CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Sunrise (China) Technology Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ma Arthur On-hing
Mr. Shan Biao
Mr. Mui Wai Sum
Ms. Kwan Kar Ching

Independent Non-executive Directors

Mr. Ho Chun Kit Gregory
Mr. Ho Wai Shing
Mr. Hung Cho Sing

COMPANY SECRETARY

Mr. Tam Chak Chi

AUDIT COMMITTEE

Mr. Ho Chun Kit Gregory *(Committee Chairman)*
Mr. Ho Wai Shing
Mr. Hung Cho Sing

NOMINATION COMMITTEE

Mr. Ma Arthur On-hing *(Committee Chairman)*
Mr. Ho Chun Kit Gregory
Mr. Hung Cho Sing

REMUNERATION COMMITTEE

Mr. Ho Chun Kit Gregory *(Committee Chairman)*
Mr. Ma Arthur On-hing
Mr. Hung Cho Sing

AUTHORISED REPRESENTATIVES

Mr. Tam Chak Chi
Mr. Ma Arthur On-hing

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 01-02, 13/F
Dah Sing Financial Centre
108 Gloucester Road
Wan Chai, Hong Kong

COMPLIANCE OFFICER

Mr. Ma Arthur On-hing

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai, Hong Kong
(which will be relocated to Suites 3301-04,
33/F, Two Chinachem Exchange Square,
338 King's Road, North Point, Hong Kong
with effect from 5 April 2016)

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

LISTING INFORMATION

The Growth Enterprise Market of the Stock of
Exchange of Hong Kong Limited
Stock code: 8226

COMPANY'S WEBSITE

www.sunrisechina-tech.com

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets, liabilities and equity attributable to owners of the Company:

CONSOLIDATED RESULTS OF THE GROUP

	2011 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Revenue	724,008	875,577	510,677	49,022	**87,011**
Cost of sales	(575,540)	(689,999)	(397,735)	(47,418)	**(87,178)**
Gross profit/(loss)	148,468	185,578	112,942	1,604	**(167)**
Other income, gains and losses (net)	(18,636)	53,506	(50,191)	(23,269)	**(206,853)**
Selling and marketing costs	(23,475)	(32,879)	(14,905)	(55)	**(62)**
Administrative expenses	(129,410)	(156,962)	(109,667)	(24,640)	**(42,456)**
Finance costs	(10,428)	(25,820)	(17,789)	(8,146)	**(14,999)**
Share of loss of associates	–	–	–	–	**(76)**
(Loss)/profit before tax	(33,481)	23,423	(79,610)	(54,506)	**(264,613)**
Income tax	(9,162)	(7,496)	(70)	(4,965)	**(799)**
(Loss)/profit for the year	(42,643)	15,927	(79,680)	(59,471)	**(265,412)**
Non-controlling interests	(7,137)	(6,876)	27,511	42,776	**31,222**
(Loss)/profit attributable to owners of the Company	(49,780)	9,051	(52,169)	(16,695)	**(234,190)**

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2011 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Total assets	844,032	1,083,550	291,801	147,594	**193,241**
Total liabilities	(562,529)	(758,924)	(200,922)	(116,995)	**(133,732)**
Total assets less total liabilities	281,503	324,626	90,879	30,599	**59,509**
Non-controlling interests	(153,397)	(184,495)	(28,366)	14,737	**45,466**
Equity attributable to owners of the Company	128,106	140,131	62,513	45,336	**104,975**

CHAIRMAN'S STATEMENT

On behalf of the board of the Directors, I present the annual report of Sunrise (China)Technology Group Limited (together with its subsidiaries, the "Group") for the year ended 31 December 2015.

THE YEAR UNDER REVIEW

In 2015, the Group's non wholly-owned subsidiary, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan"), faced significant challenges in its straw fuel briquettes business. Demands of briquettes decreased significantly due to the growth of coal consumption induced by a sharp decrease in coal prices. Revenue generated from Shengyan decreased to an immaterial level for the year ended 31 December 2015. For this reason, its production plants had been shut down so as to reduce the need of operating funds.

To avoid the over-reliance on the diminishing manufacturing and sales of straw briquettes, we started to diversify our business by tapping into i) trading of commodities, ii) trading of garment accessories, iii) manufacture and sales of LED digital display products and iv) investment in securities.

During the fourth quarter of 2014, the Group started to engage in the trading of crude palm oil through its wholly-owned subsidiary, the underlining importance is to widen the Group's business network in the field of commodities trading.

During the first quarter of 2015, the Company also started to engage in the trading of garment accessories via its non wholly-owned subsidiary. The operation is currently under development, and we shall seek to expand our distribution network and enhance existing business relationships.

Based on the green development concept promoted by the PRC government, energy saving and emission reduction continue to play a very important role. Therefore, the Group started the LED digital display products business from the fourth quarter of this year. Today, LED technologies are widely applied in TV advertising screens and electric appliances' control system display screens. LED digital displays are well known for their lower energy consumption, longer lifetime, improved physical robustness, smaller sizes, and faster switching. The Board believed that the LED segment will bring a stable growth and shall become one of the major businesses of the Group.

The securities investment business commenced in the third quarter of this year. The investment scope mainly includes short-term investments in listed securities in Hong Kong with an investment objective to generate additional returns on available funds of the Company from time to time.

LOOKING AHEAD

In 2016, the Board will continue to develop current businesses and at the same time proactively explore new business areas and seek suitable investment opportunities.

Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

APPRECIATION

On behalf of the Board and management, I would like to express gratitude to the Group's staff for their unwavering dedication and hard work during the year. I would also like to extend my thanks to all shareholders and business partners who have supported the Company throughout its ups and downs.

Ma Arthur On-hing
Executive Director
Hong Kong, 18 March 2016

BUSINESS REVIEW

Manufacture and Sales of Straw Briquettes

Shengyan was incorporated in the PRC in July 2010 with a registered capital of RMB30 million and is principally engaged in the production and sales of straw fuel briquettes, which is a type of biofuels and a substitute for coal in the northeast region of the PRC. The Group completed the acquisition of its 51% interest in Shengyan in December 2012. The business model of Shengyan is briefly summarised as follows:

- Straw collection – purchase, collect and strap raw straw from farmers and transport to the warehouses for storage;
- Straw grinding – the straw collected is then crushed and ground into fine powder through crushing equipments;
- Straw briquetting – the straw powder is then put into the briquetting press machines from where it is compressed and processed into straw fuel briquettes are made; and
- Sales of finished products – upon receiving sales orders, the straw fuel briquettes are then sold to customers.

The customers of Shengyan mainly consist of companies located at Heilongjiang Province in the PRC, who engage in agriculture and manufacturing, and purchase the straw fuel briquettes for different usage such as heat generation. Revenue of Shengyan is mainly derived from the sales of straw fuel briquettes through sales orders from customers, Shengyan purchases raw straw directly from various local farmers in the Baiquan County of Heilongjiang Province.

During the period, Shengyan faced severe challenges in the market demand of its straw fuel briquettes due to the increase in coal consumption as coal price dropped sharply during the year 2014 and 2015. Revenue generated from Shengyan decreased to a minimal level for the year ended 31 December 2015. The production plants are currently shut down due to a shortage of operating fund. In view of Shengyan's adverse business condition, an impairment loss of approximately HK$52.1 million in land and buildings, plant and equipment, inventories, trade and other receivables was recorded. Management shall continue to monitor Shengyan's business closely, while changing the Group's focus by developing other businesses and segments.

Trading of Commodities

The Group's commodities business segment commenced operation in the fourth quarter of 2014. For the year ended 31 December 2015, a total of 15,367 metric tonnes (2014: 5,750 metric tonnes) of crude palm oil was traded, contributing an aggregate revenue of approximately HK$73.2 million (2014: HK$30.2 million) to the Group. The Group's trading in crude palm oil is carried out on a trade-by-trade basis.

Given that the Group is new to the commodities trading business, the Board thus expects a relatively thin profit margin. However, the underlying importance is to widen the Group's business network in the area of commodities trading. The Group will negotiate with suppliers and customers in order to achieve better trading terms in future trade transactions.

Trading of Garment Accessories

This new operation, commenced in the first quarter of this year, has been developing moderately. It contributed approximately HK$12.6 million to the Group's revenue for the year ended 31 December 2015. As the Group is actively looking for new customers, the Group expects that it will achieve better growth in the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacture and Sales of LED Digital Display Products

To strengthen and diversify the Group's revenue base, the Group established Dongguan Guss Optoelectronics Co., Ltd. to engage in manufacture and sales of LED digital display products in the third quarter of the year. LED digital display products are widely applied in TV advertising screen and display screens of control system of a variety of electric appliances such as mobile phones, televisions, notebooks, tablets and automobile interfaces.

This new operation contributed approximately HK$1.2 million to the Group's revenue. The Board expects that it will bring a stable income to the Group starting from the first quarter of next year.

Investment in Securities

This new business activity commenced in the third quarter of this year. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions.

As at 31 December 2015, the Group held approximately HK$63.3 million of equity investments which are classified as held for trading. As the overall market condition of the Hong Kong stock market improved in 2015, the Group recorded an unrealised gain and a realised gain of approximately HK$10.1 million and HK$15.8 million respectively. During the year, the Group realised HK$4.1 million, HK$3.8 million and HK$2.7 million from the sale of KPa-BM Holdings Limited, Fraser Holdings Limited and REF Holdings Limited respectively which represented 67.1% of realised gain. Details of unrealised gain were included under "significant investments" section under management discussion and analysis. The Board will adopt cautious measures to manage this business activity aiming at generating additional investment returns on available funds of the Company from time to time.

Interests in Associates – Limousine Service

During the period, the Group acquired 30% equity interest of Summus Limousine Services Limited, a company incorporated in Hong Kong which is engaged in the limousine service business. The equity interest is classified as investment in associate.

FINANCIAL REVIEW

For the year ended 31 December 2015, the turnover of the Group increased to approximately HK$87.0 million (2014: HK$49.0 million), representing an increase of approximately 77.6% when compared with that of 2014. The increase in turnover was mainly driven by the trading of commodities business and garment accessories business.

The Group disposed of Jiangsu Shengyi Environmental Technology Co., Ltd. during the first quarter of 2014 for the aggregate consideration of HK$51.0 million. After deducting the net asset value, the Group recorded a gain of approximately HK$50.8 million from the disposal recognised in the year ended 31 December 2014.

Revenue generated from Shengyan decreased to a minimal level for the year ended 31 December 2015. During the year, the Shengyan's segment recorded a substantial loss of approximately HK$60.3 million mainly due to the additional impairment on land and buildings, plant and equipment, inventories, trade and other receivables.

During the third quarter of the year, the Group has commenced securities investment activities. The Group recorded a net gain of approximately HK$25.9 million from such activities.

The Group recorded a net loss of approximately HK$265.4 million for the current year, compared with a net loss of approximately HK$59.5 million for the same period of last year. Such loss was mainly attributable to Shengyan's loss of approximately HK$60.3 million, the loss on issue of convertible bonds of approximately HK$161.7 million and the fair value loss of the unlisted warrants of approximately HK$11.4 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2015, the Group's major business operations took place in China and Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 31 December 2015, the Group had cash and bank balances of approximately HK$6.4 million (2014: HK$1.0 million).

As at 31 December 2015, the Group's total indebtedness comprised of convertible bonds payable of approximately HK$20.8 million (2014: Nil), corporate bonds of approximately HK$24.9 million (2014: HK$24.0 million) and other borrowings of approximately HK$13.8 million (2014: HK$24.1 million).

As at 31 December 2015, the Group's outstanding number of issued shares of HK$0.01 each was 1,137,529,446 shares (2014: 431,764,974 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 31 December 2015 was 50.2% (2014: 70.3%).

In order to enhancing the working capital and strengthening the capital base and financial position for possible future investments of the Group, the Company had carried out the following activities:

a) On 14 January 2015, a placing agreement was entered into between the Company and Kingsway Financial Services Group Limited. On 29 January 2015, 86,352,000 placing shares were successfully placed to not less than six independent third parties at the placing price of HK$0.35 per placing share pursuant to the terms and conditions of the placing agreement.

   The net proceeds of the placing, after deduction of the placing commission and related expenses, amount to approximately HK$29.3 million. The net proceeds were applied for general working capital of the Company and settlement of certain liabilities of the Company.

b) On 16 July 2015, the Company issued the convertible bonds in principal amount of HK$80.0 million, which may be converted into 842,105,263 Conversion Shares based on the initial Conversion Price upon full conversion.

   The net proceeds were approximately HK$78.5 million, which were applied for general working capital of the Company, settlement of certain liabilities of the Company and future and potential investment opportunities.

c) On 21 July 2015, a placing agreement was entered into between the Company and Supreme China Securities Limited. On 7 August 2015, 103,623,000 placing shares were successfully placed to not less than six independent third parties at the placing price of HK$0.43 per placing share pursuant to the terms and conditions of the placing agreement.

   The net proceeds of the placing, after deduction of the placing commission and related expenses, amount to approximately HK$43.2 million. The net proceeds were applied for general working capital of the Company and settlement of certain liabilities of the Company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the note 19, note 37 and note 38 to the consolidated financial statements, the Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 December 2015, the Group held approximately HK$63.3 million of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Notes	Place of incorporation	Fair Value Gain/(loss)	Market Value	Approximate percentage of held-for-trading investment	Approximate percentage to the net asset
			HK$	HK$	%	%
AMCO United Holding Limited	1	Bermuda	10,529,310	19,500,000	30.8	32.8
Echo International Holdings Group Limited	2	Cayman Island	(507,499)	8,601,600	13.6	14.4
Epicurean and Company, Limited	3	Cayman Island	(1,945,873)	7,163,200	11.3	12.0
ICO Group Limited	4	Cayman Island	(571,507)	9,466,880	15.0	15.9
LEAP Holdings Group Limited	5	Cayman Island	4,120,046	9,145,500	14.5	15.4
Others		N/A	(1,530,754)	9,381,680	14.8	15.7
			10,093,723	63,258,860	100	106.2

Notes:

1. AMCO United Holding Limited was principally engaged in (i) manufacture and sale of medical device products; (ii) manufacture and sale of plastic moulding products; (iii) provision of public relations services; (iv) provision of human resources management services; (v) provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works; and (vi) money lending business. No dividend was received during the year. According to the latest published financial statements of AMCO United Holding Limited, it had net asset value of approximately HK$39,179,000.

