follows:

	Number of Meetings Attended/ Eligible to Attend
Tung Woon Cheung Eric	2/2
Raymond Arthur William Sears, Q.C.	2/2
Tse Wong Siu Yin Elizabeth	2/2

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee performs both remuneration and nomination functions under the CG Code. It consists of all the Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (Chairman of the committee), Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric.

As set out in the terms of reference posted on the websites of the Stock Exchange and the Company, the principal duties of the Remuneration and Nomination Committee, which are substantially the same as the relevant code provisions in the CG Code, include, among others, reviewing the policy and structure for remuneration of Directors and senior management (if any), reviewing remuneration proposals for Directors and senior management (if any), determining the remuneration packages of Executive Directors and senior management (if any), making recommendations to the Board on the remuneration of Non-executive Directors, reviewing the structure, size and diversity of the Board, identifying suitable candidate for directorship and making recommendations to the Board on Director nomination matters.

For new appointment of Director, the Remuneration and Nomination Committee identifies and selects suitable candidates following the board diversity policy as referred to in the section "Board Composition and Board Practices" and taking into account the candidate's his/her independence (with respect to the Independent Non-executive Directors) and capability to devote sufficient time and commitment to the role as well as potential conflict of interests. Once the Remuneration and Nomination Committee has selected a candidate, it seeks the comments on such candidate from the Executive Committee for its consideration and approves the appointment as it thinks fit.

The Remuneration and Nomination Committee met once in the year ended 31 December 2016 to review, consider and, where appropriate, approve/make recommendation to the Board on the remuneration packages of the Directors (based on the skills, knowledge, performance and involvement in the Company's affairs of the relevant Director taking into consideration the Company's performance), the policy and structure for Directors' remuneration, the structure, size and diversity of the Board, the Director nomination policy, the independence of the Independent Non-executive Directors and the retirement and re-election of Directors. The attendance records of the members of the Remuneration and Nomination Committee at the abovementioned Remuneration and Nomination Committee meeting are as follows:

	Number of Meetings Attended/ Eligible to Attend
Tse Wong Siu Yin Elizabeth	1/1
Raymond Arthur William Sears, Q.C.	1/1
Tung Woon Cheung Eric	1/1

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Information is communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), AGMs and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are available on the website of the Company. The Company's website provides shareholders with the corporate information of the Group.

The AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on websites of the Stock Exchange and the Company on the day of the AGM.

SHAREHOLDERS' RIGHTS

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the share registrar of the Company, in case of enquiries about shareholdings.

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company can make a request to convene a general meeting pursuant to Section 566 of the Companies Ordinance of Hong Kong, Chapter 622 (the "Ordinance"). The request must state the general nature of the business to be dealt with at the meeting, and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person or persons making it. Besides, Section 580 of the Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or (ii) at least 50 shareholders can request the Company to circulate a statement, which may be sent to the Company in hard copy form or in electronic form, and must be authenticated by the person or persons making it and received by the Company at least 7 days before the general meeting to which it relates.

If a shareholder wishes to nominate a person to stand for election as a Director at general meeting in accordance with Article 120 of the articles of association of the Company, such shareholder must serve (i) a written notice of intention to propose a resolution at the general meeting; and (ii) a notice executed by the nominated candidate of the candidate's willingness to be appointed together with (A) that candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules and (B) the candidate's written consent to the publication of his personal data to the company secretary of the Company between the period commencing from the date after the dispatch of the notice of the general meeting appointed for such election and end on the date no later than seven (7) days prior to the date of such general meeting.

In order to allow the shareholders have sufficient time to receive and consider the proposal, shareholders are encouraged to submit their proposal as early as practicable, so that an announcement can be issued and a supplementary circular containing information of the proposed candidate can be despatched to the shareholders as early as practicable prior to the date of the general meeting.

The attendance record of the Directors at the general meetings held during the year is set out below:

	AGM held on 7 June 2016	**EGM held on 30 June 2016**
Executive Directors		
Ng Hung Sang (*Chairman*)	✗	✗
Cheung Choi Ngor (*Vice Chairman*)	✓	✓
Ng Yuk Mui Jessica (*Executive Vice Chairman*)	✓	✗
Independent Non-executive Directors		
Raymond Arthur William Sears, Q.C.	✗	✗
Tse Wong Siu Yin Elizabeth	✓	✗
Tung Woon Cheung Eric	✓	✓

CONSTITUTIONAL DOCUMENT

The Articles of Association of the Company is available on the websites of the Company and the Stock Exchange. No change was made to the constitutional document of the Company during the year ended 31 December 2016.

Independent Auditor's Report

EY 安永

To the members of South China Financial Holdings Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of South China Financial Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 119, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter

Impairment of loans receivable and trade receivables

As at 31 December 2016, gross loans receivable and related impairment amounted to HK$344.2 million and HK$21.1 million, respectively; while gross trade receivables and related impairment amounted to HK$235.6 million and HK$0.5 million, respectively. The assessment of impairment for loans receivable and trade receivables involves significant management's judgements and estimates on the amount of losses incurred at the reporting date.

The Group's methodology and assumptions used for estimating the amount of future cash flows for loans receivables normally encompassed the nature and value of collateral held and anticipated receipts; and where applicable the Group performed credit assessment based on the specific circumstances and market conditions which involved significant assumptions.

The trade receivables included receivable balances arising from securities, forex and future contracts trading, which were significant in size. The Group carried out an impairment assessment of each balance individually, considering the aging of the receivables, creditability of the counterparty and other specific circumstances and market conditions.

The disclosures about impairment of loans receivables and trade receivables are included in notes 3, 17 and 21 to the financial statements.

We obtained an understanding of the Group's methodology and assumptions used for estimating the impairment of loans receivable and trade receivables. Our procedures to assess the Group's impairment included the following:

- We considered the control procedures performed by the Group over monitoring and valuation of collateral and checked each individual account to determine whether there was any shortfall by comparing the loan outstanding with the value of collateral.

