TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

Annual Report 2015

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Highlights of the Year

— Revenue for the year ended 31 December 2015 amounted to HK$224.42 million (2014: HK$317.15 million), representing a decrease of 29% over the last fiscal year. Decrease in revenue was mainly due to decrease in revenue of the Group's payment solutions business and timber trading and furniture manufacturing business.

— Net loss attributable to shareholders of the Company for the year ended 31 December 2015 was HK$44.41 million (2014: Net profit attributable to shareholders of the Company of HK$32.69 million), representing an increase in net loss attributable to shareholders of the Company of 236% over the last fiscal year. Loss for the year of the Group was mainly due to (i) decrease in revenue and profit of payment solutions business; and (ii) the fact that the Group recognised a non-recurring gain on disposals of subsidiaries in 2014 while no similar gain was recognised by the Group in 2015.

— Basic and diluted loss per share for the year ended 31 December 2015 amounted to HK2.12 cents and HK2.12 cents respectively (2014: Basic and diluted earnings per share of HK1.58 cents and HK1.58 cents respectively).

— The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2015 (2014: HK$Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Chen Jinyang *(Chairman)*
Chau Cheuk Wah *(Chief Executive Officer)*
Zhou Jianhui
Chen Runqiang *(resigned on 29 October 2015)*
Chow Cheuk Lap *(resigned on 23 December 2015)*

Non-Executive Director:

Zhang Haimei *(appointed on 23 December 2015)*
Fan Man Yee Alice *(resigned on 23 December 2015)*

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
David Tsoi
Chao Pao Shu George
Chan Chun Kau *(resigned on 13 January 2016)*

COMPANY SECRETARY

Tang Chi Wai

COMPLIANCE OFFICER

Chow Cheuk Lap *(resigned on 23 December 2015)*

AUDIT COMMITTEE

David Tsoi *(Chairman)*
Dr. Cheung Wai Bun, Charles, *J.P.*
Chao Pao Shu George
Chan Chun Kau *(resigned on 13 January 2016)*

AUTHORISED REPRESENTATIVES

Tang Chi Wai
Chen Jinyang *(appointed on 29 October 2015)*
Chen Runqiang *(resigned on 29 October 2015)*

AUDITOR

PKF
Certified Public Accountants

WEBSITE

www.uth.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room A & B2, 11th Floor,
Guangdong Investment Tower,
No.148 Connaught Road Central,
Sheung Wan, Hong Kong

REGISTERED OFFICE

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

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

Hong Kong Registrars Limited
Room 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKER

Wing Lung Bank

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of the Universal Technologies Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

2015 is a year full of challenges for the global economy. It was especially true for the economic development of the People's Republic of China (the "PRC") as its gross domestic product growth fell to the 25 years low of seven percentage points. Under the influence of a sluggish external economic environment and escalating market competition, the Group's revenue for the year ended 31 December 2015 decreased when compared to the corresponding period in 2014. However, with our solid financial condition, good credit record with banks and business integrity, the Group endeavoured to achieve better performance during the year through strategic acquisitions and repositioning, which was reflected by the increase in the total assets for the year of the Group, so as to implement a sustainable development strategy.

In terms of business, the Group was principally engaged in the provision of payment solutions services in 2015. In this year, the payment business industry was under the challenges of strengthened regulations and intensified industry competitions, which not only resulted in further consolidation of industry players but also the drop of the Group's revenue for the year. During the year, property investment and management business continued to generate stable rental income and asset appreciation for the Group. Besides, in order to implement the core elements of diversified and sustainable corporate development strategy to fortify our competitiveness, the Group carried out business expansion during the year by the acquisition of 49% equity interest in Qinghui Properties Limited and its subsidiaries (hereafter referred to as "Qinghui Group"). Qinghui Group is engaged in water supply and related services and property investment business in Qingyuan City, the PRC. Consideration of the acquisition was RMB224,420,000 (approximately HK$268,519,000), which was settled by the Group in cash. Leveraging on the expertise of the management of Qinghui Group in water supply business and with the expected development and policy support for the PRC's water supply market, the Group believes that the acquisition aligns with the sustainable development strategic objectives of the Group and will contribute a stable source of cash inflow to the Group and generate economic returns as well as long-term values for shareholders and stakeholders.

In terms of management, the Group understands that employees, customers and cooperating partners are the key to our sustainable and stable development in such a complicated and evolving operating environment. Through concerted efforts with employees and close communication with cooperating partners, we provide quality products and services to our customers to achieve sustainable corporate development. The Group always endeavours to create a harmonious and professional working environment for employees to strike for a work-life balance. We are also committed to fostering a healthy and strong corporate culture to enhance the Group's cohesiveness with shared vision and values by every staff in the Group.

Meanwhile, the Group places a top priority with the establishment of corporate governance and internal control system. We believe that we have to enhance risk assessment practice, risk control procedures, operation management schemes and internal information system and put in place internal control responsibility and a mechanism of performance-linked assessment so as to facilitate the progressive implementation of corporate governance and internal control standards and to protect the interests of the Group and the shareholders of the Company as a whole.

Chairman's Statement

PROSPECTS

In 2016, we will adhere to the diversified development strategy to expand customer base and income stream. As industry consolidation leads to intensified inter-industry competition and in the backdrop of global economic slowdown, the Group will face challenges in the future and we will push for business development in a more prudent manner in the coming year.

In the coming year, leveraging on our sound capital structure and solid cash flow base, we will stick to the approach of the Group's sustainable development strategy. At the same time, we will continue to develop our professional knowledge and comply with value investment principles, with a view to boosting our core competitiveness and fostering essential and peripheral competency to steer the Group towards sustainable development, growth and returns.

In 2016, in respect of business at a group level, we will strive for improved diversified development in all business fields and our first priority will be enhancing the Group's business product portfolio. With regard to the newly acquired water supply business, given the ongoing expansion of population, urbanisation and industrial output in the future, it is expected that overall demand in the urban water supply industry will continue to grow in a stable manner and it is expected that water supply companies will record a gradual income increase. Meanwhile, due to its healthy and disciplined financial performance and solid credit position, Qinghui Group has also become a recognised and trustworthy enterprise for local banks. It establishes an efficient channel for the Group's future development or financing. In respect of corporate management, we will enhance daily management, ensure smooth operation, comply with the Listing Rules and strictly carry out good practices of corporate governance and internal control. Besides, in respect of allocation of human resources, the Group will relentlessly boost its efforts in attracting talents, with professional and technical personnel for the newly acquired water supply business as the primary focus, so as to secure a reinforcement of human resources to achieve growth for the new business. In respect of management of self-owned properties and property investments, we will maintain stable rental income and identify and assess potential investment opportunities which may generate long-term values for the Group in a prudent manner. We will strive for additional benefits for the shareholders, investors and staff members.

We are well-equipped to pursue for excellence and value addition! We will endeavour to seek long-term business and profit growth by adopting measures to adjust our business strategies to align with corporate missions and objectives and implementing prudent capital management and liquidity risk management so as to improve business performance and returns for the shareholders of the Company.

Chairman's Statement

WORD OF THANKS

I would like to express my heartfelt gratitude to every customer for their support. Also, I would like to express my appreciation for the support of shareholders and directors for the past year. Indeed, I am grateful for the efforts of every management and staff members in providing quality services to customers and pursuing outstanding results for shareholders. I look forward to striving for further triumph for the Group and all shareholders in the coming year.

Chen Jinyang
Chairman

Hong Kong, 31 March 2016

Management Discussion and Analysis

FINANCIAL OVERVIEW

Revenue and profit for the year

During the current fiscal year, the Group recorded a revenue of HK$224,417,000, representing a decrease of 29% as compared to the last fiscal year. Loss attributable to shareholders of the Company was HK$44,412,000 in the current year, representing an increase in loss attributable to shareholders of the Company of 236% as compared to the last fiscal year. Decrease in revenue was mainly due to the decrease in revenue of the Group's payment solutions business and timber trading and furniture manufacturing business. Loss for the year of the Group was mainly attributable to (i) decrease in revenue and profit of payment solutions business; and (ii) the fact that the Group recognised a non-recurring gain on disposals of subsidiaries in 2014 while no similar gain was recognised by the Group in 2015.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered, in the amount of HK$3,514,000, representing a decrease of 89% as compared to the last fiscal year. Decrease of cost of sales/services rendered was mainly due to the disposal of subsidiaries in 2014. Cost of sales for the year 2015 was mainly attributable to the water supply business.

Other revenue

During the current fiscal year, the Group recorded other revenue of HK$16,564,000, representing an increase of 32% as compared to the last fiscal year. It was mainly due to an increase in government subsidy for payment solutions business.

Other income

During the current fiscal year, the Group recorded other income of HK$1,009,000, representing a decrease of 87% as compared to the last fiscal year. It was mainly due to decrease in exchange gain.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK$294,607,000, which is approximately the same as last fiscal year. During the current fiscal year, general and administrative expenses decreased in terms of staff costs, depreciation and other administrative expenses, but such decrease was offset by the increase in legal and professional fees.

Increase in fair value of investment properties

The increase in fair value of investment properties increased from HK$126,000 in the year of 2014 to HK$1,206,000 in the year of 2015, representing an increase of 857% as compared to the last fiscal year. The increase in fair value mainly related to the properties located at Shanghai, the People's Republic of China (the "PRC"). The increase in fair value of investment properties is based on a professional valuation of an independent valuer, BMI Appraisal Limited.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Finance costs

During the current fiscal year, the Group recorded finance costs of HK$5,428,000, representing an increase of 614% as compared to the last fiscal year. It was mainly due to bank loan interest incurred in relation to cross-border guarantee arrangement for cross-border RMB settlement on the acquisition of water supply group in 2015.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK$2,134,000, representing a decrease of 80% as compared to the last fiscal year. It was mainly due to the decrease in profit of payment solutions business.

Property, plant and equipment

The Group's property, plant and equipment increased by HK$430,857,000 from HK$37,986,000 as at 31 December 2014 to HK$468,843,000 as at 31 December 2015. The increase was due to the acquisition of water supply group during the current fiscal year.

Prepaid land lease premium

The Group's prepaid land lease premium increased by HK$19,943,000 from HK$9,706,000 as at 31 December 2014 to HK$29,649,000 as at 31 December 2015. The increase was due to the acquisition of water supply group during the current fiscal year.

Goodwill

The Group's goodwill increased by HK$90,290,000 from HK$77,097,000 as at 31 December 2014 to HK$167,387,000 as at 31 December 2015. The increase in goodwill was mainly attributable to the acquisition of water supply group during the current fiscal year.

Intangible assets

The Group's intangible assets increased by HK$352,047,000 from HK$4,250,000 as at 31 December 2014 to HK$356,297,000 as at 31 December 2015. The increase was mainly attributable to the acquisition of water supply group during the current fiscal year. The intangible assets of water supply group represent the right to operate water supply plants in the PRC under service concession arrangement.