2. Echo International Holdings Group Limited was principally engaged in the manufacturing and trading of electronic products and accessories. No dividend was received during the year. According to the latest published financial statements of Echo International Holdings Group Limited, it had net asset value of approximately HK$36,142,000.

3. Epicurean and Company, Limited was principally engaged in the food and beverage business. No dividend was received during the year. According to the latest published financial statements of Epicurean and Company Limited, it had net liability value of approximately HK$7,542,000.

4. ICO Group Limited was principally engaged in the businesses of IT application and solution development, IT infrastructure solutions, secondment services and maintenance and support services. No dividend was received during the year. According to the latest published financial statements of ICO Group Limited, it had net asset value of approximately HK$139,035,000.

5. LEAP Holdings Group Limited was principally engaged in provision of foundation works and ancillary services and construction wastes handling. No dividend was received during the year. According to the latest published financial statements of LEAP Holdings Group Limited, it had net asset value of approximately HK$150,184,000.

In view of the recent volatile and weakness in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant capital commitments (2014: Nil).

Except as disclosed in the section headed "Legal Proceedings", as at 31 December 2014 and 2015, the Group did not have any significant contingent liabilities.

LEGAL PROCEEDINGS

Reference is made to the Company's announcement dated 25 July 2014 in relation to the Writ of summons received by the Company. It was alleged in the Writ that a total sum of HK$10,000,000 was advanced by Total Shares Limited (the "Plaintiff") to Mr. Shan Xiaochang ("Mr. Shan"), the former Board Chairman and Chief Executive Officer, pursuant to a loan agreement (the "Loan Agreement") dated 9 August 2013 made between the Plaintiff as the lender and Mr. Shan as the borrower, the repayment of which was guaranteed by the Company as a guarantor by a guarantee (the "Guarantee") signed by the Company in favour of the Plaintiff dated 9 August 2013. The amount of the claim specified in the Writ was HK$10,000,000 plus the accrued unpaid interest under the Loan Agreement and other interest.

As no meeting at the Board or shareholders of the Company was held to approve the Guarantee or authorise any Director to sign the Guarantee for and on behalf of the Company, the Board is of the view that the Guarantee is not binding on or enforceable against the Company and the Claim has no merit against the Company. The Company has been advised by the Counsel that the Company shall have a good defence to the case and shall not be liable to the Plaintiff's claim.

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's transactions were mainly denominated in Renminbi, Hong Kong dollars and US dollars which exposed the Group to currency risk. The Group currently does not have a foreign currency hedging policy in place but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

PLEDGE OF ASSETS

Save as disclosed in the note 21 to the consolidated financial statements, as at 31 December 2014 and 2015, the Group did not have any substantial pledge of assets.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2015, the Group had about 74 (2014: 27) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK$10.6 million (2014: HK$6.8 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

SUBSEQUENT EVENTS

Details of subsequent events are set out in the note 45 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Ma Arthur On-hing, aged 47, is the executive Director, who is responsible in managing the Group's daily operations. Mr. Ma has over 20 years of experience in investment, fund management and financial management. He is a member of the American Institute of Certified Public Accountants. He obtained his bachelor degree in Accounting and Finance from the San Francisco State University, a master degree in Finance from the Golden Gate University, and a master degree in Linguistics from the Chinese University of Hong Kong. He is currently an independent non-executive director of Blue Sky Power Holdings Limited (stock code: 6828), a company listed on the Main Board of the Stock Exchange.

Mr. Shan Biao, aged 56, is the executive Director. Mr. Shan obtained a Master Degree in Business Administration from the Macau University of Science and Technology in 2003 and completed an advanced course in modern business administration at the Peking University of the People's Republic of China in 2005. He also completed an advanced course in Business Operation and Finance at the Fudan University in 2006. Mr. Shan previously worked as an executive director and general manager of a company listed on the Main Board of the Stock Exchange from 2007 to 2009.

Mr. Mui Wai Sum, aged 28, is the executive Director. Mr. Mui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He holds an Honour Degree in General Finance from the Chinese University of Hong Kong. Mr. Mui had worked for an international accounting firm. He has over 3 years of experience in corporate finance, debt restructuring and insolvency administration. He is currently an executive director of Sau San Tong Holdings Limited (stock code: 8200), a company listed on the Growth Enterprise Market of the Stock Exchange.

Ms. Kwan Kar Ching, aged 26, is the executive Director. Ms. Kwan holds a bachelor degree of business administration in accounting and finance from the University of Hong Kong. Ms. Kwan had worked for international bank and financial institution. She has over 4 years of experience in banking, asset management and investment.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chun Kit Gregory, aged 37, is the independent non-executive Director. Mr. Ho holds a bachelor degree of accounting from the Monash University of Australia and is a member of the Certified Public Accountants of Australia. He had worked for several international accounting and business advisory firms for more than 10 years in providing accounting, financial, corporate advisory and corporate restructuring services to listed companies. He subsequently set up his own corporate advisory firm. Mr. Ho is also an executive director of China Oil Gangran Energy Group Holdings Limited (stock code: 8132), which is a company listed on the Growth Enterprise Market of the Stock Exchange. He is also an independent non-executive director of Asia Resources Holdings Limited (stock code: 899), which is a company listed on the Main Board of the Stock Exchange.

Mr. Ho Wai Shing, aged 49, is the independent non-executive Director. Mr. Ho previously worked as a sales director of a company listed on the Main Board of the Stock Exchange and was also a director of two subsidiaries of that group from 1986 to 2004. After his resignation, Mr. Ho established Ocean Zone Electronic Company Limited which has been engaged in the supply networks of high end electrolytic capacitors between customers and manufacturers.

Mr. Hung Cho Sing, aged 75, is the independent non-executive Director. Mr. Hung has over 30 years of experience in the film distribution industry and founded Delon International Film Corporation in 1970. Mr. Hung has been the chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association Limited since 1991 and was the chairman of Hong Kong Film Awards Association Limited from 1993 to 1995. Mr. Hung was appointed by the Hong Kong Special Administrative Region ("HKSAR") Government as a member of the Hong Kong Film Development Council from 2007 to 31 March 2013. Mr. Hung was also appointed as a consultant of the China Film Association since 2013. Mr. Hung is also a member of HKSAR Election Committee and a vice chairman of the Cultural Profession Committee of the Guangdong, Hong Kong and Macau Cooperation Promotion Council (廣東省粵港澳合作促進會文化專業委員會副主任委員). Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the HKSAR Government in 2005 in recognition of his contribution to the Hong Kong Film industry. Mr. Hung has been appointed by the HKSAR Government as member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission on an ad personam basis for a term of two years with effect from 17 January 2013.

Mr. Hung has been appointed as an executive director of Universe International Holdings Limited (stock code: 1046). He is also an independent non-executive director of Freeman Financial Corporation Limited (stock code: 279), China Star Entertainment Limited (stock code: 326), Mascotte Holdings Limited (stock code: 136) and Unity Investments Holdings Limited (stock code: 913). Mr. Hung was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014. All these companies are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tam Chak Chi, aged 39, is the chief financial officer and the company secretary of the Group. Mr. Tam is responsible for the overall financial and accounting management of the Group. He holds a bachelor degree of commerce from the University of Toronto and has more than 15 years of experience in providing accounting, auditing and financial services in his various roles as senior positions for various private and listed companies (on the Main Board and the GEM of the Stock Exchange, and NASDAQ). He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board and senior management are committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

The Board is of the view that the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2015, except for certain deviations as explained below. The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2015. Having made specific enquiry of all Directors, the Directors have complied such code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

The Board currently comprises:

Executive Directors:

Mr. Ma Arthur On-hing
Mr. Shan Biao
Mr. Mui Wai Sum
Ms. Kwan Kar Ching

Independent Non-executive Directors:

Mr. Ho Chun Kit Gregory
Mr. Ho Wai Shing
Mr. Hung Cho Sing

The Board is collectively responsible for the oversight of the management of the Company's business and affairs of the organisation with the objective of enhancing shareholder value. The Board approves and monitors the Group's business strategies and policies. The Board is also responsible to the shareholders of the Company for overseeing the Group's overall business, strategic decisions and directions, annual budget, and other major corporate matters. Besides, the Board delegates the management team with the authority and responsibility for the daily operations and administration of the Group.

The Board has normally scheduled four regular meetings a year each at quarterly intervals and meets as and when required. In addition, the Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Director. During the year ended 31 December 2015, the Board held 21 meetings and the attendance of each Director is as follows:

	Number of meetings attended/ eligible to attend
Executive Directors:	
Mr. Ma Arthur On-hing	21/21
Mr. Shan Biao	21/21
Mr. Mui Wai Sum	21/21
Ms. Kwan Kar Ching (appointed on 1 April 2015)	12/12
Mr. Xiao Yujie (resigned on 26 January 2015)	0/3
Mr. Shan Xiaochang (resigned on 25 March 2015)	0/6
Non-executive Director:	
Mr. Chen Wai Chung Edmund (resigned on 15 January 2016)	21/21
Independent non-executive Directors:	
Mr. Ho Chun Kit Gregory	21/21
Mr. Ho Wai Shing	21/21
Mr. Hung Cho Sing (appointed on 15 May 2015)	11/11
Ms. Chan Sze Man (resigned on 17 April 2015)	9/9
Mr. Ng Chi Ho Dennis (resigned on 15 May 2015)	10/10

There is no family or other material relationship among members of the Board.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to discharge their duties to the Company.

Appropriate insurance cover has been arranged in respect of legal actions against the Directors.

All independent non-executive Directors are appointed for a specific term of not more than 2 years. All Directors are subject to re-election by shareholders at the annual general meeting following their appointment. At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

CORPORATE GOVERNANCE REPORT

In compliance with rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional qualifications on accounting or related financial management expertise. For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of the Directors, the Board follows the requirements set out in the GEM Listing Rule.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure their contributions to the Board remains informed and relevant. For the year ended 31 December 2015, all Directors have participated in continuous professional development, by attending conferences, seminars and in-house briefing, and giving talks and reading materials relevant to their duties, responsibilities and the Group's businesses. Further, all Directors have received in-house trainings which covered corporate governance and listing rules and regulations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

Following the resignation of Mr. Shan Xiaochang from the Chairman of the Board, the executive Director and the Chief Executive Officer in March 2015, Mr. Ma Arthur On-hing has temporarily taken up the duties of the Chairman. The Board is currently in the process of identifying a suitable candidate to fill in the role of the Chairman.

The Company does not have the role of chief executive officer. The Chief Executive Officer's duties have been undertaken by members of the Board. They are responsible for corporate planning, business development strategy and overall direction of the Group. The senior management is responsible for the day-to-day operations of the Group under the leadership of the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company currently comprises one executive Director, namely Mr. Ma Arthur On-hing, and two independent non-executive Directors, namely Mr. Ho Chun Kit Gregory and Mr. Hung Cho Sing. Mr. Ho Chun Kit Gregory is the committee chairman. The main role and function of the remuneration committee include the formulation of the Company's remuneration policy, the approval or recommendation of remuneration packages for the Directors and senior management, and the review and approval of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee meets regularly to determine the policy for the remuneration of Directors and assess the performance of the executive Directors. During the year, two meetings of the remuneration committee have been held with the following attendances:

	Number of meetings attended/ eligible to attend
Mr. Ho Chun Kit Gregory	2/2
Mr. Ma Arthur On-hing (appointed on 25 March 2015)	1/2
Mr. Hung Cho Sing (appointed on 15 May 2015)	0/0
Mr. Shan Xiaochang (resigned on 25 March 2015)	0/0
Ms. Chan Sze Man (resigned on 17 April 2015)	2/2
Mr. Ng Chi Ho Dennis (resigned on 15 May 2015)	0/0

Details of the Director's remuneration are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company currently comprises one executive Director, namely Mr. Ma Arthur On-hing and two independent non-executive Directors, namely Mr. Ho Chun Kit Gregory and Mr. Hung Cho Sing. Mr. Ma Arthur On-hing is the committee chairman. The works carried out by the nomination committee members are set out below:

(a) to review the structure, size and composition (including the skills, knowledge and experience) and to make recommendations to the Board after such review;

(b) to assess the suitability and qualification of candidates put forward by the Chief Executive Officer and to become new board members and to report to the Board on their assessment;

(c) to assess the independence of independent non-executive Directors, having regard to the requirements under the GEM Listing Rules; and

(d) to make recommendations to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

Two meetings of the nomination committee have been held during the year, with the following attendances:

	Number of meetings attended/ eligible to attend
Mr. Ma Arthur On-hing (appointed on 25 March 2015)	2/2
Mr. Ho Chun Kit Gregory (appointed on 17 April 2015)	0/0
Mr. Hung Cho Sing (appointed on 15 May 2015)	0/0
Mr. Shan Xiaochang (resigned on 25 March 2015)	0/0
Ms. Chan Sze Man (resigned on 17 April 2015)	2/2
Mr. Ng Chi Ho Dennis (resigned on 15 May 2015)	2/2

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board adopts a board diversity policy and discusses all measurable objectives set for implementing the policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Ho Chun Kit Gregory, Mr. Ho Wai Shing and Mr. Hung Cho Sing with Mr. Ho Chun Kit Gregory as the committee chairman.

The primary role and function of the audit committee are to oversee the relationship with the external auditor, to review the Group's preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements. The committee shall engage independent legal or other advisers as it determines is necessary to perform any investigations.

During the year ended 31 December 2015, four meetings of the audit committee have been held for the purpose of reviewing the Company's accounts and reports, and providing advices and recommendations to the Board, with the following attendances:

	Number of meetings attended/ eligible to attend
Mr. Ho Chun Kit Gregory	4/4
Mr. Ho Wai Shing (appointed on 17 April 2015)	3/3
Mr. Hung Cho Sing (appointed on 15 May 2015)	2/2
Ms. Chan Sze Man (resigned on 17 April 2015)	1/1
Mr. Ng Chi Ho Dennis (resigned on 15 May 2015)	2/2

ACCOUNTABILITY AND AUDIT

The Board acknowledges their responsibility for preparing the financial statements of the Group and ensures the financial statements have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The statement of the external auditor of the Company about the responsibilities on the financial statements of the Group is set out in the independent auditor's report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the fees paid and payable to the external auditor in respect of audit services to the Group were approximately HK$800,000 (2014: HK$800,000). No other non-audit related services were performed by the external auditor.