- For trade receivables, we reviewed impairment assessment performed by the Group, including the aging analysis, subsequent settlement, as well as considered the credit standing and historical repayment pattern of the counterparties when assessing the appropriateness of the impairment.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group owns investment properties in Hong Kong which were valued at HK$440.0 million as at 31 December 2016. Significant judgement is required to estimate the fair value of the investment properties, to reflect the market conditions at the end of the reporting period. Management engaged an independent professionally qualified valuer to estimate the value of investment properties at the end of the reporting period. The disclosures about valuation of investment properties are included in notes 3 and 13 to the financial statements.	We evaluated the objectivity, independence and competency of the valuer. We also involved our internal valuation specialists to assist us in assessing the methodology and assumptions adopted in the valuation for estimating the fair value of the investment properties and performed benchmarking of the value of investment properties held by the Group to other comparable properties.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Ying.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**121,366**	148,460
Other income		**1,582**	3,390
Fair value gain on investment properties		**42,500**	–
Fair value loss on financial assets at fair value through profit or loss		**(66,667)**	(3,189)
Reversal of impairment of loans and trade receivables, net		**2,404**	1,045
Other operating expenses		**(148,261)**	(147,105)
Profit/(loss) from operating activities		**(47,076)**	2,601
Finance costs	7	**(8,791)**	(7,551)
Impairment of investment in an associate		**–**	(688)
Share of loss of an associate		**–**	(3,627)
LOSS BEFORE TAX	6	**(55,867)**	(9,265)
Income tax expense	10	**(836)**	(5,613)
LOSS FOR THE YEAR		**(56,703)**	(14,878)
Attributable to:			
Equity holders of the Company		**(56,703)**	(14,842)
Non-controlling interests		**–**	(36)
		(56,703)	(14,878)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11		(restated)
Basic and diluted		**(HK0.53 cents)**	(HK0.21 cents)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,770**	3,442
Investment properties	13	**440,000**	397,500
Intangible assets	14	**1,111**	836
Other assets	15	**7,236**	6,369
Investments in associates	16	**–**	–
Available-for-sale investments	18	**27,058**	33,258
Long term loans receivable	17	**1,390**	–
Long term prepayment and deposits	22	**1,297**	727
Total non-current assets		**480,862**	442,132
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	**414,346**	204,960
Loans receivable	17	**321,718**	285,258
Trade receivables	21	**235,145**	120,947
Other receivables, prepayments and deposits	22	**35,074**	31,763
Derivative financial instruments	23	**1,019**	–
Pledged time deposits	24	**500**	39,156
Cash held on behalf of clients	25	**479,424**	561,659
Cash and bank balances	24	**355,406**	110,721
Total current assets		**1,842,632**	1,354,464
CURRENT LIABILITIES			
Client deposits	26	**530,863**	613,391
Trade payables	27	**29,616**	27,093
Other payables and accruals	28	**17,823**	18,485
Derivative financial instruments	23	**49,521**	–
Interest-bearing bank borrowings	29	**418,519**	256,769
Tax payable		**4,234**	4,326
Total current liabilities		**1,050,576**	920,064
NET CURRENT ASSETS		**792,056**	434,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,272,918**	876,532

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	**146,137**	175,209
Deposits received		**2,175**	582
Deferred tax liabilities	19	**30,146**	29,741
Total non-current liabilities		**178,458**	205,532
Net assets		**1,094,460**	671,000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	30	**1,086,680**	597,685
Reserves	32	**7,780**	73,315
Total equity		**1,094,460**	671,000

Director	*Director*
Ng Yuk Mui Jessica	**Cheung Choi Ngor**

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to equity holders of the Company								
	Notes	Share capital HK$'000	Property revaluation reserve# HK$'000	Available-for-sale investment revaluation reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 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	34(b)	–	–	–	–	–	–	–	(244)	(244)
Issue of shares	30	251,404	–	–	–	–	–	251,404	–	251,404
Share issue expenses	30	(2,053)	–	–	–	–	–	(2,053)	–	(2,053)
Equity-settled share option arrangements	31	–	–	–	1,938	–	–	1,938	–	1,938
At 31 December 2015 and 1 January 2016		597,685	120,145*	13,647*	1,938*	1,668*	(64,083)	671,000	–	671,000
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(56,703)**	**(56,703)**	**–**	**(56,703)**
Other comprehensive loss for the year		**–**	**–**	**(6,200)**	**–**	**(4,054)**	**–**	**(10,254)**	**–**	**(10,254)**
Total comprehensive loss for the year		**–**	**–**	**(6,200)**	**–**	**(4,054)**	**(56,703)**	**(66,957)**	**–**	**(66,957)**
Issue of shares	30	**497,780**	**–**	**–**	**–**	**–**	**–**	**497,780**	**–**	**497,780**
Share issue expenses	30	**(8,785)**	**–**	**–**	**–**	**–**	**–**	**(8,785)**	**–**	**(8,785)**
Equity-settled share option arrangements	31	**–**	**–**	**–**	**1,422**	**–**	**–**	**1,422**	**–**	**1,422**
Transfer share option reserve upon the forfeiture of share options		**–**	**–**	**–**	**(727)**	**–**	**727**	**–**	**–**	**–**
At 31 December 2016		**1,086,680**	**120,145***	**7,447***	**2,633***	**(2,386)***	**(120,059)***	**1,094,460**	**–**	**1,094,460**

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 reserves of HK$7,780,000 (2015: HK$73,315,000) in the consolidated statement of financial position.*