Investment properties

The Group's investment properties increased by HK$21,308,000 or 65% from HK$32,539,000 as at 31 December 2014 to HK$53,847,000 as at 31 December 2015. It was mainly attributable to the acquisition of water supply group during the current fiscal year.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Deposit paid for acquisition of property, plant and equipment

The Group's deposit paid for acquisition of property, plant and equipment increased by HK$37,588,000 from HK$Nil as at 31 December 2014 to HK$37,588,000 as at 31 December 2015. The increase was due to the acquisition of property, plant and equipment during the current fiscal year.

Interest in an associate

The Group's interest in an associate increased by HK$29,542,000, or 100% from HK$Nil as at 31 December 2014 to HK$29,542,000 as at 31 December 2015. The increase was mainly due to capital injection of 49.5% equity interest in an associate, Shanghai Renda Commercial Factoring Company Limited, which was made in the current fiscal year.

Loan to an officer

The Group's loan to an officer decreased by HK$12,362,000, or 100% from HK$12,362,000 as at 31 December 2014 to HK$Nil as at 31 December 2015. The loan was fully repaid to the Group during the current fiscal year.

Debtors

The Group's debtors increased by HK$25,903,000 or 39% from HK$65,656,000 as at 31 December 2014 to HK$91,559,000 as at 31 December 2015. The increase was primarily attributable to the acquisition of water supply group in the current fiscal year.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables decreased by HK$5,504,000 from HK$218,373,000 as at 31 December 2014 to HK$212,869,000 as at 31 December 2015. The decrease in deposits, prepayments and other receivables was due to decrease in amounts due from former subsidiaries during the current fiscal year.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss increased by HK$1,426,000 from HK$221,000 as at 31 December 2014 to HK$1,647,000 as at 31 December 2015. The increase in financial assets at fair value through profit or loss was mainly due to the acquisition of financial assets during the current fiscal year.

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased by HK$149,321,000 from HK$850,310,000 as at 31 December 2014 to HK$700,989,000 as at 31 December 2015. The decrease in cash and bank balances and fixed deposits was mainly due to the acquisition of water supply group in current fiscal year. As at 31 December 2015, 95% (31 December 2014: 96%) of cash and bank balances was denominated in Renminbi.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Pledged time deposit

The Group's pledged time deposit increased by HK$281,021,000 from HK$Nil as at 31 December 2014 to HK$281,021,000 as at 31 December 2015. It was due to part of the time deposits was pledged during the year for securing bank loans under cross-guarantee arrangement for cross-border RMB settlement on the acquisition of water supply group in the current fiscal year.

Bank and other borrowings

The Group's bank and other borrowings increased by HK$661,855,000 from HK$Nil as at 31 December 2014 to HK$661,855,000 as at 31 December 2015. The increase was mainly attributable to bank loans and other borrowings granted by banks to the Group. The loan was made under the cross-border guarantee arrangement for cross-border RMB settlement on the acquisition of water supply group during the current fiscal year.

Trade payables

The Group's trade payables increased by HK$1,888,000 from HK$Nil as at 31 December 2014 to HK$1,888,000 as at 31 December 2015. The trade payables were attributable to the water supply group.

Payable to merchants

The Group's payable to merchants decreased by HK$10,031,000 or 2% from HK$422,875,000 as at 31 December 2014 to HK$412,844,000 as at 31 December 2015. It was mainly attributable to the decrease in transaction volume of payment solutions business. The Group was playing the role as an agent on behalf of the merchants for collection of transaction money from debtors and then paid such transaction money to the merchants after deducting services fee. The Group mainly booked the services fee which is determined based on an agreed percentage of the transaction moneys involved as revenue.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals increased by HK$166,827,000 from HK$104,207,000 as at 31 December 2014 to HK$271,034,000 as at 31 December 2015. The increase was mainly attributable to increase in construction fee payable, dividend payable to non-controlling shareholder of a subsidiary, accruals and sundry creditors.

Amounts due to related companies

Amounts due to related companies increased by HK$109,446,000, or 763% from HK$14,350,000 as at 31 December 2014 to HK$123,796,000 as at 31 December 2015. The amounts represent advances from related companies. The advances are unsecured, interest-free and repayable on demand.

Management Discussion and Analysis

CONTRACTUAL ARRANGEMENTS

BACKGROUND OF THE STRUCTURED CONTRACTS

Reference is made to the Reorganization Announcement dated 9 September 2005 in relation to the Reorganization whereby the Company (through International Payment Solutions (China) Limited ("International Payment Solutions (China)") (formerly known as Universal Media (Shanghai) Limited), a wholly foreign owned enterprise established under the laws of the PRC and an indirect 51% owned subsidiary of the Company) acquired an effective control over the entire interest in Universal eCommerce China Limited ("Universal eCommerce China") (formerly known as *International Payment Solutions (Shanghai) Limited), a limited liability company established under the laws of the PRC whose financial results are accounted for and consolidated in the Group's consolidated accounts through the Structured Contracts and the effective interest attributable to the Group is 51% through the Structured Contracts. As disclosed in the Reorganization Announcement, at the time of the entering into of the Structured Contracts, (i) operators of value-added telecommunication services in the PRC must obtain a valid Internet Content Provider (ICP) license issued by the Ministry of Information Industry in the PRC or its provincial-level bureau (MII); (ii) PRC laws and regulations limited foreign investment in and only allowed foreign investors to own up to 50% equity interest in businesses providing value-added telecommunication services in the PRC; and (iii) the Group's own PRC subsidiaries were not entitled to apply for such ICP license. Therefore, the Company underwent the Reorganization so as to acquire an effective control over the entire interest in Universal eCommerce China and entered into the Structured Contracts to recognize and receive all the economic benefits of the businesses and operations of Universal eCommerce China (including the revenues generated from the operation of its businesses and all dividends and distributions accrued thereon).

PARTICULARS AND BUSINESSES OF UNIVERSAL ECOMMERCE CHINA

Universal eCommerce China is a limited liability company established in the PRC and is principally engaged in the provision of online payment services, system integration, and software applications. Its scope of business includes internet information services, excluding information in relation to electronic public notices, press release, publication, education, medical information, medicines and medical equipment, and also involves in software and system integration and sale of the related products and online sales, provision of ecommerce information.

As at the date of this annual report, the equity interest of Universal eCommerce China is 10.2% held by Mr. Liu Ruisheng ("Mr. Liu"), 9.8% by Madam Luan Yumin ("Madam Luan") and 80% by Shanghai Lanpu Information Technology Co., Ltd ("Lanpu").

MAJOR TERMS OF THE STRUCTURED CONTRACTS

Exclusive Purchase Right Contract

The shareholders of Universal eCommerce China and Universal eCommerce China (as grantors) entered into a Exclusive Purchase Right Contract with International Payment Solutions (China) (as grantee) on 9 September 2005. Under the Exclusive Purchase Right Contract, (i) the shareholders of Universal eCommerce China granted to International Payment Solutions (China) the exclusive right to purchase all their equity interests in Universal eCommerce China for the consideration of RMB1.00 (HK$1.20) or the lowest amount permissable under PRC law; and (ii) Universal eCommerce China granted to International Payment Solutions (China) the exclusive right to purchase all the assets of Universal eCommerce China for the consideration of RMB1.00 (HK$1.20) or the lowest amount permissable under PRC law. These exclusive purchase rights are exercisable by International Payment Solutions (China) as soon as the purchases become permissible under the PRC laws.

Management Discussion and Analysis

CONTRACTUAL ARRANGEMENTS *(continued)*

MAJOR TERMS OF THE STRUCTURED CONTRACTS *(continued)*

Pledge Contract

The shareholders of Universal eCommerce China (as pledgors) entered into a Pledge Contract with International Payment Solutions (China) (as pledgee) on 9 September 2005. Under the Pledge Contract, the shareholders of Universal eCommerce China granted to International Payment Solutions (China) a continuing first priority security interest over their respective equity interests in Universal eCommerce China. The purpose of the Pledge Contract was to secure the due performance of the obligations of the shareholders of Universal eCommerce China under the Exclusive Purchase Right Contract. Under the terms of the Pledge Contract, the pledge shall become enforceable upon the occurrence of the following events of default: (i) breaches by the Universal eCommerce China's shareholders or Universal eCommerce China of their material obligations under the Pledge Contract or the Exclusive Purchase Right Contract; (ii) Universal eCommerce China ceasing to conduct its operations or being dissolved, or being ordered to cease its operations, be dissolved or be wound up; (iii) any of the shareholders of Universal eCommerce China or Universal eCommerce China being involved in any material disputes or litigation which is likely to have a material adverse effect on their ability to perform their obligations under the Pledge Contract or the Exclusive Purchase Right Contract; and (iv) any other circumstance under which the disposal by way of enforcement of the pledged equity interests is permissible under the applicable PRC law.

Operative Contracts

On 9 September 2005, International Payment Solutions (China) entered into six Operative Contracts with Universal eCommerce China and the Company entered into one Operative Contract with Universal eCommerce China, whereby the Company and International Payment Solutions (China) provided various licenses, lease and consultancy services to Universal eCommerce China which were critical to the value-added telecommunication operations of Universal eCommerce China. In return for such licenses, lease and consultancy services, International Payment Solutions (China) shall be entitled to receive all the cash received by Universal eCommerce China through its operations, which is surplus to Universal eCommerce China's basic requirements.

The seven Operative Contracts are: (i) Cooperative Framework Contract — serving as the master agreement setting out the context of the seven Operative Contracts and entitling International Payment Solutions (China) to all the surplus cash of Universal eCommerce China; (ii) Company Trademark License Contract — whereby the Company granted a non-exclusive license to Universal eCommerce China for the use of certain trademarks owned by the Company; (iii) International Payment Solutions (China) Trademark License Contract — whereby International Payment Solutions (China) granted a non-exclusive license to Universal eCommerce China for the use of certain trademarks owned by International Payment Solutions (China); (iv) Software License Contract — whereby International Payment Solutions (China) granted a non-exclusive license to Universal eCommerce China for the use of certain software owned by International Payment Solutions (China); (v) Domain Name License Contract — whereby International Payment Solutions (China) granted a non exclusive license to Universal eCommerce China for the use of certain domain names owned by International Payment Solutions (China); (vi) Assets Leasing Contract — whereby International Payment Solutions (China) leased certain assets to Universal eCommerce China; and (vii) Technical Consultancy Services Contract — whereby International Payment Solutions (China) agreed to provide technical consulting, maintenance and other related consultancy services to Universal eCommerce China.