INVESTMENT COMMITTEE

The investment committee of the Company was established on 14 October 2015. The investment committee is responsible for formulating investment policies while reviewing and determining the investment portfolio of the Group.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

In accordance with article 64 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' enquiries

The Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong.

INTERNAL CONTROL

The Board has overall responsibilities for the internal control system of the Group and for reviewing its effectiveness. The Board is also responsible for maintaining sound and effective internal control system to safeguard the interests of the shareholders and the assets of the Company. The Board will from time to time conduct a review of the Group's internal control systems. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group, covering financial, operational, compliance and risk management aspects of the Group.

The Board has been satisfied of the effectiveness of the Group in managing risks save for the incident as disclosed in the section headed "Legal Proceedings" in the Management Discussion and Analysis Section. In the next financial year, the Company will further strengthen and improve the Directors' awareness of corporate governance in order to ensure the effectiveness of internal control system.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries of the Company are set out in note 44 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segments is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 26 to 27.

The Directors do not recommend the payment of any dividends in respect of the year (2014: HK$Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" on page 3, page 4 and pages 5 to 9 respectively of this annual report.

The Group committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth. The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 30.

DISTRIBUTABLE RESERVES

Under the provisions of the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

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

Executive directors:

Mr. Ma Arthur On-hing
Mr. Shan Biao
Mr. Mui Wai Sum
Ms. Kwan Kar Ching (appointed on 1 April 2015)
Mr. Xiao Yujie (resigned on 26 January 2015)
Mr. Shan Xiaochang (resigned on 25 March 2015)

Non-executive Director:

Mr. Chen Wai Chung Edmund (resigned on 15 January 2016)

Independent non-executive directors:

Mr. Ho Chun Kit Gregory
Mr. Ho Wai Shing
Mr. Hung Cho Sing (appointed on 15 May 2015)
Ms. Chan Sze Man (resigned on 17 April 2015)
Mr. Ng Chi Ho Dennis (resigned on 15 May 2015)

In accordance with article 108(A) of the articles of association of the Company, Mr. Ma Arthur On-hing and Mr. Ho Chun Kit Gregory shall retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

In accordance with article 112 of the articles of association of the Company, Mr. Hung Cho Sing shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 11 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ma Arthur On-hing, Mr. Shan Biao, Mr. Mui Wai Sum and Ms. Kwan Kar Ching entered into an appointment letter with the Company. They have no fixed term of service with the Company save that they are subject to retirement by rotation in accordance with the articles of association of the Company.

Each of Mr. Ho Chun Kit Gregory, Mr. Ho Wai Shing and Mr. Hung Cho Sing entered into a 2-year service contract with the Company and they are subject to retirement by rotation in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive Directors the written confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules. The Company based on such confirmation, considers that all of the independent non-executive Directors are independent.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the section "Connected/Related Party Transactions" below and note 40 to the consolidated financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

There is no material contract between the Group and the controlling shareholder or its subsidiaries during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

None of the Directors nor chief executives of the Company had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2015.

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

As at 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Like Capital Limited	Beneficial owner	305,263,157	–	305,263,157	26.84%
Ms. Wong Ka Man	Beneficial owner	139,794,315	326,315,790 *(Note)*	466,110,105	40.98%
Concept Capital Management Limited	Beneficial owner	–	136,565,381	136,565,381	12.01%

Note:

These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company, provided that:

(i) any conversion of the convertible bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder and any parties acting in concert with it (as defined in the Takeovers Code); and

(ii) the exercise of the convertible bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2015.

SHARE OPTIONS

The Company operates a share option scheme for the purpose of enabling the Company to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. Eligible participants include any employees, directors, consultants or professional advisors, shareholders and suppliers or customers of the Group.

The share option scheme effective on 8 July 2002 (the "2002 Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted and became effective for a period of 10 years commencing from 15 June 2012. Shares options granted prior to the expiry of the 2002 Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the 2002 Share Option Scheme. As at 31 December 2015, the Company had 21,200,000 (31 December 2014: 56,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 1.9% (31 December 2014: 13.0%) of its issued share capital on that date. No share option was granted under the New Share Option Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company. As at 31 December 2015, the number of securities available for issue under the New Share Option Scheme was 43,176,497 shares, which represented approximately 3.8% (31 December 2014: 10.0%) of its issued share capital on that date.

The maximum number of share issued and which may fall to be issued upon exercise of the share options granted under the share option scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share option granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

The offer of a grant of share option under the share option scheme may be accepted, upon payment of a nominal consideration of HK$1 in total by the grantee. A share option granted under the share option scheme may be exercised in whole or in part in the manner provided in the share option scheme by a grantee giving notice in writing to the Company at any time during a period not exceed 10 years from the date an share option granted under the share option scheme is offered.

The exercise price of the share options is a price determined by the Board, in its absolute discretion, but in any case is not less than whichever is the highest of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (3) the nominal value of the Shares.

The following table discloses movements in the Company's share options during the year:

Name or category of participant	Exercisable period	Exercise price per share of the Company HK$	Outstanding at 1 January 2015	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2015
Former Director							
Mr. Shan Xiaochang	20 October 2011 to 1 September 2021	0.962	35,000,000	–	–	(35,000,000)	–
Others							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	–	–	–	21,200,000
			56,200,000	–	–	(35,000,000)	21,200,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above and in note 35 to the consolidated financial statements, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED/RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 40 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rule.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. There is appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUAL

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements respectively.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the Directors is decided by the remuneration committee of the Company, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Company has adopted a share options scheme as an incentive to the Directors and eligible employees. Details of the scheme are set out in note 35 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the five largest customers accounted for approximately 96.3% (2014: approximately 83.4%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 96.8% (2014: approximately 83.7%) of the Group's total purchases. The largest customer of the Group accounted for approximately 30.3% (2014: approximately 61.7%) of the Group's total turnover while the largest supplier accounted for approximately 84.0% (2014: approximately 63.4%) of the Group's total purchases.

None of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the announcements of the Company dated 14 January 2015, 30 January 2015, 22 July 2015 and 7 August 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

Corporate governance report of the Company is set out on pages 12 to 17 of the annual report.

AUDITOR

The accompanying financial statements have been audited by CCTH CPA Limited who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ma Arthur On-hing
Executive Director

18 March 2016

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恒會計師有限公司

TO THE SHAREHOLDERS OF
SUNRISE (CHINA) TECHNOLOGY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunrise (China) Technology Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 102, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group incurred a loss of HK$265,412,000 for the year ended 31 December 2015.

The conditions set out in Note 2 to the consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 18 March 2016

Kwong Tin Lap
Practising Certificate Number: P01953

Unit 5-6, 7/F, Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	7	**87,011**	49,022
Cost of sales		**(87,178)**	(47,418)
Gross (loss)/profit		**(167)**	1,604
Other income and gains	7	**28,896**	50,852
(Loss)/gain on change in fair value of unlisted warrants	32	**(11,417)**	7,012
Loss on issue of convertible bonds	31	**(161,734)**	–
Selling and distribution expenses		**(62)**	(55)
Administrative expenses		**(42,456)**	(24,640)
Other operating expenses	8	**(62,598)**	(81,133)
Finance costs	9	**(14,999)**	(8,146)
Share of loss of associates		**(76)**	–
Loss before tax	10	**(264,613)**	(54,506)
Income tax expense	13	**(799)**	(4,965)
Loss for the year		**(265,412)**	(59,471)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
Exchange difference arising during the year		**(457)**	(645)
Reclassification adjustments relating to foreign operations disposed of during the year		**(23)**	–
Other comprehensive expense for the year		**(480)**	(645)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Total comprehensive expense for the year		**(265,892)**	(60,116)
Loss for the year attributable to:			
Owners of the Company		**(234,190)**	(16,695)
Non-controlling interests		**(31,222)**	(42,776)
		(265,412)	(59,471)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(235,158)**	(17,177)
Non-controlling interests		**(30,734)**	(42,939)
		(265,892)	(60,116)
Loss per share	15		
Basic		**HK(32.1) cents**	HK(3.9) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**10,956**	46,601
Prepaid land lease payments	17	**–**	6,048
Goodwill	18	**–**	–
Investments in associates	19	**4,924**	–
Loans receivable	20	**8,851**	–
		24,731	52,649
Current assets			
Inventories	21	**23,567**	27,694
Trade receivables	22	**33,682**	51,395
Prepayments, deposits and other receivables	23	**41,601**	14,890
Financial assets at fair value through profit or loss	24	**63,258**	–
Bank balances and cash		**6,402**	966
		168,510	94,945
Current liabilities			
Trade payables	25	**40,102**	27,392
Other payables and accruals	26	**14,047**	9,103
Corporate bonds payable	27	**11,416**	11,347
Other borrowings	28	**13,781**	15,000
Amount due to noteholder	29	**–**	24,138
Amount due to a former director	30	**–**	189
Unlisted warrants	32	**13,481**	–
Tax payable		**5,004**	5,059
		97,831	92,228
Net current assets		**70,679**	2,717
Total assets less current liabilities		**95,410**	55,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Corporate bonds payable	27	**13,466**	12,667
Other borrowings	28	**–**	9,112
Convertible bonds payable	31	**20,752**	–
Unlisted warrants	32	**–**	2,064
Deferred tax liabilities	33	**1,683**	924
		35,901	24,767
Net assets		**59,509**	30,599
Capital and reserves			
Share capital	34	**11,375**	4,318
Reserves		**93,600**	41,018
Equity attributable to owners of the Company		**104,975**	45,336
Non-controlling interests		**(45,466)**	(14,737)
Total equity		**59,509**	30,599

The consolidated financial statements on pages 26 to 102 were approved and authorised for issue by the Board of Directors on 18 March 2016 and are signed on its behalf by:

Ma Arthur On-hing
Director

Mui Wai Sum
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium account** HK$'000	**Convertible bonds reserve** HK$'000 *(Note 31)*	**Statutory reserve** HK$'000 *(Note below)*	**Share option reserve** HK$'000 *(Note 35)*	**Exchange fluctuation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2014	4,318	165,417	–	815	22,149	2,573	(132,759)	62,513	28,366	90,879
Loss for the year	–	–	–	–	–	–	(16,695)	(16,695)	(42,776)	(59,471)
Other comprehensive expense for the year	–	–	–	–	–	(482)	–	(482)	(163)	(645)
Total comprehensive expense for the year	–	–	–	–	–	(482)	(16,695)	(17,177)	(42,939)	(60,116)
Decrease in non-controlling interests arising on disposal of subsidiaries *(Note 38b)*	–	–	–	–	–	–	–	–	(164)	(164)
Transfer to retained earnings on disposal of subsidiaries	–	–	–	(815)	–	–	815	–	–	–
At 31 December 2014 and 1 January 2015	4,318	165,417	–	–	22,149	2,091	(148,639)	45,336	(14,737)	30,599
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(234,190)**	**(234,190)**	**(31,222)**	**(265,412)**
Other comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(968)**	**–**	**(968)**	**488**	**(480)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(968)**	**(234,190)**	**(235,158)**	**(30,734)**	**(265,892)**
Non-controlling interest arising from acquisition of subsidiaries (Note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**5**
Recognition of the equity component of convertible bonds	**–**	**–**	**191,706**	**–**	**–**	**–**	**–**	**191,706**	**–**	**191,706**
Issue of shares upon:										
Share placement	**1,899**	**72,882**	**–**	**–**	**–**	**–**	**–**	**74,781**	**–**	**74,781**
Conversion of convertible bonds	**5,158**	**142,818**	**(117,420)**	**–**	**–**	**–**	**–**	**30,556**	**–**	**30,556**
Share issue expenses	**–**	**(2,246)**	**–**	**–**	**–**	**–**	**–**	**(2,246)**	**–**	**(2,246)**
Share option forfeited during the year	**–**	**–**	**–**	**–**	**(14,739)**	**–**	**14,739**	**–**	**–**	**–**
At 31 December 2015	**11,375**	**378,871**	**74,286**	**–**	**7,410**	**1,123**	**(368,090)**	**104,975**	**(45,466)**	**59,509**

Note: **Statutory reserve**

Pursuant to the articles of association of the group entities in the People's Republic of China ("PRC" or "Mainland China"), appropriations are made from the retained earnings to certain statutory reserves, based on a percentage of profit in accordance with the rules and regulations in Mainland China. Such appropriations to reserves would be made only with approval from the board of directors of those group entities.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss for the year		**(265,412)**	(59,471)
Adjustments for:			
Tax charge recognised in profit or loss	13	**799**	4,965
Interest income		**(887)**	(2)
Finance costs	9	**14,999**	8,146
Depreciation of property, plant and equipment		**8,202**	10,731
Amortisation of prepaid land lease payments		**128**	135
Loss/(gain) on change in fair value of unlisted warrants		**11,417**	(7,012)
Loss on issue of convertible bonds		**161,734**	–
Impairment losses on:			
Property, plant and equipment		**38,905**	27,591
Prepaid land lease payments		**5,813**	–
Inventories		**5,407**	19,914
Trade receivables		**3,616**	28,481
Other receivables		**8,348**	5,147
Goodwill		**509**	–
Loss on disposal of property, plant and equipment		**2**	–
Gain on disposal of subsidiaries	38	**(1,083)**	(50,750)
Share of loss of associates		**76**	–
Operating cash flows before movements in working capital		**(7,427)**	(12,125)
Increase in inventories		**(1,294)**	(18,985)
Decrease/(increase) in trade receivables		**13,928**	(21,191)
(Increase)/decrease in prepayments, deposits and other receivables		**(34,183)**	8,484
Increase in financial assets at fair value through profit or loss		**(63,258)**	–
Increase in trade payables		**13,098**	10,663
Increase/(decrease) in other payables and accruals		**2,904**	(11,947)
(Decrease)/increase in amount due to a former director		**(189)**	189
Cash used in operations		**(76,421)**	(44,912)
Income taxes paid		**(59)**	(26)
Net cash used in operating activities		**(76,480)**	(44,938)
Cash flows from investing activities			
Interest received		**36**	2
Purchase of property, plant and equipment		**(12,227)**	(3,621)
Acquisition of subsidiaries	37	**(500)**	–
Disposal of subsidiaries	38	**(17)**	26,797
Investments in associates		**(3,200)**	–
Loans receivable		**(8,000)**	–
Net cash (used in)/generated from investing activities		**(23,908)**	23,178