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Note	**2016** **HK$'000**	2015 HK$'000
LOSS FOR THE YEAR		**(56,703)**	(14,878)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX			
To be reclassified to profit or loss in subsequent periods	33	**(10,254)**	1,219
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(66,957)**	(13,659)
Attributable to:			
Equity holders of the Company		**(66,957)**	(13,623)
Non-controlling interests		**–**	(36)
		(66,957)	(13,659)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(55,867)**	(9,265)
Adjustments for:			
Finance costs	7	**8,791**	7,551
Share of loss of an associate		**–**	3,627
Dividend income from listed investments	5	**(6,566)**	(1,475)
Fair value gain on investment properties		**(42,500)**	–
Fair value loss on financial assets at fair value through profit or loss		**66,667**	3,189
Net fair value losses on derivative financial instruments not qualifying as hedges	6	**48,502**	–
Impairment of investment in an associate	16	**–**	688
Reversal of impairment of loans and trade receivables, net	6	**(2,404)**	(1,045)
Depreciation	6	**1,823**	2,283
Amortisation of intangible assets	6	**31**	–
Equity-settled share option expense	31	**1,422**	1,938
		19,899	7,491
Increase in financial assets at fair value through profit or loss		**(276,108)**	(59,625)
Increase in loans receivable		**(35,983)**	(84,707)
Decrease/(increase) in trade receivables		**(114,275)**	58,497
Decrease/(increase) in other receivables, prepayments and deposits		**(3,075)**	4,653
Decrease in cash held on behalf of clients		**82,235**	67,049
Decrease/(increase) in amounts due from related companies		**(730)**	226
Decrease in client deposits		**(82,528)**	(91,023)
Increase/(decrease) in trade payables		**2,523**	(83,850)
Increase/(decrease) in other payables and accruals and deposits received		**514**	(1,932)
Increase in amounts due to related companies		**358**	–
Cash used in operations		**(407,170)**	(183,221)
Interest paid		**(8,791)**	(7,551)
Hong Kong profits tax paid		**(120)**	(360)
Overseas taxes paid		**(393)**	(198)
Net cash flows used in operating activities		**(416,474)**	(191,330)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Net cash flows used in operating activities		**(416,474)**	(191,330)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from listed investments		**6,566**	1,475
Purchases of items of property, plant and equipment	12	**(1,159)**	(2,164)
Additions to intangible assets	14	**(306)**	–
Disposal of subsidiaries	34	**–**	4,833
Decrease/(increase) in other assets		**(867)**	6,662
Net cash flows generated from investing activities		**4,234**	10,806
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**8,293,907**	6,148,288
Repayment of bank loans		**(8,219,791)**	(6,179,176)
Issue of shares	30	**497,780**	251,404
Share issue expenses	30	**(8,785)**	(2,053)
Payment 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		**563,111**	218,200
NET INCREASE IN CASH AND CASH EQUIVALENTS		**150,871**	37,676
Cash and cash equivalents at beginning of year		**149,877**	114,491
Effect of foreign exchange rate changes, net		**(3,262)**	(2,290)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**297,486**	149,877
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	24	**355,406**	110,721
Pledged time deposits with original maturity of less than three months when acquired	24	**500**	39,156
Bank overdrafts	29	**(58,420)**	–
Cash and cash equivalents as stated in the statement of cash flows		**297,486**	149,877

Notes to Financial Statements

31 December 2016

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
- asset and 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$50,000,000	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 Properties Credits Limited	Hong Kong	HK$1	100	Money lending

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
South China Investment Management Limited	Hong Kong	HK$1,000,001	100	Asset management
South China Precious Metal Limited	Hong Kong	HK$2	100	Futures trading
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$4,000,000	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.

^ Registered as wholly-foreign-owned enterprises under PRC law.

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(continued)*

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

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. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments, derivative financial instruments 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 2016. 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.

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation *(continued)*

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[5]

1 *Effective for annual periods beginning on or after 1 January 2017*
2 *Effective for annual periods beginning on or after 1 January 2018*
3 *Effective for annual periods beginning on or after 1 January 2019*
4 *No mandatory effective date yet determined but available for adoption*
5 *Effective for annual periods beginning on or after 1 January 2018, except for the amendments to HKFRS 12, which are effective for annual periods beginning on or after 1 January 2017*

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement

The Group measures its investment properties, derivative financial instruments 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 and financial assets), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets *(continued)*

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties *(continued)*

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks

Purchased trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Trading rights

Trading rights, representing eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, have indefinite useful lives and are tested for impairment annually either individually or at the cash-generating unit level. Such trading rights are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continued 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 fulfilment 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(continued)*

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments *(continued)*

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 financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities *(continued)*

Financial liabilities at fair value through profit or loss *(continued)*

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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 interests 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 interests 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 scheme

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Employee benefits *(continued)*

Share-based payments

The Company operates a share options 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 31 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 and trade receivables to assess whether there is any objective evidence that a receivable is impaired at least on a biannual 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 any shortfall by comparing the loan outstanding with value of collateral, as well as taking into account aging analysis, subsequent settlement and historical repayment pattern of a debtor. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors in a group, or national or local economic conditions that correlate with defaults on assets in the Group. The methods and assumptions 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 2016 was HK$558,253,000 (2015: HK$406,205,000). 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Estimation uncertainty *(continued)*

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 and finance lease operations;

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

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

(f) the property investment segment; and

(g) the other business segment engages in 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured consistently with the Group's loss before tax except that finance costs relating to the Group's treasury function, head office and corporate expenses are excluded from such measurement.

Segment assets exclude 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.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2016

	Broking HK$'000	Trading and investment HK$'000	Margin financing and money lending HK$'000	Corporate advisory and underwriting HK$'000	Asset and wealth management HK$'000	Property investment HK$'000	Other business HK$'000	Consolidated HK$'000
Segment revenue:								
Revenue from external customers	30,324	36,437	22,138	21,284	968	9,401	814	121,366
Segment results:	(65,072)	(43,075)	17,672	7,747	(4,089)	50,515	(35)	(36,337)
Reconciliation:								
Corporate and other unallocated expense, net#								(10,739)
Finance costs								(8,791)
Loss before tax								(55,867)
Segment assets:	689,699	569,935	368,275	14,010	2,131	441,190	2,003	2,087,243
Reconciliation:								
Corporate and other unallocated assets								236,251
Total assets								2,323,494
Segment liabilities:	(561,167)	(159,177)	(179,678)	(558)	(430)	(3,007)	(3,933)	(907,950)
Reconciliation:								
Corporate and other unallocated liabilities								(321,084)
Total liabilities								(1,229,034)
Other segment information:								
Fair value loss on financial assets at fair value through profit or loss	–	62,017	–	–	–	–	–	62,017
Fair value gain on investment properties	–	–	–	–	–	(42,500)	–	(42,500)
Impairment/(reversal of impairment) of loans and trade receivables, net	(47)	–	(2,380)	–	23	–	–	(2,404)
Depreciation and amortisation	1,333	140	120	138	70	17	–	1,818
Capital expenditure*	799	83	93	133	41	10	–	1,159

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2015

	Broking HK$'000	Trading and investment HK$'000	Margin financing and money lending HK$'000	Corporate advisory and underwriting HK$'000	Asset and wealth management HK$'000	Property investment HK$'000	Other business HK$'000	Consolidated HK$'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	–	15,789	–	–	–	–	–	15,789
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.

\# Corporate and other unallocated expenses include fair value loss on financial assets at fair value through profit or loss designated for the Group's Employees' Share Award Scheme amounting to HK$4,650,000 (2015: fair value gain of HK$12,600,000).