Management Discussion and Analysis

CONTRACTUAL ARRANGEMENTS *(continued)*

REVENUE AND ASSETS SUBJECT TO THE CONTRACTUAL ARRANGEMENTS

As a result of the Structured Contracts, the financial statements of the Universal eCommerce China Group were consolidated to the Group's financial statements. For the two financial years ended 31 December 2015, the financial results of the Universal eCommerce China Group (which are subject to the Structured Contracts), in aggregate, are set out below:

	2015	2014
	HK$'000	HK$'000
Revenue	**219,032**	278,565
Net (loss)/profit	**(22,067)**	29,898
Total Assets	**846,950**	863,419

REASONS FOR USING THE STRUCTURED CONTRACTS

The principal businesses of the Universal eCommerce China Group are classified as value-added telecommunication services which are categorised as a type of business which is subject to foreign investment restriction in the PRC. By virtue of the Administrative Provisions on Foreign-invested Telecommunication Enterprises, foreign investors shall not hold more than 50% equity interest of a PRC enterprise providing value-added telecommunication services.

To the best understanding of the Company, apart from the foreign investment restrictions as mentioned above, the entering into of the Structured Contracts do not relate to any other legal or regulatory requirements.

As the Group, being a foreign investor, is subject to the aforesaid restriction in equity interest of Universal eCommerce China, the Structured Contracts serve as an effective means through which the Group may fully and effectively control the Universal eCommerce China Group and enjoy the economic benefit of the businesses of the Universal eCommerce China Group. The Structured Contracts (in particular, the Exclusive Purchase Right Contract) also enable the Company (or its nominee) to acquire the entire equity interest in Universal eCommerce China as and when the foreign investment restriction is lifted.

RISKS ASSOCIATED WITH THE STRUCTURED CONTRACTS

Regulatory and policy change on Variable Interest Entity (VIE) structure

The Company was advised by its PRC legal adviser that (i) the Structured Contracts do not violate any mandatory laws and regulations in the PRC and are valid, binding and enforceable on the relevant parties; and (ii) in their opinion, the Structured Contracts should not be considered to be in violation of Article 52 of the PRC Contract Law, which renders void any contracts which are regarded to be "concealing illegal intentions with a lawful form". However, there can be no assurance that the Structured Contracts will be accepted by the PRC government and authorities as in compliance in all respects with the PRC laws and regulations, and there can be no assurance that the validity and enforceability of the Structured Contracts will not be affected by any future regulatory or policy change in the PRC in respect of VIE structure. If that happens, the businesses and operations of the Group may be adversely affected.

Management Discussion and Analysis

CONTRACTUAL ARRANGEMENTS *(continued)*

RISKS ASSOCIATED WITH THE STRUCTURED CONTRACTS *(continued)*

Potential conflict of interests between the Universal eCommerce China Shareholders and the Group

The Group's control over the Universal eCommerce China Group is based on the contractual arrangements under the Structured Contracts with Universal eCommerce China and the shareholders of Universal eCommerce China. As the Universal eCommerce China Shareholders are employees of the Group, the Company expects them to follow instructions of the Company. However, there is no absolute certainty that the Universal eCommerce China Shareholders will act in favour of the Group at all times. In addition, if any conflict of interests arises between the Group and the Universal eCommerce China Shareholders, the interest of the Group may be adversely affected.

UNWINDING OF THE STRUCTURED CONTRACTS

No Structured Contract has been unwound as at the date of this annual report. The Company does not intend to unwind any Structured Contract unless and until the foreign investment restriction relating to ownership of the equity interest in Universal eCommerce China is lifted. When the foreign investment restriction is lifted, the Company intends to exercise its exclusive purchase right under the Exclusive Purchase Right Agreement to acquire the entire equity interest in Universal eCommerce China, so that the Company can control the Universal eCommerce China Group through direct shareholding relationship rather than Structured Contracts.

LISTING RULES COMPLIANCE

As at the date of this annual report, (a) the equity interest of Universal eCommerce China is 10.2% held by Mr. Liu, 9.8% by Madam Luan and 80% by Lanpu; and (b) the equity interest of Lanpu is 51% held by Mr. Liu and 49% held by Madam Luan. On a look-through basis, Mr. Liu and Madam Luan respectively own 51% and 49% effective interest in Universal eCommerce China.

Mr. Liu was a former Director who resigned with effect from 8 June 2012. As at the date of this annual report, Mr. Liu is a director of certain subsidiaries of the Company, and is therefore regarded as a connected person at the subsidiary level under the definitions of the Listing Rules.

Madam Luan was a former Director who resigned with effect from 10 September 2012. As at the date of this annual report, Madam Luan is a director of certain subsidiaries of the Company, and is therefore regarded as a connected person at the subsidiary level under the definitions of the Listing Rules.

Lanpu is a limited liability company established in the PRC. To the best knowledge, information and belief of the Directors, Lanpu has not conducted any active business activities since its date of incorporation, and was established by Mr. Liu and Madam Luan as an investment holding company and special purpose vehicle through which they hold the registered capital of Universal eCommerce China. Lanpu is controlled by Mr. Liu and Madam Luan and is therefore regarded as a connected person at the subsidiary level under the definitions of the Listing Rules.

Management Discussion and Analysis

CONTRACTUAL ARRANGEMENTS *(continued)*

LISTING RULES COMPLIANCE *(continued)*

As disclosed in the Reorganization Announcement, the Structured Contracts were regarded as connected transactions when they were entered into on 9 September 2005 under the then-prevailing Listing Rules. The Structured Contracts have already been approved by the Independent Shareholders (as defined in the Reorganization Announcement) at the Company's extraordinary general meeting held on 18 October 2005.

The Structured Contracts have not been materially supplemented or modified since their date of execution up to the date of this report. If there is any material change to the terms of the Structured Contracts which is required to be disclosed under the Listing Rules, the Company will make further announcement(s) as and when appropriate.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2015, the Group had net current assets of HK$54,760,000. Current assets comprised inventories of HK$3,011,000, debtors of HK$91,559,000, deposits, prepayments and other receivables of HK$212,642,000, financial assets at fair value through profit or loss of HK$1,647,000, prepaid land lease premium of HK$285,000, fixed deposits of HK$63,218,000, pledged time deposit of HK$281,021,000 and cash and bank balances of HK$637,771,000.

Current liabilities comprised bank and other borrowings of HK$413,873,000, trade payables of HK$1,888,000, payable to merchants of HK$412,844,000, deposits received, sundry creditors and accruals of HK$271,034,000, amounts due to related companies of the HK$123,796,000 and tax payable of HK$12,959,000.

The gearing ratio (defined as a percentage of total liabilities (excludes deferred tax liability) over total assets (excludes deferred tax assets)) of the Group at 31 December 2015 was 61% (2014: 42%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its commitments, current working capital requirements and further development. In the long term, the Board believes that the Group will continue to fund its foreseeable expenditures through cash flows from operations. However, for a more massive scale of expansion and development, debt or equity financing may be required.

BUSINESS REVIEW AND PROSPECTS

Business Review

The year 2015 was full of challenges with adjustment in global economy, and emerging countries encountered difficulties in economic development in general. The economy of China continued the declining trend with a modest GDP growth of below 7%, which was a record low since the 2008 financial tsunami, according to data published on the website of the National Bureau of Statistics. Against such economic backdrop, together with combined effects of intensified competition, and tougher business environment, the Group's revenue for the year recorded a significant decrease. Meanwhile, the Group turned around from profitability in 2014 to loss-making in 2015, mainly due to decrease in profit of payment solutions business and the absence of gain on disposal of subsidiaries in 2015.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Business Review *(continued)*

With regard to the payment business for the year, the payment industry saw a series of new development: 1. new payment pattern became a driving force to the industry development. With establishment of payment scenarios and development of user habit for mobile payment, consumer loyalty increased apparently with market share of mobile payment surpassing that of internet; 2. the growth of internet finance slowed down. Trans-sector cooperation became a common practice for current internet financial industry, where all kinds of strategic cooperation were found between internet financial corporations and traditional companies; 3. stringent policies have been effectively implemented during the year. Profit-making simply through payment channels was subject to banks and policies, and thus outmoded; 4. the Chinese government tightened the administration of payment license. According to financial news in China, under the regulatory system, the People's Bank of China ("PBOC") has revoked the license for payment businesses of three companies in 2015, which were reportedly involved in issues of embezzling customers' advanced cash to make investment. In light of an array of problems, the PBOC expedited the establishment of system on central management of customers' settlement fund for non-bank payment institution during the year. It was contemplated to incorporate the inter-institutional settlement business into an integrated system in order to prevent operational risks and related systematic risk, constrain payment institutions from trans-sector operation and maintain a proper market order for payment service. Under such market situation, the Group continued the strategic goal of self-development for its payment business during the year. In addition to maintaining existing standard in respect of research, risk control and internal control, we also carried out appropriate internal adjustment in line with the market and policies. With regard to domestic business for the year, we strived to develop and build a service platform by deeply cultivating preliminary sectors with advantages, and run trial operations for a series of new businesses with product and technological innovation as well as system upgrade, but the result has yet to show prospect. On the other hand, for oversea market expansion in respect of our payment business, the result was below expectation and was affected by various factors like the neighboring environment, and it will take time before improvement will be seen in this sector.

Moreover, to further optimise resources deployment and follow the medium and long term sustainable development target of the Group, on 23 December 2015, the Group completed an acquisition of 49% of equity interest in 東莞市擎琿置業有限公司 (Qinghui Properties Limited*) and its eight subsidiaries (hereafter referred to "Qinghui Group"). The Qinghui Group was principally engaged in water supply business and property investment business and has extensive experience in water supply industry. It maintains a good and long-term working relationship with local government authorities. The Group has formulated a set of flexible solutions in respect of property investment and capital management. With comprehensive system management, the operation and performance has posed a stable growing trend in a long time. Completion of the acquisition enabled the Group's diversified business to enter a new phase with growth potential, and that the investment could generate stable and immediate cash flow for the Company as an additional financial assurance for its daily operations and business development.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Business Review *(continued)*

With regard to property investment and management for the year, in addition to holding the existing investment properties and self-use properties, the Group also acquired 11 properties and lands held by Qinghui group in Qingyuan City. Among the 11 properties and lands, some have been leased out while some are for self-use purpose. The properties generated steady rental income for the Group and their fair values continued to increase during the year.

With respect to the pool of talent for the year, the Group is convinced that a team of highly qualified staff is the key to success of the Company's development. The Group has been making efforts on understanding the needs of talents in order to recruit suitable staff and strategically allocating adequate resources for staff promotion, attracting and retaining talents. Reasonable allocation of human resources and continued talent recruitment have laid down a solid foundation for providing key drivers for the Group's sustainable and stable development. Moreover, since the Group acquired the business of water supply during the year, the total number of employees of the Group reached 1,004 as at 31 December 2015. With the substantial increase in the number of employees, the Group set a higher standard for the management and control of its staff and effectively implementing allocation and integration of staff will be a top priority for the Group in the second half of the year.

Prospects

The year ahead for the Group is expected to be full of challenges and uncertainties.