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash flows from financing activities		
Interest paid	**(11,018)**	(455)
Proceeds from issue of shares	**74,781**	–
Share issue expenses	**(2,246)**	–
Proceeds from issue of convertible bonds	**80,000**	–
Convertible bonds issue expenses	**(1,501)**	–
Proceeds from issue of corporate bonds	**–**	24,500
Corporate bonds issue expenses	**–**	(1,050)
Other borrowings obtained	**105,000**	24,112
Repayment of other borrowings	**(115,000)**	–
Repayment of amount due to noteholder	**(24,138)**	(27,781)
Net cash generated from financing activities	**105,878**	19,326
Net increase/(decrease) in cash and cash equivalents	**5,490**	(2,434)
Cash and cash equivalents at beginning of the year	**966**	3,727
Effects of exchange rate changes	**(54)**	(327)
Cash and cash equivalents at end of the year	**6,402**	966
Analysis of cash and cash equivalents at end of the year:		
Bank balances and cash	**6,402**	966

1. GENERAL

Sunrise (China) Technology Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands, and the issued shares of the Company are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in investment holding. The principal activities of the Company's principal subsidiaries are set out in Note 44 to the financial statements.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that the Group incurred a loss of approximately HK$265,412,000 for the year ended 31 December 2015. In the opinion of the directors of the Company, the Group should be able to continue as a going concern within a period of not less than 12 months from the date of approval of these consolidated financial statements taking into consideration the measures, which include, but are not limited to, the following:

(a) On 26 March 2015, the Company entered into a loan agreement with a third party under which a loan facility of HK$60,000,000 was granted to the Company. The loan, which is unsecured, carries interest at 20% per annum and is repayable on the business day falling on eighteen months from the date of the first drawdown of any amount of the loan. Up to the date of approval of these consolidated financial statements, this loan facility was not utilised by the Company.

(b) On 15 December 2014, a subsidiary of the Company entered into a loan agreement with a third party under which a loan facility of HK$100,000,000 was granted to the subsidiary. The loan, which is unsecured, carries interest at 12% per annum and is repayable on a date falling on one month to six months from the date of the drawdown of any amount of the loan, subject to the lender's approval. Up to the date of approval of these consolidated financial statements, this loan facility was not utilised by the subsidiary.

Based on the aforesaid factors, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application is permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset and give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types or transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have significant impacts on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. *APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)*

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not yet effective will have no material impact on the consolidated financial statements.

4. *SIGNIFICANT ACCOUNTING POLICIES*

Statement of compliance

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

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

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

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent period.

Investments in subsidiaries

Investments in subsidiaries presented in the statement of financial position set out in note 43 are stated at cost less any identified impairment loss.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profits or losses and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

On acquisition of investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Revenue recognition (continued)

Interest income

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

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

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

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes and is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Impairment losses on tangible assets

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overhead. Net realisable value is based on estimated selling price less the estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL') and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL, of which interest income is included in other income and gains.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in other income and gains. Fair value is determined in the manner described in Note 42c.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Financial assets (continued)

Impairment loss on financial assets (continued)

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Financial liabilities and equity instruments (continued)

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, if any, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

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

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL (unlisted warrants) are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including trade and other payables, corporate bonds payable, other borrowings, amount due to noteholder and amount due to a former director are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. *SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES*

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, 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.

5. *SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)*

The major judgments, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Control in a subsidiary, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan")

On 10 December 2012, a wholly-owned subsidiary of the Company, Rise Joy Investment Limited, acquired 51% equity interest in Shengyan from a third party (the "Vendor"), under which the Group has gained control and the Group's 51% interest in Shengyan is accounted for and consolidated into the consolidated financial statements of the Group. Shengyan was established in Mainland China and was principally engaged in the manufacture and sales of straw briquette. Key judgments adopted in concluding that the Group has obtained control over Shengyan are as follows:

(i) Rise Joy and the Vendor entered into a trust declaration agreement, pursuant to which the 51% equity interest is held by the Vendor in trust for Rise Joy with effect from 10 December 2012. The directors consider that such 51% equity interest in Shengyan was effectively acquired by Rise Joy on 10 December 2012, the date on which Shengyan is regarded as a subsidiary of the Company. The approval by the relevant governmental departments of Mainland China of the acquisition is yet to be obtained.

(ii) The Group has consistently and regularly held a majority of the voting rights exercised at shareholders' meetings of Shengyan; and

(iii) The shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote.

Shengyan has ceased its business operations during the current year. In view that the recoverable amounts of the assets of Shengyan cannot be determined with reasonable certainty, the directors consider it appropriate that impairment losses on such assets totalling HK$52,119,000 are recognised in the consolidated financial statements of the Group. The results, assets and liabilities of Shengyan included in the Group's consolidated financial statements are as follows:

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

(a) Control in a subsidiary, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan") (continued)

Results of Shengyan consolidated in the Group's consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Revenue	**–**	18,793
Cost of sales	**–**	(17,368)
Gross profit	**–**	1,425
Other income and gains	**3**	2
Selling and distribution expenses	**(1)**	(54)
Administrative expenses	**(9,008)**	(11,686)
Other operating expenses	**(52,119)**	(76,415)
Finance costs	**(94)**	(455)
Loss before tax	**(61,219)**	(87,183)
Income tax credit	**888**	12
Loss for the year	**(60,331)**	(87,171)

5. *SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)*

(a) Control in a subsidiary, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan") (continued)

Assets and liabilities of Shengyan consolidated in the Group's consolidated statement of financial position

	As at 31 December	
	2015	2014
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	–	46,557
Prepaid land lease payments	–	6,174
	–	52,731
Current assets		
Inventories	–	432
Trade receivables	–	21,166
Prepayments, deposits and other receivables	–	8,757
Bank balances and cash	–	492
	–	30,847
Current liabilities		
Trade payables	**7,068**	27,392
Other payables and accruals	**1,169**	3,718
Other borrowings	**8,781**	–
Tax payable	–	59
	17,018	31,169
Non-current liabilities		
Other borrowings	–	9,112
Deferred tax liabilities	–	924
	–	10,036
Net (liabilities)/assets	**(17,018)**	42,373

(b) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. 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 amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available information 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 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

(c) Useful life and residual value of property, plant and equipment

The Group determines the depreciation amount of property, plant and equipment based on the estimated useful life and residual value, which are reviewed at the end of each reporting period. The principal assumptions for the Group's estimation of the useful life and residual value include those related to the mode of operations, government regulations and scrap value of property, plant and equipment in future.

(d) Estimated allowance for inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Impairments on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of impairments requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and impairment of inventories in the period in which such estimate is changed. As at 31 December 2015, the carrying amount of inventories is HK$23,567,000 (2014: HK$27,694,000). Impairment losses of inventories amounted to HK$5,407,000 (2014: HK$19,914,000) have been charged to profit or loss in respect of the year.

(e) Impairment loss recognised in respect of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of debtors' balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2015, the carrying amount of trade and other receivables amounted to an aggregate of HK$38,615,000, net of accumulated impairment losses of HK$58,811,000 (2014: HK$60,099,000, net of accumulated impairment losses of approximately HK$49,737,000).

(f) Impairment loss on loans receivable

Management regularly reviews the recoverability of the loans receivable. Appropriate impairment loss for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. As at 31 December 2015, the carrying amount of loans receivable is HK$8,851,000 (2014: Nil). No impairment loss has been recognised on the loans receivable in respect of both of the years presented.

(g) Fair value of unlisted warrants

The unlisted warrants are carried at fair value in the consolidated statement of financial position with changes in fair value recognised in profit or loss. In estimating the fair value of the unlisted warrants, the Group uses valuation performed by professorial valuers which is based on various inputs and estimates with reference to quoted market rates and adjusted for specific features of the unlisted warrants. If the input and estimates applied in the valuation are different, the carrying amount the unlisted warrants may change.

6. *OPERATING SEGMENT INFORMATION*

For management purposes, the Group is organised into the following reportable operating segments based on their products and services:

– Securities investment

– Manufacture and sales of straw briquettes

– Trading of commodities

– Trading of garment accessories

– Manufacture and sales of LED digital display products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, gain on disposal of subsidiaries, gain/loss on change in fair value of unlisted warrants, loss on issue of convertible bonds, finance costs, as well as other 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 unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

6. *OPERATING SEGMENT INFORMATION (continued)*

Year ended 31 December 2015

	Securities investment HK$'000	Manufacture and sales of straw briquettes HK$'000	Trading of commodities HK$'000	Trading of garment accessories HK$'000	Manufacture and sales of LED digital display products HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	–	–	73,227	12,618	1,166	87,011
Segment profit/(loss)	25,879	(61,128)	(9,689)	(1,320)	(2,096)	(48,354)
Interest income						887
Gain on disposal of subsidiaries						1,083
Loss on change in fair value of unlisted warrants						(11,417)
Loss on issue of convertible bonds						(161,734)
Corporate and other unallocated expenses						(30,003)
Finance costs						(14,999)
Share of loss of associates						(76)
Loss before tax						(264,613)
Segment assets	63,258	–	76,990	14,915	7,131	162,294
Corporate and other unallocated assets						30,947
Total assets						193,241
Segment liabilities	–	17,018	24,288	10,257	885	52,448
Corporate and other unallocated liabilities						81,284
Total liabilities						133,732

6. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Securities investment HK$'000	Manufacture and sales of straw briquettes HK$'000	Trading of commodities HK$'000	Trading of garment accessories HK$'000	Manufacture and sales of LED digital display products HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	–	18,793	30,229	–	–	49,022
Segment loss	–	(86,996)	(950)	–	–	(87,946)
Interest income						2
Gain on disposal of subsidiaries						50,750
Gain on change in fair value of unlisted warrants						7,012
Corporate and other unallocated expenses						(16,178)
Finance costs						(8,146)
Loss before tax						(54,506)
Segment assets	–	83,587	57,490	–	–	141,077
Corporate and other unallocated assets						6,517
Total assets						147,594
Segment liabilities	–	41,206	–	–	–	41,206
Corporate and other unallocated liabilities						75,789
Total liabilities						116,995

6. OPERATING SEGMENT INFORMATION (continued)

Other segment information

	Securities investment HK$'000	Manufacture and sales of straw briquettes HK$'000	Trading of commodities HK$'000	Trading of garment accessories HK$'000	Manufacture and sales of LED digital display products HK$'000	Sub-total HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2015								
Impairment loss on inventories	–	430	4,977	–	–	5,407	–	5,407
Impairment loss on trade receivables	–	3,616	–	–	–	3,616	–	3,616
Impairment loss on other receivables	–	3,355	4,889	10	–	8,254	94	8,348
Impairment loss on property, plant and equipment	–	38,905	–	–	–	38,905	–	38,905
Impairment loss on prepaid land lease payments	–	5,813	–	–	–	5,813	–	5,813
Depreciation and amortisation	–	7,250	–	635	251	8,136	194	8,330
Capital expenditure#	–	–	–	4,305	5,938	10,243	1,984	12,227
Year ended 31 December 2014								
Impairment loss on inventories	–	18,748	1,166	–	–	19,914	–	19,914
Impairment loss on trade receivables	–	28,481	–	–	–	28,481	–	28,481
Impairment loss on other receivables	–	1,594	–	–	–	1,594	3,553	5,147
Impairment loss on property, plant and equipment	–	27,591	–	–	–	27,591	–	27,591
Depreciation and amortisation	–	10,812	–	–	–	10,812	54	10,866
Capital expenditure#	–	3,621	–	–	–	3,621	–	3,621

Capital expenditure consists of additions to property, plant and equipment and excluding assets from the acquisition of subsidiaries.

6. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2015 HK$'000	2014 HK$'000
Mainland China	**3,234**	18,793
Hong Kong	**10,550**	–
Singapore	**73,227**	30,229
	87,011	49,022

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
Hong Kong	**19,277**	44
Mainland China	**5,454**	52,605
	24,731	52,649

The non-current assets information is based on the locations of the assets and excludes goodwill.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

	Revenue generated from	2015 HK$'000	2014 HK$'000
Customer A	Trading of commodities	**26,378**	–
Customer B	Trading of commodities	**23,502**	30,229
Customer C	Trading of commodities	**23,347**	–
Customer D	Manufacture and sales of straw briquette	**–**	6,870
		73,227	37,099

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover recognised for the year, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and sales related taxes.