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Geographical information

Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	**453,715**	408,773
Other jurisdictions	**89**	101
	453,804	408,874

The non-current assets 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; net 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:

	2016 HK$'000	2015 HK$'000
Commission and brokerage income	**27,610**	67,272
Profit on the trading of securities, forex, bullion and futures contracts, net	**28,875**	30,786
Interest income from loans and trade receivables	**20,072**	23,512
Interest income from forex and bullion contracts trading	**624**	857
Handling fee income	**4,539**	4,535
Rendering of services	**21,774**	7,947
Dividend income from listed investments	**6,566**	1,475
Gross rental income	**9,401**	10,431
Interest income from banks and financial institutions	**1,905**	1,645
	121,366	148,460

6. LOSS BEFORE TAX

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

	Notes	2016 HK$'000	2015 HK$'000
Cost of services provided		**21,993**	33,177
Depreciation	12	**1,823**	2,283
Amortisation of intangible assets	14	**31**	–
Auditor's remuneration		**1,397**	1,296
Minimum lease payments under operating leases		**14,143**	16,200
Employee benefit expense (including directors' remuneration (note 8)):			
Pension scheme contributions		**2,146**	2,131
Salaries, allowances and benefits in kind		**72,534**	55,230
Equity-settled share option expense		**1,422**	1,938
		76,102	59,299
Interest expense for margin financing and money lending operations:			
Bank loans and overdrafts		**3,202**	3,790
Net fair value losses on derivative financial instruments not qualifying as hedges		**48,502**	–
Foreign exchange differences, net		**767**	763
Reversal of impairment of loans receivable, net	17	**(2,380)**	(1,202)
Impairment/(reversal of impairment) of trade receivables, net	21	**(24)**	157
Direct operating expenses arising from rental-earning investment properties		**1,531**	1,454

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank loans and overdrafts	**8,791**	7,551

8. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATION

Directors' and senior management's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and 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	
	2016 HK$'000	2015 HK$'000
Fees	**470**	479
Other emoluments:		
Salaries, allowances and benefits in kind	**3,840**	394
Pension scheme contributions	**90**	–
	3,930	394
	4,400	873

(a) Independent non-executive directors

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

	2016 HK$'000	2015 HK$'000
Hon. Raymond Arthur William Sears Q.C.	**240**	240
Mr. Tung Woon Cheung Eric	**100**	100
Mrs. Tse Wong Siu Yin Elizabeth	**100**	100
	440	440

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

8. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATION *(CONTINUED)*

(b) Executive directors

	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000
2016			
Executive directors:			
Mr. Ng Hung Sang	**10**	**1,440**	**72**
Ms. Ng Yuk Mui, Jessica*	**10**	**2,400**	**18**
Ms. Cheung Choi Ngor	**10**	**–**	**–**
	30	**3,840**	**90**
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	–

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

* Ms. Ng Yuk Mui, Jessica has been appointed as an 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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include two directors (2015: Nil), details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining three (2015: five) non-director highest paid employees for the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	7,699	7,492
Pension scheme contributions	48	71
	7,747	7,563

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

	Number of employees	
	2016	2015
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	4
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 or above	2	–
	3	5

10. INCOME TAX

No provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profits or had available tax losses carried forward to offset the assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated 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.

	2016 HK$'000	2015 HK$'000
Current – Hong Kong		
Charge for the year	–	2,591
Underprovision in prior years	–	1,939
Current – Elsewhere		
Charge for the year	268	346
Underprovision in prior years	163	–
Deferred (note 19)	405	737
Total tax charge for the year	836	5,613

10. INCOME TAX *(CONTINUED)*

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:

	2016		2015	
	HK$'000	**%**	HK$'000	%
Loss before tax	**(55,867)**		(9,265)	
Tax at the statutory tax rate	**(9,218)**	**16.5**	(1,529)	16.5
Higher tax rates on loss arising elsewhere	**(596)**	**1.1**	(279)	3.0
Adjustments in respect of current tax of previous periods	**163**	**(0.3)**	1,939	(20.9)
Income not subject to tax	**(8,468)**	**15.2**	(4,048)	43.7
Expenses not deductible for tax	**10,482**	**(18.8)**	4,927	(53.2)
Tax losses not recognised	**13,170**	**(23.6)**	5,073	(54.8)
Tax losses utilised from previous periods	**(5,103)**	**9.1**	(470)	5.1
Others	**406**	**(0.7)**	–	–
Tax charge at the Group's effective rate	**836**	**(1.5)**	5,613	(60.6)

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$56,703,000 (2015: HK$14,842,000) and the weighted average number of 10,795,610,887 (2015: 7,136,335,535 (restated)) ordinary shares in issue during the year. The basic loss per share amount for the year ended 31 December 2015 has been adjusted to reflect the rights issue during the year ended 31 December 2016 (note 30(b)).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 31 December 2015 in respect of a dilution as the impact of the share options outstanding during the 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 2016				
At 31 December 2015 and 1 January 2016:				
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
At 1 January 2016, net of accumulated depreciation	1,460	1,982	–	3,442
Additions	206	953	–	1,159
Depreciation provided during the year	(329)	(1,494)	–	(1,823)
Exchange realignment	–	(8)	–	(8)
At 31 December 2016, net of accumulated depreciation	1,337	1,433	–	2,770
At 31 December 2016:				
Cost	16,478	43,085	3,316	62,879
Accumulated depreciation	(15,141)	(41,652)	(3,316)	(60,109)
Net carrying amount	1,337	1,433	–	2,770

12. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2015				
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 34(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

13. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Carrying amount as at 1 January	**397,500**	397,500
Net gain from a fair value adjustment	**42,500**	–
Carrying amount at 31 December	**440,000**	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 2016 based on valuations performed by Colliers International (Hong Kong) Limited, independent professionally qualified valuer, at HK$440,000,000. 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 36(a) to the financial statements.

At 31 December 2016, the Group's investment properties with a carrying value of HK$440,000,000 (2015: HK$397,500,000) were pledged to secure general banking facilities granted to the Group (note 29).