For the principal operations of the Group, in 2016, the industry has been transforming from a product-oriented market towards an application-oriented one as a result of payment innovation. With improving regulatory system for internet financing, the payment industry currently enjoys economies of scale and appears to be in a "winner-takes-all" situation. As regulatory policies become more stringent, the payment market will put more emphasis on value-added service and online service, and focus more on context and user experience. It is also intended that the payment function will become a basic application to be embedded in the system. Platformisation, all-inclusive mode and comprehensive businesses will become the mainstream development approach. Considering that both the market and regulatory system have a tendency to shift towards the finance industry, many of the Group's businesses in respect of payment may not materialise. Therefore, we will streamline current operations with caution based on actual developments. By adjusting business segments as well as through expansion and exploration of cooperation with existing partners and merchants, we can provide differentiated services and maintain profits effectively. On the other hand, as the overall economic environment continues to tighten, the Group's operations based on the corporate clients are bound to be affected correspondingly. Although the operating results of the payment business in 2016 will face internal and external pressures, the Group believes that based on our solid financial foundation and strategy for diversified sustainable development, we will achieve synergy in due course through group structure rationalisation.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Prospects *(continued)*

As for the Group's water supply business, in 2016, given the slowing economic growth condition as the "new normal" in China, the manufacturing industry enters into the "de-capacity" phase, whereas the real estate industry enters into the "de-stocking" phase. In light of the economic condition in the coming year, the Qinghui Group will maintain its current operational and management strategy and actively adapt to the new economic condition. It will perform its responsibilities of supplying water effectively and ensure water safety, while continuing to deepen operating ideas. In addition, the Qinghui Group will keep abreast of market developments and proactively explore businesses. It will also strive to push its services onto a new level by innovating platforms of services. With all the aforementioned measures, the Qinghui Group will take every effort to promote new corporate developments. It is believed that by capitalising on the Group's own experience in water supply business and current operations, such new growth sources will continue to deliver results in the upcoming years and contribute steady revenues and profits to the Group, thereby strengthening the foundation for the Group's further development.

2016 will be a year full of opportunities and challenges. We will work hard to overcome difficulties and maintain momentum striving forward. Adhering to its strategic direction of "concentrating on growth, reducing losses, and modifying the structure", the Group will explore fields of business and investment opportunities from time to time for business diversification and financial growth, and maximise the investment value of shareholders.

EMPLOYEES

At 31 December 2015, the total number of employees of the Group was 1,004 (2014: 602). The dedication and contribution of the Group's staff during the year are greatly appreciated and recognised.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance.

In addition, the Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in the PRC.

ENVIRONMENTAL POLICY AND PERFORMANCE

Notion and policy

The Group acknowledges that being a responsible enterprise, the Group still has to take into account the impact of its business operation on the environment while enjoying financial stableness. 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.

Management Discussion and Analysis

TREASURY POLICIES

The Group adopted a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 21 June 2015, Shenzhen Huanye Universal Technologies Limited (an indirect wholly-owned subsidiary of the Company) ("Shenzhen Huanye") and Dongguan Hongshun Shiye Development Company Limited ("Hongshun Shiye") entered into the sale and purchase agreement pursuant to which Shenzhen Huanye has conditionally agreed to acquire and Hongshun Shiye conditionally agreed to sell 49% of the entire equity interest in Qinghui Properties Limited and its eight subsidiaries ("Qinghui Group") (the "Acquisition"), at cash consideration of RMB224,420,000 (equivalent to approximately HK$268,519,000). Hongshun Shiye is beneficially and wholly-owned by Mr. Yang Zhimao and his spouse Ms. Zhu Fenglian ("Yangs"), who also own the entire issued share capital of Ever City Industrial Development Limited, which is a substantial shareholder of the Company. Accordingly, Hongshun Shiye is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company. The acquisition was subsequently approved by the independent shareholders of the Company on 18 December 2015 and completed on 23 December 2015.

On 23 December 2015, the fair value of the identifiable assets and liabilities of Qinghui group acquired as at the date of acquisition was HK$178,229,000. The newly acquired business contribute a revenue of HK$5,351,000 to the Group and contributed a profit of HK$1,203,000 to the Group for the period between the date of acquisition and the financial year end. The Group recognised a goodwill of HK$90,290,000 because the purchase consideration exceeded the fair value of net assets acquired.

On 23 September 2015, the Group set up a new company, Shanghai Renda Commercial Factoring Company Limited ("Shanghai Renda"), a company incorporated in the PRC. The Group injected capital of RMB24,750,000 (equivalent to approximately HK$29,613,000) on 49.5% equity interests in Shanghai Renda. The Group recognised the share of the associate's loss of HK$3,000 for the period between the date of setting up and the end of the fiscal year.

On 27 January 2015, the Group disposed of its entire equity interest of Universal Unipass Limited at a consideration of approximately RMB991,000 (equivalent to approximately HK$1,246,000). The net assets of the Universal Unipass Limited as at the date of disposal was approximately RMB991,000 (equivalent to approximately HK$1,246,000).

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS *(continued)*

On 8 June 2012, Universal eCommerce China Limited ("eCommerce"), a wholly-owned subsidiary of the Company, entered into conditional disposal agreements with Shanghai Chiyi Investment Partnership ("Chiyi") and Beihai Shiji Information Technology Co., Ltd. ("Beihai Shiji") which were connected persons of the Company in respect of the disposal of 17.49% equity interests in Universal ECPAY Limited ("ECPAY"), which is an indirect non-wholly owned subsidiary of the Company. Chiyi was owned as to 53.64% by Madam Luan Yumin, a former Executive Director of the Company, and Beihai Shiji owned 15% existing equity interests in ECPAY in 2012. Therefore, the agreements entered into between Chiyi and Beihai Shiji respectively were connected transactions for the Company. According to the agreements, eCommerce has conditionally agreed to dispose 9.99% equity interests in ECPAY to Chiyi; and eCommerce has conditionally agreed to dispose 7.5% equity interests in ECPAY to Beihai Shiji. The disposal of 7.5% equity interests in ECPAY was completed on 17 September 2012.

The disposal of the remaining portion of 9.99% equity interests in ECPAY to Chiyi at a consideration of RMB11,383,000 (Equivalents to HK$14,147,000) was completed on 23 December 2015. The carrying amount of the non-controlling interests in ECPAY on the date of disposal was HK$13,707,000. The Group recognised an increase in non-controlling interests of HK$13,707,000 and increase in equity attributable to shareholders of the Company of HK$162,000.

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 31 December 2015 were secured by:

(i) charge over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK$281,021,000);

(ii) charges over property, plant and equipment with aggregate carrying amounts of RMB35,904,000 (equivalent to approximately HK$42,858,000);

(iii) charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,355,000 (equivalent to approximately HK$5,198,000);

(iv) pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;

(v) pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

(vi) pledge of trade receivables under service concession arrangement with a carrying amount of RMB18,278,000 (equivalent to approximately HK$21,818,000); and

(vii) guarantee by Xinhongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being the subsidiaries of the Company.

The Group had not charged any of it's assets as at 31 December 2014.

Management Discussion and Analysis

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 21 November 2006, Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water", a subsidiary of newly acquired Qinghui Group) entered into service concession arrangement with the local government of Qingyuan City, Guangdong Province, whereby Taihe Water was contracted to construct the water supply plants and to operate and maintain the water supply plants under a build-operate-transfer basis.

As at 31 December 2015, there is new water treatment plant (Taihe Plant #2 Phrase 2) under construction with a planned daily production capacity of approximately 100,000 tonnes, which is located next to the existing plant (Taihe Plant #2 Phrase 1). The new plant would share the existing infrastructures of the existing plant. In addition, the Group intends to expand its coverage area by way of expansion of pipeline coverage.

CURRENCY RISK

Currently, the market anticipates moderate depreciation pressure on Renminbi. The Group has not implemented any formal policy in dealing with this foreign currency risk. However, in view of the fact that the Group's core business is mainly transacted and settled in Renminbi, the exposure of the Group's risk from exchange rate fluctuation was minimal. For the year ended 31 December 2015, the Group did not enter into any arrangement to hedge its foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

CAPITAL COMMITMENT

At 31 December 2015, the Group had contracted but not provided for were approximately HK$249,612,000 in respect of (i) acquisition of property, plant and equipment was approximately HK$138,590,000 (2014: HK$Nil); and (ii) other intangible assets (as defined under the adopted accounting standards) were approximately HK$111,022,000 (2014: HK$Nil), and it is for the expansion of water treatment capacity and pipeline network, as well as the maintenance capital expenditures in the normal course of business of Qingyuan Water Supply Development Company Limited and Qingyuan Qingxin District Taihe Water Company Limited.

CONTINGENT LIABILITIES

The Group is subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to directors and shareholders.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities including lawsuits, the Directors of the Company believe that the aggregate amount of such liabilities, if any, in excess of amounts accrued, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chen Jinyang

Mr. Chen, aged 45, was appointed as an Executive Director, the Chairman of the Board and an authorised representative of the Group on 18 December 2012, 16 September 2013 and 29 October 2015 respectively. He has substantial experience and knowledge of banking industry and investment business in the PRC.

Mr. Chau Cheuk Wah

Mr. Chau, aged 61, was appointed as the Chief Executive Officer and an Executive Director of the Group on 3 June 2013 and 16 September 2013 respectively. Mr. Chau has 37 years of experience in banking and finance in Hong Kong and China with various global financial institutes. Mr. Chau was graduated from The Chinese University of Hong Kong with a bachelor degree in Business Administration.

Mr. Chau was formerly a director and shareholder of Eastcorp International Limited ("Eastcorp"), the substantial shareholder of the Company. Mr. Chau is a brother of Mr. Chow Cheuk Lap, a former Executive Director and the former Compliance Officer of the Group.

Mr. Chen Runqiang

Mr. Chen, aged 49, was formerly the Chairman of the Board, an Executive Director and the authorised representative of the Group. Mr. Chen resigned as the Chairman of the Board, an Executive Director and the authorised representative on 16 September 2013 and 29 October 2015 respectively. Mr. Chen is a businessman with plenty of experiences in the PRC and the he engages in property development and leasing in the PRC.

Mr. Chow Cheuk Lap

Mr. Chow, aged 64, was formerly an Executive Director and the Compliance Officer of the Group. Mr. Chow resigned as an Executive Director and the Compliance Officer of the Group on 23 December 2015. Mr. Chow was graduated from the University of London with a Bachelor Science Degree in Economics and qualified as a Solicitor in Hong Kong. Mr. Chow has more than 20 years experience in civil litigation and commercial matters.

Mr. Chow Cheuk Lap and Ms. Fan Man Yee Alice, a former Non-Executive Director of the Group are partners of Messrs. C.L. Chow and Macksion Chan, Solicitors which is the legal adviser of Ever City Industrial Development Limited ("Ever City") and Eastcorp International Limited ("Eastcorp"), the substantial shareholders of the Company. Mr. Chow is a brother of Mr. Chau Cheuk Wah, who is an Executive Director and the Chief Executive Officer of the Group, and a former director and former shareholder of Eastcorp.