	2015 HK$'000	2014 HK$'000
Revenue		
Sales of goods	**87,011**	49,022
Total revenue	**87,011**	49,022

	2015 HK$'000	2014 HK$'000
Other income and gains		
Gain on change in fair value of financial assets at fair value through profit or loss		
Net unrealized gain on listed securities held for trading	**10,094**	–
Net realized gain on sale of listed securities held for trading	**15,785**	–
	25,879	–
Gain on disposal of subsidiaries *(Note 38)*	**1,083**	50,750
Interest income from		
– loans receivable	**851**	–
– bank deposits	**36**	2
Exchange gains, net	**–**	87
Rental income	**75**	–
Others	**972**	13
Total other income and gains	**28,896**	50,852

8. OTHER OPERATING EXPENSES

	2015 HK$'000	2014 HK$'000
Impairment losses recognised in respect of:		
– Property, plant and equipment *(Note 16)*	**38,905**	27,591
– Prepaid land lease payments *(Note 17)*	**5,813**	–
– Inventories *(Note 21)*	**5,407**	19,914
– Trade receivables *(Note 22)*	**3,616**	28,481
– Other receivables *(Note 23b)*	**8,348**	5,147
– Goodwill *(Note 18)*	**509**	–
	62,598	81,133

9. *FINANCE COSTS*

	2015 HK$'000	2014 HK$'000
Interests on:		
– Corporate bonds payable *(Note 27)*	**1,968**	564
– Other borrowings *(Note 28)*	**5,833**	1,595
– Amount due to noteholder *(Note 29)*	**4,417**	5,987
– Convertible bonds payable *(Note 31)*	**2,781**	–
	14,999	8,146

10. *LOSS BEFORE TAX*

The Group's loss before tax is arrived at after charging:

	2015 HK$'000	2014 HK$'000
Directors' remuneration *(Note 11)*	**3,060**	2,113
Other staff costs (excluding directors' remuneration):		
Wages, salaries and allowances	**7,446**	4,627
Contribution to retirement schemes	**117**	90
Total staff costs	**10,623**	6,830
Cost of inventories sold	**87,178**	47,418
Depreciation of property, plant and equipment	**8,202**	10,731
Amortisation of prepaid land lease payments *(Note)*	**128**	135
Auditor's remuneration	**800**	823
Exchange losses, net	**147**	–
Rental charges on land and buildings under operating leases	**1,529**	1,820
Loss on disposal of property, plant and equipment	**2**	–

Note: The amortisation of prepaid land lease payments for the year is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

11. DIRECTORS' REMUNERATION

Details of emoluments paid by the Group to the directors of the Company are as follows:

2015	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Pension scheme contribution HK$'000**	**Total remuneration HK$'000**
Executive directors:				
Mr. Shan Xiaochang *(note i)*	**–**	**121**	**5**	**126**
Ms. Shan Zhuojun *(note ii)*	**–**	**–**	**–**	**–**
Mr. Ma Arthur On-hing	**–**	**1,170**	**18**	**1,188**
Mr. Shan Biao *(note iii)*	**–**	**520**	**–**	**520**
Mr. Mui Wai Sum *(note iv)*	**–**	**260**	**–**	**260**
Mr. Xiao Yujie *(note v)*	**–**	**17**	**–**	**17**
Ms. Kwan Kar Ching *(note vi)*	**–**	**293**	**–**	**293**
Non-executive director:				
Mr. Chen Wai Chung Edmund *(note vii)*	**260**	**–**	**–**	**260**
Independent non-executive directors:				
Mr. Wang Jialian *(note viii)*	**–**	**–**	**–**	**–**
Mr. Wang Zhihua *(note ix)*	**–**	**–**	**–**	**–**
Ms. Chan Sze Man *(note x)*	**36**	**–**	**–**	**36**
Mr. Ho Chun Kit Gregory *(note xi)*	**120**	**–**	**–**	**120**
Mr. Ng Chi Ho Dennis *(note xii)*	**45**	**–**	**–**	**45**
Mr. Ho Wai Shing *(note xiii)*	**120**	**–**	**–**	**120**
Mr. Hung Cho Sing *(note xiv)*	**75**	**–**	**–**	**75**
	656	**2,381**	**23**	**3,060**

2014	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contribution HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Shan Xiaochang *(note i)*	–	520	17	537
Ms. Shan Zhuojun *(note ii)*	–	309	9	318
Mr. Ma Arthur On-hing	–	520	17	537
Mr. Shan Biao *(note iii)*	–	217	–	217
Mr. Mui Wai Sum *(note iv)*	–	41	–	41
Mr. Xiao Yujie *(note v)*	–	24	–	24
Ms. Kwan Kar Ching *(note vi)*	–	–	–	–
Non-executive director:				
Mr. Chen Wai Chung Edmund *(note viii)*	26	–	–	26
Independent non-executive directors:				
Mr. Wang Jialian *(note viii)*	75	–	–	75
Mr. Wang Zhihua *(note ix)*	27	–	–	27
Ms. Chan Sze Man *(note x)*	110	–	–	110
Mr. Ho Chun Kit Gregory *(note xi)*	90	–	–	90
Mr. Ng Chi Ho Dennis *(note xii)*	61	–	–	61
Mr. Ho Wai Shing *(note xiii)*	50	–	–	50
Mr. Hung Cho Sing *(note xiv)*	–	–	–	–
	439	1,631	43	2,113

11. DIRECTORS' REMUNERATION (continued)

Notes:

(i) Mr. Shan Xiaochang resigned as executive director of the Company on 25 March 2015.

(ii) Ms. Shan Zhuojun resigned as executive director of the Company on 4 August 2014.

(iii) Mr. Shan Biao was appointed executive director of the Company on 31 July 2014.

(iv) Mr. Mui Wai Sum was appointed executive director of the Company on 4 November 2014.

(v) Mr. Xiao Yujie was appointed executive director of the Company on 28 November 2014 and resigned as executive director of the Company on 26 January 2015.

(vi) Ms. Kwan Kar Ching was appointed executive director of the Company on 1 April 2015.

(vii) Mr. Chen Wai Chung Edmund was appointed non-executive director of the Company on 25 November 2014 and resigned as non-executive director of the Company on 15 January 2016.

(viii) Mr. Wang Jailian resigned as independent non-executive director of the Company on 10 September 2014.

(ix) Mr. Wang Zhihua resigned as independent non-executive director of the Company on 1 April 2014.

(x) Ms. Chan Sze Man resigned as independent non-executive director of the Company on 17 April 2015.

(xi) Mr. Ho Chun Kit Gregory was appointed independent non-executive director of the Company on 1 April 2014.

(xii) Mr. Ng Chi Ho Dennis was appointed independent non-executive director of the Company on 26 June 2014 and resigned as independent non-executive director of the Company on 15 May 2015.

(xiii) Mr. Ho Wai Shing was appointed independent non-executive director of the Company on 31 July 2014.

(xiv) Mr. Hung Cho Sing was appointed independent non-executive director of the Company on 15 May 2015.

12. *FIVE HIGHEST PAID EMPLOYEES*

The five highest paid employees during the year included one director (2014: two directors) whose remuneration are included in directors' remuneration as set out in note 11 above. Details of the remuneration of the remaining four highest paid employees (2014: three employees) are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and other benefits	4,992	3,029
Pension scheme contribution	52	84
	5,044	3,113

The remuneration of these four highest paid employees (2014: three employees) fell within the following bands:

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

13. *INCOME TAX EXPENSE*

	2015 HK$'000	2014 HK$'000
Current tax		
Hong Kong Profits Tax	4	–
PRC Enterprise Income Tax	–	5,058
	4	5,058
Over provision for PRC Enterprise Income tax in prior years	–	(71)
	4	4,987
Deferred tax charge/(credit) *(Note 33)*	795	(22)
Tax charge for the year	799	4,965

Hong Kong Profit Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

13. INCOME TAX EXPENSE (continued)

The income tax expense can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	(264,613)	(54,506)
Tax calculated at the tax rate of 16.5% (2014: 25%)	(43,661)	(13,627)
Tax effect of expenses not deductible for tax	36,569	8,962
Tax effect of income not subject to tax	(276)	(1,753)
Effect of income subject to different tax rates	–	(7,612)
Tax effect of deductible temporary differences not recognised	7,646	19,212
Tax effect of tax loss not recognised	432	–
Others	89	(146)
Overprovision in respect of prior years	–	(71)
Income tax expense	799	4,965

Following the cessation of straw briquettes business in Mainland China during the year, the Group's activities are substantially carried out in Hong Kong. In the preparation of the above reconciliation, the Hong Kong Profits Tax rate of 16.5% has been taken as the applicable tax rate for the current year. The applicable tax rate adopted in the prior year's reconciliation represents the PRC Enterprise Income Tax rate.

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting date (2014: Nil).

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is as follows:

	2015 HK$'000	2014 HK$'000
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(234,190)**	(16,695)
Effect of dilutive potential ordinary shares:		
Loss/(gain) on change in fair value of unlisted warrants	**11,417**	(7,012)
Interest on convertible bonds	**2,781**	–
Loss for the purpose of diluted loss per share	**N/A**	N/A
Number of shares		
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**728,828**	431,765
Effect of dilutive potential ordinary shares:		
Unlisted warrants	**33,067**	66,667
Convertible bonds	**214,304**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**976,199**	498,432

Diluted loss per share for the years ended 31 December 2015 and 31 December 2014 is not presented because the Group sustained a loss for each of these years and the impact of conversion of convertible bonds and exercise of share options and unlisted warrants is regarded as anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION						
At 1 January 2014	19,354	5,561	72,094	5,038	1,841	103,888
Additions	–	1,894	–	–	1,727	3,621
Transfer	(12,102)	15,661	(7)	7	(3,559)	–
Exchange realignment	(77)	(19)	(294)	(11)	(9)	(410)
At 31 December 2014	7,175	23,097	71,793	5,034	–	107,099
Additions	–	5,299	6,928	–	–	12,227
Disposals	–	(602)	(190)	–	–	(792)
Exchange realignment	(261)	(967)	(2,644)	(95)	–	(3,967)
At 31 December 2015	6,914	26,827	75,887	4,939	–	114,567
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2014	2,127	1,593	16,924	1,563	–	22,207
Transfer	(3,343)	3,343	–	–	–	–
Depreciation for the year	1,653	988	7,783	307	–	10,731
Impairment losses recognised in profit or loss *(Note 8)*	–	7,142	20,449	–	–	27,591
Exchange realignment	(1)	(1)	(27)	(2)	–	(31)
At 31 December 2014	436	13,065	45,129	1,868	–	60,498
Depreciation for the year	281	1,707	6,019	195	–	8,202
Eliminated on disposals	–	(602)	(188)	–	–	(790)
Impairment losses recognised in profit or loss *(Note 8)*	6,221	8,576	21,196	2,912	–	38,905
Exchange realignment	(24)	(760)	(2,384)	(36)	–	(3,204)
At 31 December 2015	6,914	21,986	69,772	4,939	–	103,611
CARRYING AMOUNTS						
At 31 December 2015	–	4,841	6,115	–	–	10,956
At 31 December 2014	6,739	10,032	26,664	3,166	–	46,601

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The property, plant and machinery, other than buildings and construction in progress, are carried at cost less accumulated depreciation and accumulated impairment, if any. The buildings, which are situated in the PRC, are carried at fair value on Level 3 fair value measurement. The construction in progress is carried at cost less accumulated impairment , if any.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over their estimated useful lives, less their residual values as follows:

Buildings	Remaining lease terms of the relevant land
Leasehold improvements	3-20 years
Machinery, furniture and equipment	3-10 years
Motor vehicles	3-10 years

The Group's buildings at 31 December 2015 have been fully impaired for the reason stated below.

The fair value of the Group's buildings at 31 December 2014 have been arrived at on the basis of valuations carried out at that date by Shing Yin Appraisal Limited, the independent valuer not related to the Group. The valuation at that date was estimated using the depreciated replacement cost approach taking account of the aggregate amount of the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or obsolescence and environmental factors (the "Depreciated Replacement Cost Approach"). There has been no change from the valuation technique used in prior years. In determining the fair value of the buildings, the highest and best use of the buildings is their current use. Reconciliation of Level 3 fair value measurements is as follows:

	Buildings	
	2015	2014
	HK$'000	HK$'000
At 1 January, at fair value	**6,739**	17,227
Transfer during the year	**–**	(8,759)
Depreciation for the year	**(281)**	(1,653)
Impairment loss recognised	**(6,221)**	–
Exchange realignment	**(237)**	(76)
At 31 December, at fair value	**–**	6,739

Had the Group's buildings been measured in a historical cost basis, their carrying amount at 31 December 2015 would have been HK$Nil (2014: HK$6,739,000).

Following the cessation of the business operations of a subsidiary, Shengyan (Note 5a), management of the Company conducted a review of the economic viability of the Group's land and buildings and other property, plant and equipment relating to this business and considered it appropriate to recognise impairment losses in full amounted to HK$5,813,000 (2014: Nil) and HK$38,905,000 (2014: HK$27,591,000) on prepaid land lease payments and property, plant and equipment respectively, based on their estimated fair value less costs to sell. Such impairment losses have been recognised in profit or loss in respect of the year and were included in other operating expenses (Note 8).

17. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
The Group's prepaid land lease payments comprise:		
Land outside Hong Kong under medium-term lease	–	6,174
Movements during the year:		
At beginning of the year	**6,174**	6,336
Amortisation for the year	**(128)**	(135)
Impairment losses recognised in profit of loss *(Notes 8 and 16)*	**(5,813)**	–
Exchange realignment	**(233)**	(27)
At end of the year	–	6,174
Analysed for reporting purposes as:		
Current assets (included in prepayments, deposits and other receivables)	–	126
Non-current assets	–	6,048
	–	6,174

The leasehold land is situated in Mainland China and is held under medium-term leases.

18. GOODWILL

	2015 HK$'000	2014 HK$'000
Cost		
At beginning of the year	–	31
Acquisition of a subsidiary	**509**	–
Derecognised on disposal of subsidiaries	–	(31)
At end of the year	**509**	–
Impairment		
At beginning of the year	–	(31)
Impairment loss recognised *(Note 8)*	**(509)**	–
Eliminated on disposal of subsidiaries	–	31
At end of the year	**(509)**	–
Carrying amounts		
At end of the year	–	–

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit of the business of trading of garment accessories undertaken by a subsidiary, Mark Wish Limited ("Mark Wish"). In view that this cash-generating unit is not profitable, the directors of the Company consider it appropriate to recognise impairment loss on the goodwill of HK$509,000 attributable to the cash-generating unit which was included in the other operating expenses.

19. INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	5,000	–
Share of post-acquisition loss and other comprehensive expense	(76)	–
	4,924	–

Details of the Group's associates at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group
Summus Asia Limited ("Summus Asia") *(Note)*	Incorporated	British Virgin Islands	Hong Kong	Ordinary	30%	30%

Note: Summus Asia, through its wholly-owned subsidiary, Summus Limousine Services Limited, incorporated and operating in Hong Kong, is principally engaged in the provision of limousine services.

During the year, the Group acquired 30% equity interest in Summus Asia at the consideration of HK$5,000,000, of which HK$3,200,000 was paid up to 31 December 2015 with the remaining balance of HK$1,800,000 included in other payables and accruals (Note 26).

Included in the cost of investments in associates is goodwill of HK$5,067,000 (2014: HK$Nil) arising on acquisition of associates.

The associates are accounted for using the equity method in these consolidated financial statements.