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

13. INVESTMENT PROPERTIES *(CONTINUED)*

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)	
	2016	2015
	HK$'000	HK$'000
Recurring fair value measurement for:		
Commercial properties	**440,000**	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 (2015: 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:

	2016	2015
Price per square foot	**HK$29,961**	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

	Trademarks HK$'000	Trading rights HK$'000 (note)	Total HK$'000
31 December 2016			
Cost at 1 January 2016, net of accumulated amortisation	**–**	**836**	**836**
Additions	**306**	**–**	**306**
Amortisation provided during the year	**(31)**	**–**	**(31)**
At 31 December 2016	**275**	**836**	**1,111**
At 31 December 2016:			
Cost	306	1,619	1,925
Accumulated amortisation	(31)	(783)	(814)
Net carrying amount	275	836	1,111
31 December 2015:			
At 31 December 2015 and at 1 January 2016:			
Cost	–	1,619	1,619
Accumulated amortisation	–	(783)	(783)
Net carrying amount	–	836	836

Note: The trading rights have no expiry date and, in the opinion of the directors, have indefinite useful lives.

Pursuant to the restructuring of The Stock Exchange of Hong Kong Limited (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.

15. OTHER ASSETS

	2016 HK$'000	2015 HK$'000
Membership in Chinese Gold and Silver Exchange	**1,280**	1,280
Statutory deposits in respect of securities and commodities dealings	**5,956**	5,089
	7,236	6,369

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

16. INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**1,804**	1,804
Provision for impairment#	**(1,804)**	(1,804)
	–	–

During the year ended 31 December 2015, due to the dismal performance of an associate, an impairment testing for that associate was performed. A full impairment was recognised in 2015 for the investment in an associate with a carrying amount of HK$688,000 because the recoverable amount was expected to be zero. 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.

16. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

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:

	2016 HK$'000	2015 HK$'000
Share of an associate's loss for the year	–	(3,627)
Share of an associate's total comprehensive loss	–	(3,627)
Aggregate carrying amount of the Group's investments in the associates	–	–

17. LOANS RECEIVABLE

The Group's loans receivable mainly arose from the margin financing, finance lease and money lending 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.

17. LOANS RECEIVABLE *(CONTINUED)*

	2016 HK$'000	2015 HK$'000
Loans receivable	**344,228**	308,758
Impairment	**(21,120)**	(23,500)
	323,108	285,258
Portion classified as current assets	**(321,718)**	(285,258)
Portion classified as non-current assets	**1,390**	–
Market value of collateral at 31 December	**914,319**	1,186,722

At the end of the reporting period, certain listed equity securities provided by clients of approximately HK$210,926,000 (2015: HK$194,113,000) were pledged as collateral to banks to secure banking facilities granted to the Group (note 29).

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

	2016 HK$'000	2015 HK$'000
Repayable:		
On demand	**309,513**	266,401
Within 3 months	**132**	1,481
3 months to 1 year	**12,073**	17,376
1 to 5 years	**1,390**	–
	323,108	285,258

17. LOANS RECEIVABLE *(CONTINUED)*

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

	2016 HK$'000	2015 HK$'000
At 1 January	**23,500**	25,316
Impairment losses recognised (note 6)	**39**	2,643
Impairment losses reversed (note 6)	**(2,419)**	(2,664)
Derecognition of impairment upon disposal of subsidiaries	**–**	(1,795)
At 31 December	**21,120**	23,500
Recovery of loans receivable written off in previous years (note 6)	**–**	(1,181)

Included in the above impairment of loans receivable is a provision for individually impaired loans receivable of HK$21,120,000 (2015: HK$23,500,000) with a carrying amount before provision of HK$24,634,000 (2015: HK$25,492,000). 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:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**319,594**	283,266

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.

17. LOANS RECEIVABLE *(CONTINUED)*

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	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under finance leases:				
Within one year	**11,477**	17,276	**11,058**	16,497
Less: Unearned finance income	**(419)**	(779)		
Present value of minimum lease payment receivables	**11,058**	16,497		

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

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at fair value	**24,850**	30,870
Club debentures, at fair value	**2,208**	2,388
	27,058	33,258

During the year, the net loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$6,200,000 (2015: net gain of HK$4,791,000) (note 33).

As at 31 December 2016, the Group's listed equity investments with a carrying value of HK$24,850,000 (2015: HK$30,870,000) were pledged as security for the Group's bank borrowings, as further detailed in note 29 to the financial statements.

The above investments were designated as available-for-sale financial assets. They have no fixed maturity dates or coupon rates. 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
2016				
At 1 January 2016	**(8,613)**	**14,554**	**23,800**	**29,741**
Deferred tax charged to profit or loss during the year (note 10)	**205**	**200**	**–**	**405**
At 31 December 2016	**(8,408)**	**14,754**	**23,800**	**30,146**
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

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

	2016 HK$'000	2015 HK$'000
Tax losses	**523,321**	476,717
Deductible temporary differences	**226**	254
	523,547	476,971

19. DEFERRED TAX *(CONTINUED)*

Deferred tax liabilities *(continued)*

The above tax losses of the Group included tax losses arising in Hong Kong of HK$511,578,000 (2015: HK$464,133,000), 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$11,743,000 (2015: HK$12,584,000) 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 2016, 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

	2016	2015
	HK$'000	HK$'000
Listed equity investments, at market value	**414,346**	204,960

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

	2016	2015
	HK$'000	HK$'000
Held for trading	**394,596**	180,560
Designated upon initial recognition (note)	**19,750**	24,400
	414,346	204,960

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 ended 31 December 2015, the Group purchased certain ordinary shares of South China Holdings Company 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 of 31 December 2016, listed securities of approximately HK$387,083,000 (2015: HK$140,425,000) were pledged to banks to secure banking facilities granted to the Group (note 29).

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$452,410,000 (2015: HK$192,334,000).

21. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**235,599**	121,425
Impairment	**(454)**	(478)
	235,145	120,947

The Group's trade receivables arose from securities, forex, futures, 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. 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 provision for impairment, is as follows:

	2016 HK$'000	2015 HK$'000
Current to 90 days	**235,145**	120,947

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

	2016 HK$'000	2015 HK$'000
At 1 January	**478**	321
Impairment losses recognised (note 6)	**146**	285
Impairment losses reversed (note 6)	**(170)**	(128)
	454	478

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$454,000 (2015: HK$478,000) with a carrying amount of HK$1,016,000 (2015: HK$994,000). 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.