Directors and Senior Management

DIRECTORS *(continued)*

Executive Directors *(continued)*

Mr. Zhou Jianhui

Mr. Zhou, aged 51, was appointed as an Executive Director of the Group on 18 December 2012. Mr. Zhou was previously a senior advisor of the Company and joined the Group as a Vice President. Mr. Zhou has substantial experience and knowledge of financial management and investment business in the PRC.

Non-Executive Director

Ms. Fan Man Yee Alice

Ms. Fan, aged 46, was formerly a Non-Executive Director of the Group. Ms Fan resigned as a Non-Executive Director of the Group on 23 December 2015. She is a qualified solicitor in Hong Kong. Ms. Fan had extensive experience in the commercial litigation area. Ms. Fan has handled a number of complex commercial litigation cases involving shareholders/investors and the disputes in relation to clients' businesses in Hong Kong and across the border in China or elsewhere in the Far East Region. Ms Fan is particularly familiar with the interactions between Hong Kong and China. Ms. Fan is the partner and the solicitor of Messrs. C.L. Chow & Macksion Chan, which is the legal adviser of Ever City and Eastcorp, the substantial shareholders of the Company (of which one of the partners is Mr. Chow Cheuk Lap, an former Executive Director and the former Compliance Officer of the Group) and is specialised in the area of commercial and civil litigation.

Ms. Zhang Haimei

Ms. Zhang, aged 48, was appointed as a Non-Executive Director of the Group on 23 December 2015. Ms Zhang is experienced in financial management. Ms. Zhang obtained a diploma in accounting and possesses the qualification of junior level accounting in the PRC.

Ms. Zhang is currently a director and the financial controller of Guangdong Golden Dragon Development Inc. ("GD") whose shares are listed on the Shenzhen Stock Exchange (stock code: 000712); and a member of the supervision committee of Dongguan Securities Limited, a 40% owned associate of GD. Ms. Zhang joined GD in 2003 and has served in various positions in GD including the assistant to Chief Executive Officer of GD and the former manager in the finance department of GD. GD is indirectly owned as to 50.02% of its entire share capital by Mr. Yang Zhimao and his spouse Ms. Zhu Fenglian (the "Yangs"), a substantial shareholder of the Company.

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors

Dr. Cheung Wai Bun, Charles, *J.P.*

Dr. Cheung, aged 79, is an Independent Non-Executive Director, the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Group. He was awarded with Honorary Doctorate Degree in Business Administration by John Dewey University in the United States in 1984. He obtained a master degree in Business Administration and a Bachelor of Science degree in Accounts and Finance from New York University in the United States in 1962 and 1960, respectively. Dr. Cheung is a Director and Vice Chairman of Executive Committee of Metropolitan Bank (China) Ltd. He was formerly an Independent Non- Executive Director and the Chairman of Audit Committees of Shanghai Electric Group Company Limited (stock code: 2727). Dr. Cheung is currently (i) an Independent Non-Executive Director and the Chairman of Audit Committee of Pioneer Global Group Limited (stock code: 224) and Modern Dental Group Limited (stock code: 3600); (ii) an Independent Non-Executive Director, and the Chairman of Nomination Committee and Audit Committee of China Financial International Investments Limited (stock code: 721); (iii) an Non-Executive Director of Galaxy Entertainment Group Limited (stock code: 027); and (iv) an independent Non-Executive Director and Chairman of Remuneration Committee of Jiayuan International Group Limited (stock code: 2768), all of which are companies listed on the Main Board of the Stock Exchange. Dr. Cheung is an Independent Non-Executive Director and the Chairman of Nomination Committee of Yin He Holdings Limited (formerly named ”Zebra Strategic Holdings Limited”) (stock code: 8260) listed on GEM board. He is the Chairman of Joy Harvest International Ltd. He is also a Council Member of the Hong Kong Institute of Directors. He was a former visiting professor of School of Business of Nanjing University, China. He is a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital and a member of Regional Advisory Committee of Hospital Authority. He was a former director and advisor of the Tung Wah Group of Hospitals. Dr. Cheung was formerly a Chief Executive & Executive Deputy Chairman of Mission Hills Group.

Dr. Cheung was awarded the Directors of the Year Awards 2002 of “Listed Company Non-Executive Director”. He was elected Outstanding Director Award by the Chartered Association of Directors, Outstanding Management Award by Chartered Management Association, and Outstanding CEO Award by the Asia Pacific CEO Association in December 2010.

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. David Tsoi

Mr. Tsoi, aged 68, was appointed as an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Group on 3 June 2013. Mr. Tsoi is the managing director of Alliott, Tsoi CPA Limited. Mr. Tsoi obtained a master's degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, the Institute of Chartered Accountants of England and Wales and the Society of Chinese Accountants and Auditors. He is also a member of CPA Australia and Auditors and the Chartered Professional Accountants — Canada, respectively. He was formerly an Independent Non-Executive Director of CSR Corporation Limited (Stock code: 1766). Mr. Tsoi is currently (i) an Independent Non-Executive Director, Chairman of Audit Committee and Remuneration Committee of MelcoLot Limited (stock code: 8198);(ii) an Independent Non-Executive Director and Chairman of Audit Committee of Enviro Energy International Holdings Limited (stock code: 1102); and (iii) an Independent Non-Executive Director of Guru Online (Holdings) Limited (stock code: 8121), respectively, the shares of which are all listed on the Hong Kong Stock Exchange.

Mr. Chan Chun Kau

Mr. Chan, aged 41, was formerly an Independent Non-Executive Director, the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Group. Mr. Chan resigned from all of the above positions on 13 January 2016. Mr. Chan was graduated from the Trinity College, Cambridge University of England with a bachelor degree in computer science and laws. Mr. Chan is a practicing solicitor in Hong Kong and is a partner of Messrs. Cheung and Choy and J.S. Gale & Co. and the sole proprietor of Lawrence Chan & Co. He is also the Company Secretary of China Energy Development Holdings Limited (stock code: 228) and TC Orient Lighting Holdings Limited (stock code: 515), and an Independent Non-Executive Director of Jin Bao Bao Holdings Limited (stock code: 1239), all of which are listed on Hong Kong Stock Exchange. Mr. Chan is experienced in corporate finance and capital markets.

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. Chao Pao Shu George

Mr. Chao, aged 69, was appointed as an Independent Non-Executive Director, a member of Audit Committee, Nomination Committee and Remuneration Committee of the Group on 16 September 2013, and further appointed as Chairman of Nomination Committee of the Group on 13 January 2016. Mr. Chao started his career as an air traffic controller in Civil Aviation Department and was graduated in the College of Air Traffic Control in UK. Having progressed in the job, he was promoted to the post of Air Traffic General Manager and was also awarded the honorary position of J.P. As a part time job, Mr. Chao joined the then Royal Hong Kong Auxiliary Air Force (which was known as Hong Kong Government Flying Services after 1997). He became a pilot and air traffic controller in the force in the rank of the Squadron Leader and took charge of the whole auxiliary unit after 1997 until retirement. His association with Civil Aviation Administration of China (CAAC) in China started as early as 1970's through bi-lateral meetings (being fluent in Mandarin) and the good working relationship was maintained throughout the years. Mr. Chao was recommended by CAAC to take a position of a Chairmanship in the Asia Pacific United Nation Aviation International Civil Aviation Organisation (ICAO) Meeting and his report still can be seen in the Google under his name. Prior to his retirement, CAAC offered Mr. Chao the job as a consultant of CAAC Peking and he took up the job until now. Presently Mr. Chao is also working as an Air Traffic Control Specialist in Middle South Region of CAAC.

SENIOR MANAGEMENT

Mr. Tang Chi Wai

Mr. Tang, aged 42, has been appointed as financial controller, company secretary and authorised representative of the Group since June 2008. He is responsible for the overall financial and accounting affairs, treasury management and company secretarial matters of the Group. Mr. Tang was awarded a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. He has over 19 years of extensive experience in auditing, accounting, taxation, company secretarial field, corporate finance and financial management. Mr. Tang is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Tax Adviser of the Taxation Institute of Hong Kong, Certified Internal Auditor of the Institute of Internal Auditors, and holder of the Practitioner's Endorsement from the Hong Kong Institute of Chartered Secretaries. Mr. Tang also holds various professional qualifications and memberships. He is a member of the Chinese Institute of Certified Public Accountants, the Chartered Institute for Securities & Investment and Hong Kong Securities and Investment Institute. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Association of International Accountants, the Institute of Public Accountants, the Institute of Financial Accountants, the Society of Chinese Accountants & Auditors, the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong, the Society of Registered Financial Planners and the Hong Kong Institute of Directors.

Corporate Governance Report

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Rules Governing the listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the construction of our corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of our shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Main Board CG Code"). The Company has complied with all the applicable Code Provisions of the Main Board CG Code except that one Independent Non-Executive Director was not present at the extraordinary general meeting of the Company which was held on 18 December 2015. This constitutes a deviation from the code provision of A.6.7 which requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the Main Board CG Code.

UPDATES ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

With effect from 29 October 2015

1. Mr. Chen Runqiang resigned as Executive Director and Authorised Representative of the Company; and

2. Mr. Chen Jinyang was appointed as an Authorised Representative of the Company.

With effect from 23 December 2015

1. Mr. Chow Cheuk Lap resigned as Executive Director and Compliance Officer;

2. Ms. Fan Man Yee Alice resigned as Non-Executive Director; and

3. Ms. Zhang Haimei was appointed as Non-Executive Director.

With effect from 13 January 2016

1. Mr. Chan Chun Kau resigned as Independent Non-Executive Director, Chairman of Nomination Committee and member of Audit Committee and Remuneration Committee; and

2. Mr. Chao Pao Sun George was appointed as Chairman of Nomination Committee.

Corporate Governance Report

UPDATES ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES *(continued)*

Details of above changes are set out in the announcements of the Company dated 29 October 2015, 23 December 2015 and 13 January 2016.

BOARD OF DIRECTORS

Board Composition

At the date of this annual report, the Board comprises seven Directors, including three Executive Directors, namely, Mr. Chen Jinyang (Chairman), Mr. Chau Cheuk Wah (Chief Executive Officer) and Mr. Zhou Jianhui; one Non-Executive Director, namely Ms. Zhang Haimei; and three Independent Non-Executive Directors, namely Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chao Pao Shu George. Throughout the year and up to the date of this report, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. To comply with Rule 3.10A of the Listing Rules, Independent Non-Executive Directors represented at least one-third of the Board throughout the year ended 31 December 2015.

The Company has received annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Non-Executive Directors are considered to be independent. Brief biographical particulars of the Directors are set out on pages 22 to 26.