19. *INVESTMENTS IN ASSOCIATES (continued)*

The summarised financial information of the Group's associates, which represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs, is set out below:

Summus Asia and its subsidiary	**2015 HK$'000**	2014 HK$'000
Current assets	**720**	–
Non-current assets	**1,350**	–
Current liabilities	**(2,545)**	–
Revenue	**506**	–
Loss for the year	**(252)**	–
Other comprehensive income/expense for the year	**–**	–
Total comprehensive expense for the year	**(252)**	–

Reconciliation of the above summarised financial information to the carrying amount of the investment in the associate recognised in the consolidated financial statements:

	2015 HK$'000	2014 HK$'000
Net liabilities of the associate	**(475)**	–
Proportion of the Group's ownership interest in Summus Asia	**30%**	–
Goodwill	**5,067**	–
Carrying amount of the Group's interest in Summus Asia	**4,924**	–

20. *LOANS RECEIVABLE*

	2015 HK$'000	2014 HK$'000
Loans and interests thereon receivable in the second to fifth years	**8,851**	–

During the year, the Company entered into agreements with certain third parties, pursuant to which loans totalled HK$8,000,000 were made by the Company to such parties.

20. LOANS RECEIVABLE (continued)

Details of the loans receivable are as follows:

Loan principal amount HK$'000	Interest rate	Maturity date	Security pledged
3,000	20% per annum	3 February 2017	Nil
3,000	20% per annum	19 August 2017	Nil
2,000	12% per annum	18 August 2017	62.5% equity interest in a subsidiary of the borrower
8,000			

Loans and interests receivable will be settled by the borrowers at the respective maturity dates.

21. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	59	318
Work in progress	163	–
Finished goods	23,345	27,376
	23,567	27,694

The finished goods include fertilizers, which were purchased by the Group for trading purposes, and straw briquette with the carrying amounts of HK$22,284,000 (2014: HK$27,261,000) and HK$Nil (2014: HK$115,000) respectively. Impairment losses on fertilizers and straw briquette amounted to HK$4,977,000 (2014: HK$1,166,000) and HK$430,000 (2014: HK$18,748,000) have been recognised and were included in other operating expenses.

At 31 December 2014, the fertilizers were pledged as security for the other borrowings which were fully repaid during the current year (Note 28).

22. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	80,155	95,982
Less: Impairment loss recognised	(46,473)	(44,587)
	33,682	51,395

The aging analysis of trade receivables, net of impairment loss, based on delivery date is as follows:

	2015 HK$'000	2014 HK$'000
Within 90 days	27,623	38,260
91 – 180 days	2,633	152
181 – 365 days	3,426	3,977
More than 365 days	–	9,006
	33,682	51,395

22. *TRADE RECEIVABLES (continued)*

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An average credit period of 180 days (2014: 180 days) is granted to customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. An aging analysis of the Group's trade receivables, that are past due but not impaired, is as follows:

	2015 **HK$'000**	2014 HK$'000
Past due:		
181 – 365 days	**3,426**	3,977
More than 365 days	**–**	9,006
	3,426	12,983

The Group reviews customer credit limit regularly based on historical repayment record. Trade receivables that were neither past due nor impaired related to a number of customers. Having considered the credit quality of the customers and the past experience of debts settlement, management of the Group is of the view that these trade receivables are fully recoverable and impairment loss on the receivables is not required to be made.

The table below reconciled the impairment of trade receivables for the year:

	2015 **HK$'000**	2014 HK$'000
Balance at beginning of the year	**44,587**	23,209
Impairment loss recognised *(Note 8)*	**3,616**	28,481
Eliminated on disposal of subsidiaries	**–**	(7,068)
Exchange realignment	**(1,730)**	(35)
Balance at end of the year	**46,473**	44,587

23. *PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES*

	2015 HK$'000	2014 HK$'000
Deposits paid for purchase of commodities for trading	**30,000**	–
Prepaid land lease payments – current portion	**–**	126
Other deposits and prepayments	**6,668**	6,060
Proceeds receivable from disposal of a subsidiary *(Note a)*	**4,777**	–
Other receivables *(Note b)*	**156**	8,704
	41,601	14,890

Notes:

(a) As referred to in Note 38(a), the Group disposed of its 100% equity interest in a subsidiary, A-Plus Glory Capital Limited, for a consideration of approximately HK$4,777,000 during the year. The proceeds receivable, which is unsecured and interest free, will be settled by the purchaser in June 2016, being 6 months after the date of the completion of the disposal.

(b) An analysis of other receivables is as follows:

	2015 HK$'000	2014 HK$'000
Other receivables	**12,494**	13,854
Less: Impairment loss recognised	**(12,338)**	(5,150)
	156	8,704

The table below reconciled the impairment of other receivables:

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	**5,150**	–
Impairment loss recognised *(Note 8)*	**8,348**	5,147
Eliminated on disposal of subsidiaries	**(998)**	–
Exchange realignment	**(162)**	3
Balance at end of the year	**12,338**	5,150

24. *FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS*

	2015	2014
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value	**63,258**	–

The fair value of the equity securities was based on the quoted prices of the respective securities listed on the Hong Kong Stock Exchange.

25. *TRADE PAYABLES*

	2015	2014
	HK$'000	HK$'000
Trade payables	**40,102**	27,392

In general, the credit terms granted by suppliers ranged from 30 to 180 days. An aging analysis of the Group's trade payables is as follows:

	2015	2014
	HK$'000	HK$'000
Within 30 days	**1,448**	–
31 – 90 days	**26,137**	1,271
91 – 180 days	**2,009**	–
181 – 365 days	**3,440**	2,680
More than 365 days	**7,068**	23,441
	40,102	27,392

26. *OTHER PAYABLES AND ACCRUALS*

	2015	2014
	HK$'000	HK$'000
Other payables	**3,171**	3,548
Payable in respect of the acquisition of associates *(Note 19)*	**1,800**	–
Accruals	**9,076**	5,555
	14,047	9,103

27. CORPORATE BONDS PAYABLE

	2015 HK$'000	2014 HK$'000
Corporate bonds payable		
– within one year	**11,416**	11,347
– more than five years	**13,466**	12,667
	24,882	24,014
Less: Amounts shown under current liabilities	**(11,416)**	(11,347)
Amounts shown under non-current liabilities	**13,466**	12,667

Movements in the corporate bonds payable during the year are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**24,014**	–
Issue of corporate bonds, at cash	**–**	24,500
Transaction costs incurred for issue of bonds	**–**	(1,050)
Interest on bonds accrued for the year *(Note 9)*	**1,968**	564
Interest paid	**(1,100)**	–
At 31 December	**24,882**	24,014

During the year ended 31 December 2014, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK$31,000,000, giving rise to a total gross proceed of HK$31,000,000 (before expenses). Total proceeds received by the Company amounted to HK$24,500,000 which have been arrived at after deducting interests on the bonds prepaid amounted to HK$6,500,000.

One of the unsecured corporate bonds with the aggregate principal amount of HK$11,000,000 matured on 7 September 2015. The Company entered into an agreement with the bondholder, under which the repayment of the outstanding principal was further extended to 7 September 2016 and interests on such bond are calculated at 12% per annum with effect from 8 September 2015. At 31 December 2015, the corporate bonds with the principal amount of HK$31,000,000 (2014: HK$31,000,000) remained outstanding.

27. CORPORATE BONDS PAYABLE (continued)

Other details of the corporate bonds outstanding at 31 December 2015 are as follows:

		Corporate bonds due on		
		7 September 2016	29 September 2021	9 March 2022
(i)	Date of issue	8 September 2015	30 September 2014	10 September 2014
(ii)	Principal amount	HK$11,000,000	HK$10,000,000	HK$10,000,000
(iii)	Interest rate	12% per annum	5% per annum	4% per annum
(iv)	Maturity period	1 year	7 years	7.5 years

	2015	2014
Carrying amount of corporate bonds due on	**HK$'000**	HK$'000
– 7 September 2015	**–**	11,347
– 7 September 2016	**11,416**	–
– 29 September 2021	**6,066**	5,612
– 9 March 2022	**7,400**	7,055
	24,882	24,014

28. OTHER BORROWINGS

	2015	2014
	HK$'000	HK$'000
Loans from third parties		
– secured	**–**	15,000
– unsecured	**13,781**	9,112
	13,781	24,112
Carrying amount repayable		
– within one year	**13,781**	15,000
– more than one year but not more than five years	**–**	9,112
	13,781	24,112
Less: Amounts shown under current liabilities	**(13,781)**	(15,000)
Amount shown under non-current liabilities	**–**	9,112

28. OTHER BORROWINGS (continued)

The secured loan amounted to HK$15,000,000 at 31 December 2014, which was granted by a third party to the Company, carried interest at 25% per annum and was secured by the pledge of the Group's inventories with the carrying amount of HK$27,261,000 at that date *(Note 21)*. The secured loan was fully repaid during the year ended 31 December 2015. In addition, during the current year, an unsecured loan amounted to HK$5,000,000 was granted by this third party to the Company. This unsecured loan carries interest at 30% per annum and is repayable within one year from the end of the reporting period.

During the current year, a subsidiary of the Company obtained unsecured short term loan amounted to HK100,000,000 from another third party which carried interests at 12% per annum. This unsecured loan has been fully repaid up to 31 December 2015.

Included in unsecured loans from third parties is the loan capital issued by a subsidiary, Shengyan, amounted to RMB7,210,000 (equivalent to HK$8,781,000 (2014: HK$9,112,000)), which carries interest at 5% per annum and is repayable on 16 July 2017. Details of the loan capital are set out in Note 44c. As Shengyan has ceased its business operations during the current year, the directors of the Company are of the view that repayment of the loan capital may be demanded by the third party at any time, such loan has accordingly been reclassified as current liabilities.

29. AMOUNT DUE TO NOTEHOLDER

	2015	2014
	HK$'000	HK$'000
Unsecured amount due to noteholder	–	24,138

On 9 August 2011, the Company issued 12% convertible redeemable notes (the "Convertible Loan Notes") due on 8 August 2016 at a principal amount of RMB33,000,000 (equivalent to approximately HK$40,000,000) to an independent subscriber. The Convertible Loan Notes were redeemed by the Company on 9 October 2013 for a consideration of RMB35,956,376 (equivalent to approximately HK$45,460,000). Such consideration payable had not been repaid at 31 December 2013 and interest on such payable was charged at 18% per annum.

During the year ended 31 December 2014, the Company entered into certain agreements with the noteholder, under which the repayment of the outstanding consideration payable was further extended to 30 December 2014 and interests on the note were calculated at the rates revised from 18% per annum to 30% and 45% per annum with effect from 1 April 2014 and 1 November 2014 respectively, which are inclusive of the consent fees calculated at 12% and 27% per annum respectively of the outstanding balances. At 31 December 2014, the amount due to noteholder, representing consideration payable and accrued interest thereon, amounted to RMB19,100,000.

In February 2015, the Company entered into a supplemental agreement with the noteholder, under which the repayment of the outstanding consideration payable was extended to 30 May 2015 and interest on the consideration payable was charged at the interest rate of 45% per annum (inclusive of the consent fee charged at 27% per annum) for the period from 31 December 2014 to 30 May 2015. In addition, it was agreed by the Company and the noteholder that interest on the balance of the consideration payable was charged at the same interest rate of 45% per annum for the period from 31 May 2015 up to the date of repayment. The amount due to the noteholder, which represents the consideration payable together with interests thereon, was fully repaid by the Company in July 2015.

30. AMOUNT DUE TO A FORMER DIRECTOR

The amount due to a former director, which was unsecured and interest free, was fully repaid during the current year.

31. CONVERTIBLE BONDS PAYABLE

On 16 July 2015, the Company issued 3% convertible bonds due on 15 July 2018 at the principal amount of HK$80,000,000 to a third party for a cash consideration of HK$80,000,000. The convertible bonds can be converted into ordinary shares at an initial conversion price of HK$0.095 per share from the day immediately following the date of the issue of convertible bonds to the maturity date which is 15 July 2018. If the convertible bonds have not been converted, they will be redeemed at par on 15 July 2018.

The fair value of the convertible bonds at the date of issue was estimated to be HK$241,734,000 as valued by Chung Hin Appraisal Limited, an independent firm of business and financial services valuers. The convertible bonds contain two components: liability and equity elements. The fair value of the liability component at the date of issue was calculated using the discount rate of 22.11% per annum, being the estimated market rates for a similar non-convertible bonds at that date. The fair value of the equity component at the date of issue was valued by using the Binomial Model. The inputs into the model were as follows:

Risk-free rate	0.718%
Expected volatility	58.49%
Expected life	3 years
Dividend yield	Nil

The risk-free rate was determined with reference to the yield rate of Hong Kong Exchange Fund Notes with duration similar to the contractual tenor of the convertible bonds.

The expected volatility was determined based on the historical volatility of the share prices of the Company.

The movements of the liability component and equity component of the convertible bonds for the year are set out below:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
Fair value of convertible bonds on grant date	48,830	192,904	241,734
Transaction costs incurred for issue of convertible bonds	(303)	(1,198)	(1,501)
Carrying amount at date of issue	48,527	191,706	240,233
Interest expense accrued (Note 9)	2,781	–	2,781
Converted during the year	(30,556)	(117,420)	(147,976)
Carrying amount at 31 December 2015	20,752	74,286	95,038
Carrying amount at 31 December 2014	–	–	–

The effective interest rate in respect of the liability component of the convertible bonds payable at 31 December 2015 is 22.37% per annum (2014: Nil).

The loss on issue of convertible bonds amounted to HK$161,734,000 (2014: Nil), which represents the difference between the fair value of the convertible bonds at the grant date of HK$241,734,000 and the cash consideration of HK$80,000,000 received, is recognised in profit or loss in respect of the current year.

During the year ended 31 December 2015, the convertible bonds with an aggregate principal amount of HK$49,000,000 were converted into approximately 515,789,000 new shares of the Company at the initial conversion price. At 31 December 2015, the convertible bonds with an aggregate principal amount of HK$31,000,000 (2014: Nil) remained outstanding.