21. TRADE RECEIVABLES *(CONTINUED)*

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**224,335**	109,359
Less than 1 month past due	**1,076**	2,571
1 to 3 months past due	**3,195**	2,247
3 months to 1 year past due	**5,977**	6,254
	234,583	120,431

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

	2016 HK$'000	2015 HK$'000
Prepayments	**17,182**	14,247
Deposits	**13,312**	5,935
Other receivables	**5,877**	12,308
	36,371	32,490
Portion classified as current assets	**(35,074)**	(31,763)
Portion classified as non-current assets	**1,297**	727

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 2016 were HK$963,000 and HK$349,000 due from South China Asset Management Limited ("SCA") and South China Financial Credits Limited ("SCFCL"), subsidiaries of South China Assets Holdings Limited, a director of which is also a director of the Company. The amounts are unsecured, non-interest-bearing and have no fixed terms of repayment. The maximum outstanding balances during the year were HK$963,000 and HK$383,000 due from SCA and SCFCL, respectively.

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(CONTINUED)*

Included in other receivables as at 31 December 2015 was HK$582,000 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 was unsecured, non-interest-bearing and had no fixed terms of repayment. The maximum outstanding balance during the year was HK$2,619,000.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Bullion contracts	**25**	**–**	–	–
Foreign exchange contracts	**994**	**49,521**	–	–
	1,019	**49,521**	–	–

The Group has entered into various bullion and foreign exchange contracts for trading and investment purposes. These contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Net fair value losses of HK$48,502,000 (2015: Nil) were recognised in profit or loss during the year.

24. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

	Note	2016 HK$'000	2015 HK$'000
Cash and bank balances		**355,406**	110,721
Time deposits		**500**	39,156
		355,906	149,877
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	29	**–**	(38,656)
		(500)	(39,156)
Cash and bank balances		**355,406**	110,721

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$44,395,000 (2015: HK$44,304,000). RMB held in Mainland China 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.

25. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities, futures, forex and bullion 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.

26. 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 or at rates that are mutually agreed and are repayable on demand.

Included in client deposits as at 31 December 2016 were deposits from directors, the directors' close family members and companies in which certain directors have beneficial interests totalling HK$25,061,000 (2015: HK$5,661,000), which are subject to similar terms offered by the Group to its major clients.

27. 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:

	2016 **HK$'000**	2015 HK$'000
Current to 30 days	**29,616**	27,093

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

28. OTHER PAYABLES AND ACCRUALS

	2016 **HK$'000**	2015 HK$'000
Other payables	**14,228**	15,139
Accruals	**3,595**	3,346
	17,823	18,485

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

Included in other payables as at 31 December 2016 was HK$358,000 (2015: Nil) due to 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.

29. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Effective interest rate (%)	Maturity	HK$'000	Effectuate interest rate (%)	Maturity	HK$'000
Current						
Bank overdraft – secured	HIBOR + 2.5%	On demand	57,467			–
Bank overdraft – unsecured	Prime rate	On demand	953			–
Bank loans – secured	HIBOR + 1.1% to HIBOR + 2.55%	On demand	331,000	HIBOR + 1.25% to HIBOR + 2.55%	On demand	224,488
	HIBOR + 2.5%	2017	29,099	HIBOR + 2.5%	2016	28,830
				110% of Base Rate	2016	3,451
			418,519			256,769
Non-current						
Bank loans – secured	HIBOR + 2.5%	2018–2023	146,137	HIBOR + 2.5%	2017–2023	175,209
			564,656			431,978

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	418,519	256,769
In the second year	29,721	29,361
In the third to fifth years, inclusive	80,588	88,840
Beyond five years	35,828	57,008
	564,656	431,978

Notes:

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

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

29. INTEREST-BEARING BANK BORROWINGS *(CONTINUED)*

Notes: *(continued)*

(iii) The Group's overdraft facilities amounting to HK$181,000,000 (2015: HK$101,000,000), of which HK$58,420,000 (2015: Nil) had been utilised at the end of the reporting period. Certain bank overdraft was secured by the pledge of certain of the Group's listed equity investments amounting to HK$90,738,000 (2015: HK$29,553,000).

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

(a) investment properties situated in Hong Kong, which had a fair value at the end of the reporting period of approximately HK$440,000,000 (2015: HK$397,500,000) (note 13); and

(b) time deposit amounting to HK$38,656,000 as at 31 December 2015 (note 24).

In addition, listed equity investments belonging to the Group and clients totalling approximately HK$622,859,000 (2015: HK$365,408,000) 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).

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

30. SHARE CAPITAL

Shares

	2016	2015
	HK$'000	HK$'000
Issued and fully paid:		
15,084,253,500 (2015: 7,542,126,750) ordinary shares	**1,086,680**	597,685

30. SHARE CAPITAL *(CONTINUED)*

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

	Number of shares in issue	Share capital HK$'000
At 1 January 2015	5,028,084,500	348,334
Rights issue (note (a))	2,514,042,250	251,404
	7,542,126,750	599,738
Share issue expenses	–	(2,053)
At 31 December 2015 and 1 January 2016	7,542,126,750	597,685
Rights issue (note (b))	7,542,126,750	497,780
	15,084,253,500	1,095,465
Share issue expenses	–	(8,785)
At 31 December 2016	15,084,253,500	1,086,680

Notes:

(a) A rights issue of one rights share for every two existing shares held by members on the register of members on 8 June 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.

(b) A rights issue of one rights share for every one existing share held by members on the register of members on 8 July 2016 was made, at an issue price of HK$0.066 per rights share, resulting in the issue of 7,542,126,750 shares for a total cash consideration, before rights share issue expenses, of HK$497,780,366.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which became effective on 11 June 2012. Under the 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 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 Scheme are as follows:

(1) Purpose of the 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 Scheme at the annual general meeting held on 5 June 2012.

(2) Participants of the Scheme

According to the 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;

31. SHARE OPTION SCHEMES *(CONTINUED)*

(2) Participants of the Scheme *(Continued)*

(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 Scheme

The maximum number of shares in respect of which share options may be granted under the 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 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 2016, the total number of ordinary shares available for issue pursuant to the grant of share options under the 2012 Share Option Scheme was 502,833,450, representing approximately 3.33% of the ordinary shares in issue as at 31 December 2016 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).

31. SHARE OPTION SCHEMES *(CONTINUED)*

(4) Maximum entitlement of each participant *(Continued)*

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.