Board's Responsibilities and Delegation

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The participation of Non-Executive Directors in the Board brings independent judgement on issues relating to the Company's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board delegates day-to-day operations of the Company to Executive Directors and senior management, while reserving certain key matters for Board's approval. Decisions of the Board are communicated to the management through Executive Directors who have attended at Board meetings.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the required standard of dealings as set out in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout year ended 31 December 2015.

Meetings

Board members attended the Company's Board meetings either in person or through telephone conferencing means in accordance with the provisions of the Company's articles of association. The attendance record of each director at the Board meetings, annual general meeting and extraordinary general meeting held during the year is set out below:

	Number of meeting attended/held		
Directors	**Board meetings**	**AGM**	**EGM**
Mr. Chen Jinyang	13/13	1/1	1/1
Mr. Chau Cheuk Wah	13/13	1/1	1/1
Mr. Zhou Jianhui	13/13	1/1	1/1
Mr. Chen Runqiang *(resigned on 29 October 2015)*	8/11	1/1	N/A
Mr. Chow Cheuk Lap *(resigned on 23 December 2015)*	9/13	1/1	1/1
Ms. Zhang Haimei *(appointed on 23 December 2015)*	N/A	N/A	N/A
Ms. Fan Man Yee Alice *(resigned on 23 December 2015)*	9/13	1/1	1/1
Dr. Cheung Wai Bun, Charles, *J.P.*	13/13	1/1	1/1
Mr. David Tsoi	12/13	1/1	1/1
Mr. Chao Pao Shu George	11/13	1/1	1/1
Mr. Chan Chun Kau *(resigned on 13 January 2016)*	12/13	1/1	0/1

Corporate governance functions

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Corporate governance functions *(continued)*

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

Directors' Continuing Professional Development Programme

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors and Directors have provided the Company with their respective training records pursuant to the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The Chairman of the Company is Mr. Chen Jinyang, while the Chief Executive Officer is Mr. Chau Cheuk Wah.

The Chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under provisions A.2.1 and A.2.2 of the Code, the Chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the Chief Executive Officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The Chief Executive Officer is also responsible for the Company's day-to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Company for the Board's approval.

Corporate Governance Report

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Directors were appointed for a specific initial term which shall continue thereafter subject to retirement by rotation in accordance with the articles of association of the Company and re-election by shareholders and termination in accordance with the terms of the respective service agreements.

The Articles of Association of the Company provides that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election.

The Articles of Association of the Company also provides that the Company may remove a Director by way of an ordinary resolution at general meeting.

COMPANY SECRETARY

The company secretary of the Company, Mr. Tang Chi Wai, is the financial controller and authorised representative of the Group. Mr. Tang is responsible for the overall financial and accounting affairs, treasury management and company secretarial matters of the Group. Mr. Tang was awarded a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. He has over 19 years of extensive experience in auditing, accounting, taxation, company secretarial field, corporate finance and financial management. Mr. Tang is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Tax Adviser of the Taxation Institute of Hong Kong, Certified Internal Auditor of the Institute of Internal Auditors, and holder of the Practitioner's Endorsement from the Hong Kong Institute of Chartered Secretaries. Mr. Tang also holds various professional qualifications and memberships. He is a member of the Chinese Institute of Certified Public Accountants, the Chartered Institute for Securities & Investment and Hong Kong Securities and Investment Institute. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Association of International Accountants, the Institute of Public Accountants, the Institute of Financial Accountants, the Society of Chinese Accountants & Auditors, the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong, the Society of Registered Financial Planners and the Hong Kong Institute of Directors.

Mr. Tang supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year 2015.

Corporate Governance Report

REMUNERATION COMMITTEE

The Board established the remuneration committee in July 2006. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company. The remuneration committee shall determine, with delegated responsibility, the individual remuneration package of each Executive Director and senior management including benefits in kind and pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). When determining remuneration packages of the Executive Directors and senior management of the Company, the remuneration committee takes into consideration factors such as time commitment, responsibilities, employment condition and remuneration packages of executive directors of comparable companies.

The remuneration committee currently comprises three Independent Non-Executive Directors, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chao Pao Shu George and is chaired by Dr. Cheung Wai Bun, Charles, *J.P.*.

The terms of reference of the remuneration committee have been uploaded to the Company's website and the Stock Exchange's website.

The remuneration committee held three meetings for the year ended 31 December 2015. The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:-

Remuneration Committee	Attendance
Dr. Cheung Wai Bun, Charles, *J.P. (Chairman)*	3/3
Mr. David Tsoi	2/3
Mr. Chan Chun Kau *(resigned on 16 January 2016)*	3/3
Mr. Chao Pao Shu George	3/3

NOMINATION COMMITTEE

The Board established the nomination committee on 29 March 2012. The nomination committee is authorised by the Board to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The nomination committee is also responsible for reviewing the structure, size and composition of the board.

The Board has adopted its board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee currently comprises three Independent Non-Executive Directors, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chao Pao Shu George and is chaired by Mr. Chao Pao Shu George.

Corporate Governance Report

NOMINATION COMMITTEE *(continued)*

The terms of reference (including the nomination procedures and criteria for selection and recommendation of candidates for directorship) of the nomination committee have been uploaded to the Company's website and the Stock Exchange's website.

The nomination committee held two meetings for the year ended 31 December 2015. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:-

Nomination Committee	Attendance
Mr. Chan Chun Kau *(Chairman) (resigned on 13 January 2016)*	2/2
Dr. Cheung Wai Bun, Charles, *J.P.*	2/2
Mr. David Tsoi	1/2
Mr. Chao Pao Shu George *(Chairman) (appointed as Chairman on 13 January 2016)*	2/2

INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Company to safeguard the shareholders' investments and the Company's assets.

The Company's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Board, through the audit committee, has reviewed the effectiveness of the Company's internal control system, inter alia, the financial, operational and compliance controls and risk management functions of the Company; and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. No material deficiencies have been identified. The management will deal with the areas for improvement which come to the attention of the Board and the audit committee. The Board is committed to improving the Company's internal control system on an ongoing basis.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company. The financial statements set out on pages 49 to 135. Financial results of the Company are announced in a timely manner in accordance with statutory and/or regulatory requirements.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT *(continued)*

The Board of Directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Company's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the audit committee for review.

The Board considers that the adoption of new or amended financial reporting standards that became effective during the year has not had a significant impact on the Company's financial statements, details of which are disclosed in Note 2(a) on page 56.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2015 are set out in the Independent Auditor's Report on page 47 to 48.

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the remuneration paid and payable to the external auditors of the Group for services provided are set out as follows:

SERVICES RENDERED	**Fee Paid/Payable 2015** HK$'000
Statutory audit services	1,310
Other audit services in connection with very substantial acquisition	2,240
Review of interim results	300
NON-AUDIT SERVICES:-	
Taxation services	35
	3,885

Corporate Governance Report

AUDIT COMMITTEE

The Board established the audit committee in October 2001. The audit committee is authorised by the Board to consider the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

The audit committee monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial report judgments contained therein. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, systems of internal controls and risk management and compliance issues.

The audit committee currently comprises three Independent Non-Executive Directors, Mr. David Tsoi, Dr. Cheung Wai Bun, Charles, *J.P.* and Mr. Chao Pao Shu George and is chaired by Mr. David Tsoi.

The terms of reference of the audit committee have been uploaded to the Company's website and the Stock Exchange's website.

The audit committee held four meetings for the year ended 31 December 2015. The composition of the audit committee during the year as well as the meeting attendance of the committee members are as follows:-

Audit Committee	Attendance
Mr. David Tsoi *(Chairman)*	4/4
Dr. Cheung Wai Bun, Charles, *J.P.*	4/4
Mr. Chan Chun Kau *(resigned on 13 January 2016)*	4/4
Mr. Chao Pao Shu George	4/4

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, the shareholders of the Company 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 company secretary, 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 (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

A shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

Corporate Governance Report

INVESTOR RELATIONS

There was no amendment made to the constitutional documents of the Company during the year.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Hong Kong Registrars Limited, Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's head office in Hong Kong at Room A & B2, 11th Floor, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong or sent through email to info@uth.com.hk.

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the principal subsidiaries are set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities as regular by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2015, and an indication of likely future development in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report. The above sections form part of this report of the Directors.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and of the Group at 31 December 2015 are set out in the consolidated financial statements on pages 49 to 135.

No interim dividend was declared and paid during the year (2014: HK$Nil).

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2015 (2014: HK$Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 136. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PREMIUM

The Group purchased property, plant and equipment amounting to HK$22,151,000 during the year.

Details of movements in property, plant and equipment and prepaid land lease premium of the Group during the year are set out in notes 13 and 14 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

At 31 December 2015, the investment properties of the Group were revalued by an independent valuer on an open market value basis at HK$53,847,000.

Details of movements in investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

Directors' Report

BANK AND OTHER BORROWINGS

At 31 December 2015, the Group has secured bank loan, unsecured bank loans and unsecured government loan amounting to HK$661,855,000. Details of bank and other borrowings are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 31(a) to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in note 33 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 21 June 2015, Shenzhen Huanye Universal Technologies Limited (an indirect wholly-owned subsidiary of the Company) ("Shenzhen Huanye") and Dongguan Hongshun Shiye Development Company Limited (the "Hongshun Shiye") entered into the sale and purchase agreement pursuant to which Shenzhen Huanye has conditionally agreed to acquire and Hongshun Shiye conditionally agreed to sell 49% of the entire equity interest in Qinghui Properties Limited and its eight subsidiaries ("Qinghui Group"). Hongshun Shiye is beneficially wholly owned by Mr. Yang Zhimao and his spouse Ms. Zhu Fenglian ("Yangs"), who also own the entire issued share capital of Ever City Industrial Development Limited, which is a substantial shareholder of the Company. Accordingly Hongshun Shiye is a connected person of the Company under Rule 14A.07 of the Listing Rules.

In addition, both Mr. Chow Cheuk Lap and Ms. Fan Man Yee Alice are solicitors and partners of Messrs C.L. Chow & Macksion Chan, which is a firm of solicitors and the legal advisors of Mr. Yang Zhimao and has advised Mr. Yang Zhimao on general legal matters. Although the Board does not consider that Mr. Chow Cheuk Lap and Ms. Fan Man Yee Alice have any material interest in the Acquisition, they have volunteered to undertake (and procure each of their respective associates, as the case may be) to abstain from voting on all Board decisions and at the EGM relating to matters relating to the Acquisition to avoid any potential conflict of interest.

Save as disclosed above, there was no transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2015.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Chen Jinyang *(Chairman)*
Chau Cheuk Wah *(Chief Executive Officer)*
Zhou Jianhui
Chow Cheuk Lap *(resigned on 23 December 2015)*
Chen Runqiang *(resigned on 29 October 2015)*

Non-Executive Director:

Zhang Haimei *(appointed on 23 December 2015)*
Fan Man Yee Alice *(resigned on 23 December 2015)*

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
David Tsoi
Chan Chun Kau *(resigned on 13 January 2016)*
Chao Pao Shu George

The Non-Executive Director, Ms. Zhang Haimei, was appointed for an initial term of two years commencing from 23 December 2015 and shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election in accordance with article 86(3) of the Company's Article of Association.