32. UNLISTED WARRANTS

	2015 HK$'000	2014 HK$'000
At beginning of the year	**2,064**	9,076
Loss/(gain) on change in fair value recognised profit or loss	**11,417**	(7,012)
At end of the year	**13,481**	2,064

	2015 HK$'000	2014 HK$'000
Classified under		
– current liabilities	**13,481**	–
– non-current liabilities	**–**	2,064
	13,481	2,064

On 9 August 2011, the Company issued 40 unlisted warrants to an independent investor, for a consideration of HK$800,000. Each of the unlisted warrants entitles the holder to subscribe for 26,666,680 ordinary shares of the Company at an initial exercise price of HK$1.50 per share (the "Exercise Price") during the period from 22 August 2011 to 8 August 2016 (the "Exercise Period"). The Exercise Price will be adjusted to the lower of (i) the Exercise Price at the Price Reset Dates; and (ii) the average closing price per share at the respective Price Reset Dates, subject to a minimum reset price of 40% of the initial Exercise Price. Any warrants remained outstanding after the Exercise Period will be lapsed and cancelled. On 9 May 2012, the Exercise Price has been reset to HK$0.60 per share, which is the minimum reset price, and the unlisted warrants are convertible into 66,666,700 new shares of the Company. The Exercise Price is subject to another adjustment mechanism including, among others, (i) an issue of convertible bonds at a conversion price which is less than the average closing price per share of the Company for the last 25 consecutive trading days up to and including the trading date immediately preceding the date of the public announcement of such issue; and (ii) issue of shares of the Company at a price which is less than the average closing price per share of the Company for the last 25 consecutive trading days up to and including the trading date immediately preceding the date of the public announcement of such issue.

As a result of the completion of (i) the issue of the convertible bonds on 16 July 2015, and (ii) the issue of new shares on 7 August 2015, the Exercise Price has been adjusted from HK$0.60 to HK$0.2929 per share and the unlisted warrants are convertible into approximately 136,565,000 new shares of the Company.

Except as aforementioned, there was no change in the Exercise Price. No warrants were exercised, lapsed or cancelled during the period from the date of issue up to 31 December 2015.

32. UNLISTED WARRANTS (continued)

The unlisted warrants are stated at fair value, with any gains or losses from change in fair value recognised in profit or loss. The fair value of the unlisted warrants at 31 December 2015 and 2014 was valued by Chung Hin Appraisal Limited and Shing Yin Appraisal Limited, both being the independent valuers, using the Black-Scholes Model. The inputs into the models were as follows:

	2015	2014
Risk-free rate	**0.086%**	0.397%
Expected volatility	**65.11%**	59.01%
Expected life	**0.58 year**	1.58 years
Dividend yield	**Nil**	Nil

The risk-free rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the contractual tenor of the unlisted warrants.

The expected volatility was determined based on the historical volatility of the share prices of the Company.

33. DEFERRED TAX LIABILITIES

Movements in the deferred tax liabilities during the year are as follows:

	Accelerated depreciation allowance HK$'000	**Unrealised gain on listed securities** HK$'000	**Revaluation of lands and buildings** HK$'000	**Total** HK$'000
At 1 January 2014	–	–	(950)	(950)
Credited to profit or loss	–	–	22	22
Exchange realignment	–	–	4	4
At 31 December 2014 and 1 January 2015	**–**	**–**	**(924)**	**(924)**
Charged to profit or loss	**(18)**	**(1,665)**	**888**	**(795)**
Exchange realignment	**–**	**–**	**36**	**36**
At 31 December 2015	**(18)**	**(1,665)**	**–**	**(1,683)**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of taxable temporary differences attributable to the profits earned by the PRC subsidiaries amounting to HK$1,188,000 (2014: HK$3,863,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses and other deductible temporary differences totalling approximately HK$134,725,000 (2014: HK$93,943,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these deductible temporary differences due to the unpredictability of future profit streams.

34. SHARE CAPITAL

	Number of shares	Nominal amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2014, 31 December 2014 and 31 December 2015	20,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2014 and 31 December 2014	431,765,000	4,318
Issue of shares upon:		
– Share placement *(note a)*	189,975,000	1,899
– Conversion of convertible bonds *(note b)*	515,789,000	5,158
At 31 December 2015	1,137,529,000	11,375

Notes:

(a) During the year ended 31 December 2015, the Company allotted and issued 189,975,000 ordinary shares of HK$0.01 each to certain placees for an aggregate cash consideration of HK$73,781,000 (before expenses), as follows:

Date of issue	Number of ordinary shares issued '000	Subscription price per share HK$	Consideration received (before expenses) HK$'000
29 January 2015	86,352	0.35	30,223
7 August 2015	103,623	0.43	44,558
	189,975		74,781

(b) Portion of the convertible bonds (see Note 31) with the principal amount of HK$49,000,000 were converted into new shares of the Company during the year ended 31 December 2015 at the conversion price of HK$0.095 per share, as follows:

Date of conversion	Principal amount of the convertible bonds converted HK$'000	Number of ordinary shares issued '000
27 July 2015	20,000	210,526
22 September 2015	29,000	305,263
	49,000	515,789

35. *SHARE OPTION SCHEME*

The Group adopted a share option scheme (the "Scheme") which has become effective on 15 June 2012. In accordance with the Scheme, share options may be granted to any employees, consultants or professional advisors, and suppliers or customers of the Group.

The exercise price of the options granted is the highest of (i) the closing price of the Company's shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of the share. The options are exercisable at the grant date and have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options of the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company.

No share option was granted by the Company during both of the years ended 31 December 2015 and 31 December 2014.

35. SHARE OPTION SCHEME (continued)

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

	2015					2014				
	Weighted average exercise price HK$	Number of share options Directors '000	Employees '000	Others '000	Total '000	Weighted average exercise price HK$	Number of share options Directors '000	Employees '000	Others '000	Total '000
Outstanding at the beginning of the year	**0.857**	**35,000**	**–**	**21,200**	**56,200**	0.857	35,000	–	21,200	56,200
Forfeited during the year	**0.962**	**(35,000)**	**–**	**–**	**(35,000)**		–	–	–	–
Outstanding at the end of the year	**0.666**	**–**	**–**	**21,200**	**21,200**	0.857	35,000	–	21,200	56,200
Exercisable at the end of the year	**0.666**	**–**	**–**	**21,200**	**21,200**	0.857	35,000	–	21,200	56,200

No share option expense has been recognised by the Group for the year ended 31 December 2015 (2014: Nil) in relation to share options granted by the Company.

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK$0.666 (2014: HK$0.857) per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 4.9 years (2014: 6.36 years).

36. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in social insurance schemes operated by the relevant local government authorities. The insurance premium is borne by the Group and is calculated based on a specified proportion of the employee's salaries in accordance with the relevant PRC laws and regulations.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of approximately HK$140,000 (2014: HK$133,000) represents contributions payable to these schemes by the Group at rates or amount specified in the rules of the schemes.

Apart from the above, the Group has no significant obligations under retirement benefit schemes at the end of both of the years presented.

37. *ACQUISITION OF SUBSIDIARIES*

On 26 January 2015, for the purpose of diversification of the existing business, the Company acquired 51% equity interest in Mark Wish, an entity incorporated in the British Virgin Islands, and shareholder's loan made to Mark Wish for an aggregate consideration of HK$500,000. Mark Wish is an investment holding company and its subsidiary is principally engaged in the trading of garment accessories.

The acquisition has been accounted for by business combination using the purchase method. The effect of the acquisition is summarised as follows:

	HK$'000
Consideration transferred	
Consideration paid in cash	500

No significant acquisition-related costs were incurred for this acquisition.

Assets recognised at the date of acquisition

	HK$'000
Prepayments, deposits and other receivables	10
Total identifiable net assets acquired	10

Goodwill arising on acquisition

	HK$'000
Consideration attributable to acquisition	500
Net assets acquired	(10)
Non-controlling interests	5
Other adjustment	14
Goodwill arising on acquisition	509

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Cash outflow on acquisition of subsidiaries

	HK$'000
Consideration paid in cash	500

Impact of acquisitions on the results of the Group

Included in the loss for the year is loss of HK$3,387,000 attributable to the business undertaken by Mark Wish. Revenue for the year includes HK$13,784,000 in respect of Mark Wish.

Had the acquisition been effected at 1 January 2015, the revenue of the Group would have been HK$87,011,000, and loss for the year would have been HK$265,412,000. The directors of the Company consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

38. *DISPOSAL OF SUBSIDIARIES*

(a) Disposal took place during the year ended 31 December 2015

On 31 December 2015, the Company disposed of 100% equity interest in a subsidiary, A-Plus Glory Capital Limited ("A-Plus"), to a third party, for a cash consideration of approximately HK$4,777,000. A-Plus, through its subsidiaries, Wealth Great Corporation Limited and 宜興瑞添能源技術諮詢有限公司, was engaged in general trading.

	HK$'000
Consideration for the disposal:	
Consideration receivable *(Note 23)*	4,777

Analysis of assets and liabilities at the date of disposal over which control was lost:

	HK$'000
Prepayments, deposits and other receivables	3,700
Bank balances and cash	17
Net assets disposed of	3,717

Gain on disposal of subsidiaries	**HK$'000**
Consideration	4,777
Net assets disposed of	(3,717)
Cumulative exchange gain in respect of the subsidiaries	23
Gain on disposal (Note 7)	1,083

Net cash outflow on disposal of subsidiaries	**HK$'000**
Consideration received	–
Less: Bank balances and cash disposed of	(17)
	(17)

38. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal took place during the year ended 31 December 2014

On 23 December 2013, the Company entered into an agreement with a third party for the disposal of the Group's 51% equity interest in a subsidiary, Confident Echo Holdings Limited ("Confident Echo"), for a cash consideration of HK$50,980,962, of which a cash deposit of HK$21,000,000 was received by the Company up to 31 December 2013. Confident Echo, through its subsidiaries established in the PRC, is principally engaged in provision of technical desulphurisation services. The disposal of Confident Echo was completed on 30 January 2014.

	HK$'000
Consideration received:	
Consideration received in cash	50,981

Analysis of assets and liabilities at the date of disposal over which control was lost:

	HK$'000
Assets classified as held for sale	
Property, plant and equipment	2,371
Intangible assets	2,144
Amounts due from customers for contract work	30,163
Trade receivables	23,034
Prepayments, deposits and other receivables	12,714
Restricted bank deposits	13,960
Bank balances and cash	3,184
Liabilities classified as directly associated with assets classified as held for sale	
Trade payables	(13,806)
Other payables and accruals	(72,833)
Deferred tax liabilities	(536)
Net assets disposed of	395

Gain on disposal of subsidiaries	**HK$'000**
Consideration received	50,981
Net assets disposed of	(395)
Non-controlling interests	164
Gain on disposal *(Note 7)*	50,750

Net cash inflow on disposal of subsidiaries	**HK$'000**
Consideration received in cash	50,981
Less: Deposits received in the previous year	(21,000)
Bank balances and cash disposed of	(3,184)
	26,797

39. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2015, the Group had the following contingent liabilities and commitments:

(a) Contingent liabilities

During the year, a writ of summons dated 16 July 2014 was issued by a third party, Total Shares Limited ("Total Shares"), claiming against the Company and Mr. Shan Xiaochang ("Mr. Shan"), a director of the Company, in respect of a sum of HK$10,000,000 which was advanced by Total Shares to Mr. Shan, the repayment of which was guaranteed by the Company. The Company has contested the case vigorously. Having sought legal advice, the directors are of the opinion that the Company has a good defence against the allegation and the legal action would not result in a material loss to the Group, accordingly no provision for liabilities has been made in the consolidated financial statements. Mr. Shan resigned as director of the Company with effect from 25 March 2015.

(b) Operating leases

As lessee

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

	2015	2014
	HK$'000	HK$'000
Within the first year	**3,295**	1,528
In the second to the fifth year inclusive	**3,838**	–
	7,133	1,528

Operating lease payments represent rental payables by the Group for its office and factory premises. Leases and rentals are negotiated and fixed respectively for an average of three years.

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2015 HK$'000	2014 HK$'000
Service fees paid to		
– an associate of the Group	**195**	–
– an entity in which a director of certain subsidiaries has beneficial interest	**300**	–

(b) Key management personnel compensation

	2015 HK$'000	2014 HK$'000
Salaries and other short-term benefits	**2,444**	2,574
Pension scheme contribution	**36**	67
	2,480	2,641

41. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debts (bank and other borrowings less bank balances and cash) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking consideration of future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

42. *FINANCIAL INSTRUMENTS*

(a) Categories of financial instruments

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows:

	2015 HK$'000	2014 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**63,258**	–
Loans and receivables		
Loans receivable	**8,851**	–
Trade and other receivables	**38,615**	60,099
Bank balances and cash	**6,402**	966
	117,126	61,065
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Unlisted warrants	**13,481**	2,064
Financial liabilities at amortised costs		
Trade and other payables	**54,149**	36,495
Corporate bonds payable	**24,882**	24,014
Other borrowings	**13,781**	24,112
Amount due to noteholder	**–**	24,138
Amount due to a former director	**–**	189
Convertible bonds payable	**20,752**	–
	127,045	111,012

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, loans receivable, trade and other receivables, bank balances and cash, unlisted warrants, trade and other payables, corporate bonds payable, other borrowings, amount due to noteholder, amount due to a former director and convertible bonds payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner. There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk

Foreign exchange risk arises when the group entities enter into transactions denominated in a currency other than their functional currency. The Group's monetary assets and liabilities are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The exchanges rates among these currencies are not pegged except US dollars and HK dollars, and there are fluctuations of exchange rates among these currencies.

42. *FINANCIAL INSTRUMENTS (continued)*

(b) Financial risk management objectives and policies (continued)

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

The carrying amounts of the monetary assets and monetary liabilities at the reporting date denominated in currencies other than functional currencies of the related entities are as follows:

	Assets		**Liabilities**	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**–**	–	**–**	24,138

Sensitivity analysis

The following table indicates the approximate change in the Group's profit or loss after income tax expense in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances of assets and liabilities of the group entities where the denomination of these balances is in a currency other than the functional currencies of these entities. A positive number below indicates a decrease in loss for the year where the functional currency strengthens against the relevant currency. For a weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	2015		2014	
	Increase in foreign exchange rate	**Effect on loss for the year**	Increase in foreign exchange rate	Effect on loss for the year
	%	**HK$'000**	%	HK$'000
RMB	**–**	**–**	5%	1,207

42. *FINANCIAL INSTRUMENTS (continued)*

(b) Financial risk management objectives and policies (continued)

Interest rate risk

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The Group is exposed to interest rate risk as the group entities may borrow funds at both fixed interest rates and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. Although the board of directors accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is not significant, accordingly no sensitivity analysis is presented.