31. SHARE OPTION SCHEMES *(CONTINUED)*

(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 of the closing prices 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 Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the 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 Scheme during the year:

	2016			2015	
	Weighted average exercise price per share HK$	**Adjusted weighted average exercise price per share# HK$**	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 January	**0.202**	**0.195**	**60,000**	–	–
Granted during the year	**–**	**–**	**–**	0.202	60,000
Lapsed during the year	**0.202**	**0.195**	**(25,359)**	–	–
Adjustment as a result of the rights issue	**–**	**–**	**1,615**	–	–
At 31 December			**36,256**		60,000

As a result of rights issue, adjustment has been made, among others, to the number of share options granted to employees and exercise price per share.

31. SHARE OPTION SCHEMES *(CONTINUED)*

(9) Remaining life of the Scheme *(Continued)*

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

Name or category of participant	Number of share options: Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year before adjustment	Adjustment as a result of the rights issue (note c)	Lapsed during the year after adjustment	Outstanding as at 31 December 2016	Number of ordinary shares issuable upon the exercise of the outstanding share options (note a)	Exercise price per share HK$ (notes b and c)	Date of grant of share options	Exercise periods of share options
Employees	20,000,000	–	–	(5,000,000)	538,462	–	15,538,462	15,538,462	0.195	09/06/2015	09/06/2016-08/06/2018
	20,000,000	–	–	(5,000,000)	538,462	(5,179,487)	10,358,975	10,358,975	0.195	09/06/2015	09/06/2017-08/06/2019
	20,000,000	–	–	(5,000,000)	538,462	(5,179,487)	10,358,975	10,358,975	0.195	09/06/2015	09/06/2018-08/06/2020
	60,000,000	–	–	(15,000,000)	1,615,386	(10,358,974)	36,256,412				

Notes:

(a) Representing 0.2% of the total issued voting shares in the Company as at 31 December 2016.
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(b) The share price immediately preceding the grant date of share options on 9 June 2015 was HK$0.2.

(c) As a result of rights issue, adjustment has been made, among others, to the number of share options granted to employees and exercise price per share.

31. SHARE OPTION SCHEMES *(CONTINUED)*

(9) Remaining life of the Scheme *(Continued)*

On 9 June 2015, the Company granted 60,000,000 share options to certain employees. The fair value of these share options granted was HK$5,875,000, of which the Group recognised a share option expense of HK$1,422,000 (2015: HK$1,938,000) during the year ended 31 December 2016.

The fair value of equity-settled share options granted on 9 June 2015 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 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 to 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 a share option.

At the end of the reporting period, the Company had 36,256,412 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 36,256,412 additional ordinary shares in the Company and give rise to proceeds receivables of HK$7,070,000 (before issue expenses).

32. 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 39 of the financial statements.

33. OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value of available-for-sale financial assets	**(6,200)**	4,791
Exchange differences on translation of foreign operations	**(4,054)**	(3,572)
Other comprehensive income/(loss) for the year	**(10,254)**	1,219

34. DISPOSAL OF SUBSIDIARIES

	Notes	2016 HK$'000	2015 HK$'000
Net assets disposed of:			
South China Asset Management Limited ("SCA")	(a)	–	5,618
South China Financial Credits Limited ("SCFC")	(b)	–	20,311
		–	25,929
Satisfied by:			
Cash		–	25,929

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

	2016 HK$'000	2015 HK$'000
Cash consideration	–	25,929
Cash and bank balances disposed of	–	(21,096)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	4,833

34. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) On 18 May 2015, the Company had entered into an agreement with Wealth Anchor Holdings Limited ("WAHL"), a wholly-owned subsidiary of South China Assets Holdings Limited ("SCAH"), 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 an agreement with Prosperous Global Holdings Limited, a wholly-owned subsidiary of SCAH, a related company of the Company, whereby the Company disposed of 98.81% equity interest in 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

35. 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 29 to the financial statements.

36. 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**7,908**	7,882
In the second to fifth years, inclusive	**5,995**	397
	13,903	8,279

(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:

	2016 **HK$'000**	2015 HK$'000
Within one year	**5,520**	5,655
In the second to fifth years, inclusive	**4,290**	3,600
After five years	**209**	583
	10,019	9,838

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contacted, but not provided for:		
Capital contributions to a subsidiary	11,116	11,802
Capital contributions to an associate	7,781	8,261
	18,897	20,063

38. 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	2016 HK$'000	2015 HK$'000
Commission and brokerage income*	(i)	548	5,200
Interest income arising from margin financing*	(ii)	10	43
Rental and building management fee expense*	(iii)	8,739	9,311
Consultancy fee*	(iv)	–	224
Advertising and promotion expense*	(v)	2,219	1,186
Underwriting fee	(vi)	6,867	–
Proceeds from disposal of subsidiaries from a related company	34	–	25,929

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

38. CONNECTED AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) *(Continued)*

Notes:

(i) Commission and brokerage income relating 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 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 fee expenses relating to the leasing of the Group's office premises were charged on a cost reimbursement basis.

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

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

(vi) Underwriting fee relating to the Group's rights issue was charged by a related company at 2% of the transaction value of underwritten shares.

(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, 26 and 28 to the financial statements.

39. 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:

2016

Financial assets

	Financial assets at fair value through profit or loss –				
	Designated upon initial recognition HK$'000	Held for trading HK$'000	Available-for-sale investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Other assets	–	–	–	7,236	7,236
Available-for-sale investments	–	–	27,058	–	27,058
Loans receivable	–	–	–	323,108	323,108
Trade receivables	–	–	–	235,145	235,145
Derivative financial instruments	–	1,019	–	–	1,019
Financial assets at fair value through profit or loss	19,750	394,596	–	–	414,346
Financial assets included in other receivables, prepayments and deposits (note 22)	–	–	–	19,189	19,189
Pledged time deposits	–	–	–	500	500
Cash held on behalf of clients	–	–	–	479,424	479,424
Cash and bank balances	–	–	–	355,406	355,406
	19,750	395,615	27,058	1,420,008	1,862,431

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Client deposits	–	530,863	530,863
Trade payables	–	29,616	29,616
Derivative financial instruments	49,521	–	49,521
Financial liabilities included in other payables and accruals	–	13,565	13,565
Deposits received	–	2,175	2,175
Interest-bearing bank borrowings	–	564,656	564,656
	49,521	1,140,875	1,190,396

39. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

2015

Financial Assets

	Financial assets at fair value through profit or loss –				
	Designated upon initial recognition HK$'000	Held for trading HK$'000	Available-for-sale investments HK$'000	Loans and receivables HK$'000	Total 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

40. 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, clients 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 2016 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. The fair value of derivative financial instruments are measured based on quoted market prices.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

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 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Available-for-sale investments:				
Equity investments	**24,850**	**–**	**–**	**24,850**
Debt investments	**–**	**2,208**	**–**	**2,208**
Derivative financial instruments	**–**	**1,019**	**–**	**1,019**
Financial assets at fair value through profit or loss	**414,346**	**–**	**–**	**414,346**
	439,196	**3,227**	**–**	**442,423**

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'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

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2) HK$'000
As at 31 December 2016	
Derivative financial instruments	49,521

The Group did not have any financial liabilities measured at fair value as at 31 December 2015.