The Non-Executive Director and Independent Non-Executive Directors were appointed for an initial term of 2 years which is renewable after the expiry of the initial term of appointment.

In accordance with article 87 of the Company's Articles of Association, Mr. Zhou Jianhui and Mr. Chao Pao Shu George shall retire from office by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and top five highest paid individuals of the Group are set out in note 7 to the consolidated financial statements.

Directors' Report

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsidising at the end of the year are set out below:

Share Options

The GEM share option schemes adopted by the Company on 12 October 2001 were terminated, upon the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 22 June 2010. The Board adopted a new share option scheme ("New Share Option Scheme") which is compliance with the Listing Rules and obtained the approval of the shareholders in accordance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price for shares shall be at least not lower than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

At 31 December 2015, the number of shares in respect of which options had been granted and outstanding under the New Share Option Scheme was 70,000,000, representing approximately 3.3% of the issued share capital of the Company.

A summary of the movements of the share options granted under the New Share Option Schemes during the year is as follows:-

					Number of share options						
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2015	Market value per share at date of grant of option	Market value per share on exercise of option
Directors of the Group	25 November 2013	Fully vested on 25 November 2013	25 November 2013 to 11 August 2020	HK$0.465	120,000,000	—	(50,000,000)	—	70,000,000	HK$0.460	HK$0.630–HK$1.050
					120,000,000	—	(50,000,000)	—	70,000,000		

Note: The Company received a consideration of HK$1.00 from each of the grantees of the New Share Option Schemes.

Directors' Report

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

As at 31 December 2015, the interests or short positions of the Directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:-

	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares (note 1)		
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**			**Aggregate interests**	**% of the Company's issued share**
Executive Directors:							
Mr. Chen Jinyang (note 1)	—	—	—	—	20,000,000	20,000,000	0.94%
Mr. Chau Cheuk Wah (note 1)	—	—	—	—	20,000,000	20,000,000	0.94%
Mr. Zhou Jianhui (note 1)	6,000,000	—	—	6,000,000	20,000,000	26,000,000	1.23%
Non-Executive Director:							
Ms. Zhang Haimei	—	—	—	—	—	—	—
Independent Non-Executive Directors:							
Dr. Cheung Wai Bun, Charles, *J.P.*	—	—	—	—	—	—	—
Mr. David Tsoi	—	—	—	—	—	—	—
Mr. Chan Chun Kau	—	—	—	—	—	—	—
Mr. Chao Pao Shu George	—	—	—	—	—	—	—

Notes:

1. The interests of Mr. Chen Jinyang, Mr. Chau Cheuk Wah, and Mr. Zhou Jianhui in underlying shares of the Company represent the interests in share options granted to them under the share option schemes of the Company.

   Details of the interests in the share options of the Company are separately disclosed in the section headed "Share Options".

2. There were no debt securities nor debentures issued by the Group at any time during the year ended 31 December 2015.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, so far as the Directors are aware as at 31 December 2015, none of the Directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The Directors confirmed that as at 31 December 2015 and for the year ended 31 December 2015:-

(i) the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings according to the Model Code; and

(ii) all the Directors complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, as at 31 December 2015, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or who have direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:-

Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
Ever City Industrial Development Limited (note 1)	Beneficial owner and interest in controlled corporation	520,380,000	24.54%
Mr. Yang Zhimao and Ms. Zhu Fenglian (note 1)	Interest in controlled corporation	520,380,000	24.54%
Eastcorp International Limited (note 1)	Beneficial owner	200,000,000	9.43%
Ng Tin Shui	Beneficial owner	240,000,000	11.32%
Liao Hai Ying (note 2)	Interest in controlled corporation	160,440,000	7.57%
Passion Ease Limited (note 2)	Beneficial owner	160,440,000	7.57%
Ho Shui Chee	Beneficial owner	149,170,000	7.03%

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING *(continued)*

Long positions in the shares of the Company *(continued)*

Notes:

1. Mr. Yang Zhimao ("Mr. Yang") and Ever City Industrial Development Limited ("Ever City") are deemed to be interested in 520,380,000 shares, comprising (a) 320,380,000 shares directly held by Ever City; and (b) 200,000,000 shares held by Eastcorp International Limited ("Eastcorp"). Ever City is beneficially owned as to 80% by Mr. Yang and 20% by Ms. Zhu Fenglian (the spouse of Mr. Yang), and is therefore regarded as a controlled corporation of Mr. Yang. Eastcorp is wholly and beneficially owned by Ever City and is therefore regarded as a controlled corporation of both Ever City and Mr. Yang.

2. These 160,440,000 shares are held by Passion Ease Limited, which is in turn 100% owned by Liao Hai Ying. Liao Hai Ying is deemed to be interested in the entire shareholding held by his controlled corporation, Passion Ease Limited.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 December 2015, no other persons had notified the Company of any interest or short position in the shares or underlying shares of equity derivatives of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or any direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, as at 31 December 2015, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision that provides for indemnity against liability incurred by directors and chief executives of the Group is currently in force and was in force throughout the year ended 31 December 2015.

Directors' Report

CONNECTED TRANSACTIONS

On 21 June 2015, Shenzhen Huanye Universal Technologies Limited (an indirect wholly-owned subsidiary of the Company) ("Shenzhen Huanye") and Dongguan Hongshun Shiye Development Company Limited ("Hongshun Shiye") entered into the sale and purchase agreement pursuant to which Shenzhen Huanye has conditionally agreed to acquire and Hongshun Shiye conditionally agreed to sell 49% of the entire equity interest in Qinghui Group (the "Acquisition"), at cash consideration of RMB224,420,000 (equivalent to approximately HK$268,519,000). Hongshun Shiye is beneficially and wholly-owned by Mr. Yang Zhimao and his spouse Ms. Zhu Fenglian ("Yangs"), who also own the entire issued share capital of Ever City Industrial Development Limited, which is a substantial shareholder of the Company. Accordingly, Hongshun Shiye is a connected person of the Company under Rule 14A.07 of the Listing Rules and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Acquisition was approved by the independent shareholders of the Company on 18 December 2015 and completed on 23 December 2015.

On 23 December 2015, the fair value of the identifiable assets and liabilities of Qinghui Group acquired as at the date of acquisition was HK$178,229,000. The newly acquired business contributed a revenue and profit of HK$5,351,000 and HK$1,203,000 respectively to the Group for the period between the date of acquisition and the financial year end. The Group recognised a goodwill of HK$90,290,000 because the purchase consideration exceeded the fair value of net assets acquired.

On 8 June 2012, Universal eCommerce China Limited ("eCommerce"), a wholly-owned subsidiary of the Company, entered into conditional disposal agreements with Shanghai Chiyi Investment Partnership ("Chiyi") and Beihai Shiji Information Technology Co., Ltd. ("Beihai Shiji") which were connected persons of the Company in respect of the disposal of 17.49% equity interests in Universal ECPAY Limited ("ECPAY"), which is an indirect non-wholly owned subsidiary of the Company. Chiyi was owned as to 53.64% by Madam Luan Yumin, a former Executive Director of the Company, and Beihai Shiji owned 15% existing equity interests in ECPAY in 2012. Therefore, the agreements entered into between Chiyi and Beihai Shiji respectively were connected transactions for the Company. According to the agreements, eCommerce has conditionally agreed to dispose 9.99% equity interests in ECPAY to Chiyi; and eCommerce has conditionally agreed to dispose 7.5% equity interests in ECPAY to Beihai Shiji. The disposal of 7.5% equity interests in ECPAY was completed on 17 September 2012.

The disposal of the remaining portion of 9.99% equity interests in ECPAY to Chiyi at a consideration of RMB11,383,000 (Equivalents to HK$14,147,000) was completed on 23 December 2015. The carrying amount of the non-controlling interests in ECPAY on the date of disposal was HK$13,707,000. The Group recognised an increase in non-controlling interests of HK$13,707,000 and increase in equity attributable to shareholders of the Company of HK$162,000.

COMPETITION AND CONFLICT OF INTERESTS

During the year and up to the date of this annual report, to the best knowledge of the directors, none of the directors had any interests in businesses that compete or are likely to compete, either directly or indirectly, with the Group.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 5% of the total sales for the year and sales to the largest customer included therein amounted to approximately 2%. Purchases from the Group's five largest suppliers accounted for approximately 8% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 5%.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the 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 that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in Note 43 to the financial statements.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 27 to 36 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2015. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters.

Directors' Report

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. PKF, is to be proposed at the forthcoming general meeting.

On behalf of the Board

Chen Jinyang
Chairman

Hong Kong, 31 March 2016

Independent Auditor's Report

大信梁學濂（香港）會計師事務所

Accountants & business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Universal Technologies Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 135, which comprise the consolidated statement of financial position at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of

Independent Auditor's Report

consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

PKF
Certified Public Accountants
Hong Kong

31 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	4	**224,417**	317,148
Cost of sales/services rendered		**(3,514)**	(30,646)
Gross profit		**220,903**	286,502
Other revenue	4	**16,564**	12,536
Other income	5	**1,009**	7,999
General and administrative expenses		**(294,607)**	(294,021)
(Loss)/profit from operations		**(56,131)**	13,016
Gain on a bargain purchase	34(c)	**—**	10
Increase in fair value of investment properties	15	**1,206**	126
Impairment loss on debtors	22	**(58)**	(923)
Impairment loss on other receivables	23	**—**	(994)
Impairment loss on intangible assets	16	**—**	(8,796)
Gain on disposals of subsidiaries	35(b)	**—**	46,224
Share of results of an associate	18	**(3)**	256
Finance costs	6(a)	**(5,428)**	(760)
(Loss)/profit before income tax	6	**(60,414)**	48,159
Income tax expense	8	**(2,134)**	(10,425)
(Loss)/profit for the year		**(62,548)**	37,734
Attributable to:-			
Shareholders of the Company		**(44,412)**	32,694
Non-controlling interests		**(18,136)**	5,040
(Loss)/profit for the year		**(62,548)**	37,734
(Loss)/earnings per share (in cents)			
Basic	11	**(2.12)**	1.58
Diluted	11	**(2.12)**	1.58

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year		**(62,548)**	37,734
Other comprehensive loss:-			
Items that may be reclassified subsequently to profit or loss:-			
Exchange differences arising on translation of:-			
— Financial statements of subsidiaries established in the People's Republic of China		**(22,374)**	(10,964)
— Financial statements of an associate established in the People's Republic of China		**(68)**	—
Other comprehensive loss for the year, net of tax		**(22,442)**	(10,964)
Total comprehensive (loss)/income for the year		**(84,990)**	26,770
Total comprehensive (loss)/income attributable to:-			
Shareholders of the Company		**(49,242)**	22,060
Non-controlling interests		**(35,748)**	4,710
		(84,990)	26,770