The Group's borrowings at end of each of the reporting periods presented carry interests at fixed interest rates, analysed below:

The Group

	2015		2014	
	Effective interest rate %	**Carrying amount HK$'000**	Effective interest rate %	Carrying amount HK$'000
Fixed rate borrowings				
– corporate bonds payable	**4%-12%**	**24,882**	4%-10%	24,014
– other borrowings	**5%-30%**	**13,781**	5%-25%	24,112
– amount due to noteholder	**–**	**–**	45%	24,138

In addition, the Group had outstanding convertible bonds payable with the carrying amount of HK$20,752,000 (2014: Nil) which carry interest at 3% per annum with the principal amount of HK$31,000,000. The effective interest rate in respect of these convertible bonds at 31 December 2015 is 22.37% per annum (2014: Nil).

Sensitivity analysis

The Group had no floating rate borrowings at end of each of the reporting periods presented. Accordingly, there would have no impact on the results of the Group for the year (2014: Nil) upon any change in interest rate on floating rate borrowings assuming that no floating rate borrowings were outstanding during the year.

Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. Management of the Company manages this exposure by maintaining a portfolio of investments with different risk and return profiles. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% higher/lower, the post-tax loss for the year would decrease/increase by HK$5,282,000 (2014: Nil). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

42. *FINANCIAL INSTRUMENTS (continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December 2015, the Group has concentration of credit risk as 37% (2014: 59%) and 95% (2014: 100%) of the trade receivables (net of impairment) were due from one customer and five customers respectively.

At 31 December 2015, the Group has also significant concentration of credit risk arising from the amounts due from third parties amounted to HK$4,777,000 (2014: HK$5,463,000) included in other receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

None of the Group's financial assets are secured by collateral or other credit enhancements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position of the Group after deducting any impairment losses.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on corporate bonds payable as a significant source of liquidity. As at 31 December 2015, the Group has no available unutilised banking facilities (2014: Nil).

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

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

42. *FINANCIAL INSTRUMENTS (continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

The amounts included below for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

The Group

At 31 December 2015	Weighted average interest rate	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Loans receivable	12% & 20%	–	10,880	–	10,880	8,851
Trade and other receivables	–	38,615	–	–	38,615	38,615
Bank balances and cash	0.5%	6,402	–	–	6,402	6,402
		45,017	10,880	–	55,897	53,868
Non-derivative financial liabilities						
Trade and other payables	–	54,149	–	–	54,149	54,149
Corporate bonds payable	4%, 5% & 12%	12,320	–	20,000	32,320	24,882
Other borrowings	5% & 30%	6,939	9,220	–	16,159	13,781
Convertible bonds payable *(Note)*	3%	930	32,860	–	33,790	20,752
Amount due to noteholder	–	–	–	–	–	–
Amount due to a former director	–	–	–	–	–	–
		74,338	42,080	20,000	136,418	113,564

At 31 December 2014	Weighted average interest rate	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Loans receivables	–	–	–	–	–	–
Trade and other receivables	–	60,099	–	–	60,099	60,099
Bank balances and cash	0.5%	966	–	–	966	966
		61,065	–	–	61,065	61,065
Non-derivative financial liabilities						
Trade and other payables	–	36,495	–	–	36,495	36,495
Corporate bonds payable	4%, 5% & 10%	12,100	–	20,000	32,100	24,014
Other borrowings	5% & 25%	17,610	10,023	–	27,633	24,112
Convertible bonds payable	–	–	–	–	–	–
Amount due to noteholder	45%	28,597	–	–	28,597	24,138
Amount due to a former director	–	189	–	–	189	189
		94,991	10,023	20,000	125,014	108,948

Note: This is categorised based on contractual term of redemption at maturity on the assumption that there were no redemption or conversion of the convertible bonds outstanding at 31 December 2015 before the maturity date.

42. *FINANCIAL INSTRUMENTS (continued)*

(c) Fair value measurement

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Both of the Group's financial assets at fair value through profit or loss, representing equity securities listed in Hong Kong, and financial liabilities at fair value through profit or loss, representing the unlisted warrants, are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined in particular, the valuation technique(s) and input used.

	Fair value as at 31 December		**Fair value**	**Valuation technical(s) and**
	2015	2014	**hierarchy**	**key inputs**
	HK$'000	HK$'000		
Financial assets				
Listed securities *(Note 24)*	**63,258**	–	Level 1	Quoted bid prices in an active market
Financial liabilities				
Unlisted warrants *(Note 32)*	**13,481**	2,064	Level 2	Black-Scholes Model

There were no transfer of the financial assets and financial liabilities between the levels in both of the years presented.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(iii) Reconciliation of Level 3 fair value measurements

The financial liabilities at fair value through profit or loss are measured at fair value on Level 2 fair value measurement. Reconciliation of Level 3 fair value measurements is not presented.

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-current assets		
Investments in subsidiaries	**500**	–
Investments in associates	**4,924**	–
Loans receivable	**8,851**	–
	14,275	–
Current assets		
Prepayments, deposits and other receivables	**10,997**	280
Amounts due from subsidiaries	**122,645**	97,902
Bank balances and cash	**379**	83
	134,021	98,265
Current liabilities		
Other payables and accruals	**4,688**	4,929
Corporate bonds payable	**11,416**	11,347
Other borrowings	**5,000**	15,000
Amount due to noteholder	**–**	24,138
Amount due to a former director	**–**	189
Unlisted warrants	**13,481**	–
Tax payable	**5,000**	5,000
	39,585	60,603
Net current assets	**94,436**	37,662
Total assets less current liabilities	**108,711**	37,662
Non-current liabilities		
Corporate bonds payable	**13,466**	12,667
Convertible bonds payable	**20,752**	–
Unlisted warrants	**–**	2,064
	34,218	14,731
Net assets	**74,493**	22,931
Capital and reserves		
Share capital	**11,375**	4,318
Reserves	**63,118**	18,613
Total equity	**74,493**	22,931

The Company's statement of financial position was approved and authorised for issue by the board of directors on 18 March 2016 and is signed on its behalf by:

Ma Arthur On-hing
Director

Mui Wai Sum
Director

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movements of the reserves of the Company are as follows:

	Share premium	Share option reserve	Convertible bonds reserve	Merger reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	165,417	22,149	-	19,550	(140,277)	66,839
Loss and total comprehensive expense for the year	-	-	-	-	(48,226)	(48,226)
At 31 December 2014 and 1 January 2015	165,417	22,149	-	19,550	(188,503)	18,613
Loss and total comprehensive expense for the year	-	-	-	-	(243,235)	(243,235)
Recognition of the equity component of convertible bonds	-	-	191,706	-	-	191,706
Issue of shares upon:						
Share placement	72,882	-	-	-	-	72,882
Conversion of convertible bonds	142,818	-	(117,420)	-	-	25,398
Share issue expenses	(2,246)	–	–	–	–	(2,246)
Share option forfeited during the year	-	(14,739)	-	-	14,739	-
At 31 December 2015	378,871	7,410	74,286	19,550	(416,999)	63,118

44. *SUBSIDIARIES*

Details of the Group's subsidiaries at the end of the reporting period

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2015 %	2014 %	**2015** %	2014 %	**2015** %	2014 %	
A-Plus [b]	British Virgin Islands ("BVI")	Ordinary	US$1	**–**	100	**–**	–	**–**	100	Investment holding
Modern World Group Limited	BVI	Ordinary	US$5	**100**	100	**–**	–	**100**	100	Investment holding
Ever Wealth Capital Holdings Limited	BVI	Ordinary	US$2	**100**	100	**–**	–	**100**	100	Investment holding
Rich Share Global Limited	BVI	Ordinary	US$2	**100**	100	**–**	–	**100**	100	Investment holding
Wealth Great Corporation Limited [b]	Hong Kong	Ordinary	HK$1	**–**	–	**–**	100	**–**	100	Investment holding and general trading
Era Smart Trading Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Inactive
Honest Smart Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Provision of management services to group companies and securities investment
Rise Joy Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Investment holding
宜興瑞添能源技術諮詢有限公司 [b]	PRC	Registered	HK$1,000,000	**–**	–	**–**	100	**–**	100	Inactive
Shengyan (黑龍江省盛焱新能源開發有限公司) [a, c]	PRC	Registered capital and capital reserve	RMB30,908,748 and RMB6,301,252	**–**	–	**51**	51	**51**	51	Manufacture and sales of straw briquette
Frame Holding Limited	BVI	Ordinary	US$1	**100**	100	**–**	–	**100**	100	Investment holding
Winning Force Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Trading of commodities
Shanghai Industrial Commodities Trading Limited [b]	Hong Kong	Ordinary	HK$10,000	**–**	–	**–**	100	**–**	100	Investment holding
博屬(上海)貿易有限公司 [b]	PRC	Registered	–	**–**	–	**–**	100	**–**	100	Inactive
Mark Wish	BVI	Ordinary	US$10,000	51	–	–	–	51	–	Investment holding
Pudong Investment Development Limited	Hong Kong	Ordinary	HK$10,000	–	–	51	–	51	–	Investment holding
Guss International Trading Limited	Hong Kong	Ordinary	HK$1,500,000	–	–	51	–	51	–	Trading of garment accessories
漢宵(上海)投資管理有限公司 [d]	PRC	Registered	–	–	–	51	–	51	–	Investment holding
東莞格斯光電有限公司 [d]	PRC	Registered	–	–	–	51	–	51	–	Manufacture and trading of LED components
Leading Nation Investment Limited	BVI	Ordinary	US$1	100	–	–	–	**100**	–	Investment holding

44. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	
Honest Smart Finance Limited	Hong Kong	Ordinary	HK$1	–	–	100	–	100	–	Inactive
Ever Up Capital Investment Limited	Hong Kong	Ordinary	HK$1	–	–	100	–	100	–	Inactive
Genius Founder Limited	BVI	Ordinary	US$1	100	–	–	–	100	–	Inactive

Notes:

a These entities are registered as sino-foreign equity joint ventures under the PRC law. The English translation of these names is for reference only. The official names of these entities are in Chinese.

b These entities were disposed of during the year ended 31 December 2015.

c In July 2014, Shengyan issued loan capital to a third party amounted to RMB7,210,000, which carries return on capital of 5% per annum and is repayable on 16 July 2017. This loan capital to the extent of RMB908,748 was regarded registered capital of Shengyan with the remaining amount of RMB6,301,252 as its capital reserve. In addition, the third party has been given the rights to demand repayment of the loan capital at any time when there are adverse changes in business operation of Shengyan or the return on capital is not settled as and when it falls due.

d The registered capitals of 漢宵（上海）投資管理有限公司 (“漢宵”) and 東莞格斯光電有限公司 (“格斯”) are RMB5,000,000 and RMB15,000,000 respectively of which no contribution were made by the Company up to 31 December 2015. The outstanding registered capitals of 漢宵 and 格斯 are to be contributed by the Company and non-controlling interests on or before 10 June 2034 and 31 December 2035 respectively.

Except as aforesaid, none of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2015 %	2014 %	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Shengyan	PRC	49	49	(29,562)	(42,776)	(43,652)	(14,737)
Mark Wish	*(Note below)*	49	–	(1,660)	–	(1,814)	–
				(31,222)	(42,776)	(45,466)	(14,737)

Note: Mark Wish was incorporated in the BVI and, through its subsidiaries, is principally engaged in trading of garment accessories and manufacture and sales of LED components.

44. *SUBSIDIARIES (continued)*

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

Shengyan	**2015** **HK$'000**	2014 HK$'000
Current assets	**–**	30,847
Non-current assets	**–**	52,731
Current liabilities *(Note)*	**(89,089)**	(103,621)
Non-current liabilities	**–**	(10,036)
Equity attributable to owners of the Company	**(45,437)**	(15,342)
Non-controlling interests	**(43,652)**	(14,737)
Revenue	**–**	18,793
Expenses	**(60,331)**	(105,964)
Loss for the year	**(60,331)**	(87,171)
Loss attributable to owners of the Company	**(30,769)**	(44,395)
Loss attributable to non-controlling interests	**(29,562)**	(42,776)
Loss for the year	**(60,331)**	(87,171)
Total comprehensive expense attributable to owners of the Company	**(30,095)**	(43,916)
Total comprehensive expense attributable to non-controlling interests	**(28,915)**	(42,939)
Total comprehensive expense for the year	**(59,010)**	(86,855)
Net cash outflow from operating activities	**(380)**	(4,571)
Net cash inflow/(outflow) from investing activities	**3**	(3,619)
Net cash (outflow)/inflow from financing activities	**(94)**	8,647
Net cash (outflow)/inflow	**(471)**	457

Note: The current liabilities include amounts due to intragroup companies amounted to HK$72,071,000 (2014: HK$72,452,000) which have been eliminated in the preparation of the Group's consolidated financial statements.

44. SUBSIDIARIES (continued)

Mark Wish	2015 HK$'000	2014 HK$'000
Current assets	12,921	–
Non-current assets	9,138	–
Current liabilities	(25,759)	–
Non-current liabilities	–	–
Equity attributable to owners of the Company	(1,886)	–
Non-controlling interests	(1,814)	–
Revenue	13,784	–
Expenses	(17,171)	–
Loss for the year	(3,387)	–
Loss attributable to owners of the Company	(1,727)	–
Loss attributable to non-controlling interests	(1,660)	–
Loss for the year	(3,387)	–
Total comprehensive expense attributable to owners of the Company	(1,891)	–
Total comprehensive expense attributable to non-controlling interests	(1,819)	–
Total comprehensive expense for the year	(3,710)	–
Net cash inflow from operating activities	12,229	–
Net cash outflow from investing activities	(10,210)	–
Net cash inflow/outflow from financing activities	–	–
Net cash inflow	2,019	–

45. SUBSEQUENT EVENTS

In January 2016, 90% equity interest in a subsidiary, Shengyan, inclusive of the 51% equity interest owned by the Group, was pledged to a party not related to the Group as security for a loan facility not exceeding RMB1,000,000 granted by such party.