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Interest rate risk *(Continued)*

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
2016		
Hong Kong dollar	**50**	**2,823**
Renminbi	**50**	**–**
2015		
Hong Kong dollar	50	2,143
Renminbi	50	17

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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(Continued)*

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:

	2016					
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Client deposits	**530,863**	**–**	**–**	**–**	**–**	**530,863**
Interest-bearing bank borrowings	**389,420**	**8,592**	**25,671**	**121,614**	**36,792**	**582,089**
Trade payables	**–**	**29,616**	**–**	**–**	**–**	**29,616**
Derivative financial instruments	**49,521**	**–**	**–**	**–**	**–**	**49,521**
Financial liabilities included in other payables and accruals	**–**	**13,565**	**–**	**–**	**–**	**13,565**
Deposits received	**–**	**–**	**–**	**2,175**	**–**	**2,175**
	969,804	**51,773**	**25,671**	**123,789**	**36,792**	**1,207,829**

	2015					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

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
2016			
Investments listed in:			
Hong Kong – Available-for-sale	**24,850**	**–**	**2,485**
– Held-for-trading	**392,773**	**39,277**	**–**
– Designated upon initial recognition	**19,750**	**1,975**	**–**
Investments listed in:			
Mainland China – Held-for-trading	**1,823**	**182**	**–**
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:			
Mainland China – Held-for-trading	3,460	346	–

* Excluding retained profits

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

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 legal and 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 2016 and 2015.

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 is interest-bearing bank borrowings less cash and bank balances. Capital represents total equity. The gearing ratios at the end of the reporting periods were as follows:

	2016 **HK$000**	2015 HK$000
Interest-bearing bank borrowings	**564,656**	431,978
Less: Cash and bank balances	**(355,406)**	(110,721)
Net debt	**209,250**	321,257
Capital	**1,094,460**	671,000
Capital and net debt	**1,303,710**	992,257
Gearing ratio	**16.1%**	32.4%

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables represent details of financial instruments subject to offsetting.

	2016					
				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 financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Trade receivables	283,766	(48,621)	235,145	–	–	235,145
Loans receivable	344,064	(20,956)	323,108	–	–	323,108
Derivative financial instruments	1,193	(174)	1,019	–	1,019	–
	629,023	(69,751)	559,272	–	1,019	558,253

				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 financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Trade payables	99,193	(69,577)	29,616	–	–	29,616
Derivative financial instruments	49,695	(174)	49,521	–	49,521	–
	148,888	(69,751)	79,137	–	49,521	29,616

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(CONTINUED)*

	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 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 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

43. 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	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**289,098**	328,353
Subordinated loan to a subsidiary	(a)	**100,000**	100,000
Intangible assets		**275**	–
Total non-current assets		**389,373**	428,353
CURRENT ASSETS			
Other receivables, prepayments and deposits		**11,126**	5,372
Cash and bank balances		**189,365**	254
Total current assets		**200,491**	5,626
CURRENT LIABILITIES			
Other payables		**743**	2,114
NET CURRENT ASSETS		**199,748**	3,512
TOTAL ASSETS LESS CURRENT LIABILITIES		**589,121**	431,865
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries		**689**	674
Net assets		**588,432**	431,191
EQUITY			
Share capital		**1,086,680**	597,685
Reserves	(b)	**(498,248)**	(166,494)
Total equity		**588,432**	431,191

Ng Yuk Mui Jessica	**Cheung Choi Ngor**
Director	*Director*

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

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 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 option reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000
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 and at 1 January 2016	**1,938**	**(168,432)**	**(166,494)**
Total comprehensive loss for the year	**–**	**(333,176)**	**(333,176)**
Equity-settled share option arrangements	**1,422**	**–**	**1,422**
Transfer of share option reserve upon the forfeiture of share options	**(727)**	**727**	**–**
At 31 December 2016	**2,633**	**(500,881)**	**(498,248)**

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.

44. EVENT AFTER THE REPORTING PERIOD

On 18 January 2017, the Group completed the acquisition of the entire equity interest in Golden Ways Limited, and Media Bonus Limited and its subsidiaries, which are engaged in the financial media business, at a consideration of HK$22,300,000. Further details of the acquisition are contained in Company's circular dated 29 December 2016.

Because the above acquisition was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2017.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**121,366**	148,460	105,744	104,989	122,749
Profit/(loss) before tax	**(55,867)**	(9,265)	(72,331)	1,141	55,402
Tax	**(836)**	(5,613)	(573)	62	1,205
Profit/(loss) for the year	**(56,703)**	(14,878)	(72,904)	1,203	56,607
Attributable to:					
Equity holders of the Company	**(56,703)**	(14,842)	(72,893)	1,218	56,610
Non-controlling interests	–	(36)	(11)	(15)	(3)
	(56,703)	(14,878)	(72,904)	1,203	56,607

	Year ended 31 December				
	2016	2015 (restated)	2014	2013	2012
Earnings/(loss) per share (HK cents):					
Basic	**(0.53)**	(0.21)	(1.21)	0.02	1.13
Diluted	**(0.53)**	(0.21)	(1.21)	0.02	1.13
Dividend per share (HK cents)	–	–	–	–	–

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,323,494**	1,796,596	1,784,283	1,660,285	1,565,572
TOTAL LIABILITIES	**(1,229,034)**	(1,125,596)	(1,350,406)	(1,157,722)	(1,064,996)
NON-CONTROLLING INTERESTS	–	–	(543)	(554)	(569)
	1,094,460	671,000	433,334	502,009	500,007