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**468,843**	37,986
Prepaid land lease premium	14	**29,364**	9,406
Investment properties	15	**53,847**	32,539
Intangible assets	16	**356,297**	4,250
Goodwill	17	**167,387**	77,097
Interest in an associate	18	**29,542**	—
Deferred tax assets	9(a)	**202**	146
Loan to an officer	19	**—**	12,362
Deposit paid for acquisition of property, plant and equipment	20	**37,588**	—
Other receivables	23	**227**	5,037
		1,143,297	178,823
CURRENT ASSETS			
Inventories	21	**3,011**	1,502
Debtors	22	**91,559**	65,656
Deposits, prepayments and other receivables	23	**212,642**	213,336
Financial assets at fair value through profit or loss	24	**1,647**	221
Prepaid land lease premium	14	**285**	300
Fixed deposits		**63,218**	338,087
Pledged time deposit	30	**281,021**	—
Cash and bank balances	25	**637,771**	512,223
		1,291,154	1,131,325
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	30	**413,873**	—
Trade payables	26	**1,888**	—
Payable to merchants	27	**412,844**	422,875
Deposits received, sundry creditors and accruals	28	**271,034**	104,207
Amounts due to related companies	29	**123,796**	14,350
Tax payable		**12,959**	11,057
		1,236,394	552,489
NET CURRENT ASSETS		**54,760**	578,836

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,198,057**	757,659
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings	30	**247,982**	—
Deferred tax liabilities	9(a)	**65,034**	1,401
		313,016	1,401
NET ASSETS		**885,041**	756,258
REPRESENTING:-			
CAPITAL AND RESERVES			
Share capital	31(a)	**21,205**	20,705
Reserves	33	**496,314**	533,972
		517,519	554,677
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
NON-CONTROLLING INTERESTS		**367,522**	201,581
TOTAL EQUITY		**885,041**	756,258

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 31 MARCH 2016

CHEN JINYANG
DIRECTOR

CHAU CHEUK WAH
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before income tax		**(60,414)**	48,159
Adjustments for:-			
Interest on bank deposits		**(8,360)**	(8,490)
Other interest income		**(29)**	(247)
Interest expenses		**4,874**	72
Dividend income from investments		**—**	(108)
Depreciation		**19,611**	29,976
Amortisation of prepaid land lease premium		**302**	1,240
Amortisation of intangible assets		**477**	4,764
Share of results of an associate		**3**	(256)
Loss on disposal of property, plant and equipment		**590**	2,023
Increase in fair value of investment properties		**(1,206)**	(126)
Loss/(gain) on change in fair value of financial assets at fair value through profit or loss		**85**	(101)
Gain on disposal of financial assets at fair value through profit or loss		**(524)**	(1,377)
Gain on disposals of subsidiaries		**—**	(46,224)
Bad debt written off		**126**	—
Impairment loss on debtors		**58**	923
Impairment loss on other receivables		**—**	994
Impairment loss on intangible assets		**—**	8,796
Write-down of inventories		**883**	3,470
Reversal of written off of inventories		**—**	(496)
Gain on a bargain purchase		**—**	(10)
Operating (loss)/profit before working capital changes		**(43,524)**	42,982
Increase in inventories		**(34)**	(21,307)
(Increase)/decrease in debtors		**(7,367)**	61,203
Decrease/(increase) in deposits, prepayments and other receivables		**11,031**	(405,078)
Decrease in trade payables		**(19)**	—
(Decrease)/increase in payable to merchants		**(10,031)**	58,686
Increase in deposits received, sundry creditors and accruals		**34,960**	398,678
Decrease/(increase) in loan to an officer		**12,362**	(12,362)
(Decrease)/increase in amounts due to related companies		**(17,288)**	14,350
Cash (used in)/generated from operations		**(19,910)**	137,152
Bank interest received		**8,360**	8,490
Interest paid		**—**	(72)
Tax paid		**(5,936)**	(4,460)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(17,486)**	141,110

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from investments		—	108
Other interest income received		29	247
Payments to acquire property, plant and equipment		(22,083)	(42,293)
Proceeds from disposal of property, plant and equipment		501	2,611
Payment to prepaid land lease premium		—	(2,860)
Payments to acquire intangible assets		(431)	(574)
Deposit paid for acquisition of property, plant and equipment		(23,373)	—
Capital injection into an associate		(29,613)	—
Payments to acquire financial assets at fair value through profit or loss		(16,032)	(2,393)
Proceeds from disposal of financial assets at fair value through profit or loss		14,974	5,434
Net cash outflow arising on acquisition of a subsidiary	34	(119,374)	(2,667)
Net cash inflow arising on disposals of subsidiaries	35(a)&(b)	1,246	110,251
Proceeds from disposal of partial interests in a subsidiary	35(c)	14,147	62,834
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(180,009)	130,698
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued under share option scheme		23,250	—
Proceeds from new bank loans		400,391	—
Increase in pledged time deposit		(281,021)	—
Interest paid		(4,942)	—
Repayment of bank loan, secured		(59,685)	—
Dividend paid to non-controlling shareholder of a subsidiary		(11,328)	—
NET CASH FROM FINANCING ACTIVITIES		66,665	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(130,830)	271,808
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		(18,491)	(9,336)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		850,310	587,838
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		700,989	850,310
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		637,771	512,223
Fixed deposits		63,218	338,087
		700,989	850,310

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to shareholders of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Other reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2014	20,705	490,194	481	1,093	10,754	18,571	4,796	21,903	28,407	22,160	619,064	55,205	674,269
Acquisition of a subsidiary — Note 34(b)	—	—	—	—	—	—	—	—	—	—	—	604	604
Change in ownership interests in a subsidiary that do not result in a loss of control — Note 35(c)	—	—	—	—	—	—	—	—	(86,447)	—	(86,447)	141,062	54,615
Total comprehensive (loss)/income for the year	—	—	—	—	—	(10,634)	—	—	—	32,694	22,060	4,710	26,770
Transferred to statutory reserve	—	—	—	—	—	—	—	4,044	—	(4,044)	—	—	—
At 31.12.2014 and 1.1.2015	20,705	490,194	481	1,093	10,754	7,937	4,796	25,947	(58,040)	50,810	554,677	201,581	756,258
Acquisition of a subsidiary — Note 34(a)	—	—	—	—	—		—	—	—	—	—	187,982	187,982
Change in ownership interests in a subsidiary that do not result in a loss of control — Note 35(c)	—	—	—	—	—	—	—	—	162	—	162	13,707	13,869
Shares issued under share option scheme	500	23,150	—	—	—	—	(400)	—	—	—	23,250	—	23,250
Dividend paid to non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	(11,328)	(11,328)	—	(11,328)
Total comprehensive loss for the year	—	—	—	—	—	(4,830)	—	—	—	(44,412)	(49,242)	(35,748)	(84,990)
Transferred to statutory reserve	—	—	—	—	—	—	—	4,297	—	(4,297)	—	—	—
At 31.12.2015	**21,205**	**513,344**	**481**	**1,093**	**10,754**	**3,107**	**4,396**	**30,244**	**(57,878)**	**(9,227)**	**517,519**	**367,522**	**885,041**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of the registered office is Room A & B2, 11/F, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 October 2001.

On 22 June 2010, the listing of shares of the Company was transferred to the Main Board of the Stock Exchange.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:-

(a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:-

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual improvements to HKFRSs (2010–2012)	Amendments to HKFRS 8, HKAS 16, HKAS 24 and HKAS 38
Annual improvements to HKFRSs (2011–2013)	Amendments to HKFRS 3, HKFRS 13 and HKAS 40

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Measurement basis

The consolidated financial statements are prepared under the historical cost basis as modified by revaluation of investment properties and financial assets at fair value through profit or loss as explained in the accounting policies set out below.

(c) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated statement of profit or loss from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. Income from subsidiaries is recognised in the Company's financial statements when the shareholder's right to receive payment is established.

(e) Associate

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

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated statement of profit or loss includes the Group's share of the post-acquisition results of the associates and the consolidated statement of financial position includes the Group's share of the net assets of the associate, as reduced by any identified impairment losses.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

(f) Segment reporting

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Foreign currency translation

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

Foreign currency transactions of the Group are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period and the exchange differences arising are recognised in profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in profit or loss except for the exchange component of a gain or loss that is recognised directly in equity.

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 at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Such translation differences are reclassified from equity to profit or loss when in which the foreign operation is disposed of.

(h) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalised as an additional cost of the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property, plant and equipment and depreciation *(continued)*

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

Leasehold land	— unexpired term of the lease
Leasehold buildings	— 15 years–47 years
Leasehold improvement	— Shorter of 5 years and the unexpired term of the lease
Plant and machinery	— 5 years–20 years
Office equipment, computer and other equipment	— 5 years
Furniture and fixtures	— 3 years–5 years
Motor vehicles	— 3 years–5 years
Water pipelines	— 15 years–20 years

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

Construction in progress represents buildings and water pipelines under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction work is completed and ready for use.

Gain or loss arising from the retirement or disposal of a plant and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

(i) Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2(j).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Lease

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

Rental income from operating leases is recognised in profit or loss 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 as an expense on the straight-line basis over the lease term.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the periods of the respective leases.

(k) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property.

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

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

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Intangible assets

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:-

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

(ii) Computer software and technology

Computer software and technology is recognised when the project under development expenditure was completed. Amortisation is calculated using the straight-line basis over their estimated economic lives of three years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Intangible assets *(continued)*

(iii) Domain name

Domain name recognised and measured at fair value at the acquisition date. Domain name has an indefinite useful life and is carried at cost less accumulated impairment losses.

(iv) Rights to operate water supply plants in the People's Republic of China (the "PRC") under service concession arrangement

The Group acquired the rights to operate certain water supply plants in the PRC under service concession arrangement through business combination. The cost of the rights acquired in a business combination is fair value at the date of acquisition. Amortisation for the rights to operate certain water supply plants with finite useful lives is provided on straight-line basis over their estimated useful lives of 10 to 20 years. Both period and method of amortisation are reviewed annually.

(m) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(n) Impairment of assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Investments *(continued)*

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income and accumulated separately in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains or losses from investment securities.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less direct selling costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Service concession arrangements

The Group entered into a service concession arrangement with government authority in Qingyuan, the PRC on a build-operate-transfer ("BOT") basis under its water supply segment. The service concession arrangement generally involve the Group as an operator (i) constructing water supply plants for those arrangements on a BOT basis; and (ii) operating and maintaining the water supply plants at a specified level of serviceability on behalf of the relevant governmental authority for a period of 20 years from 21 November 2006 to 21 November 2026 (the "Service Concession Periods"), and the Group will be paid for its services over the relevant Service Concession Periods at prices stipulated through a pricing mechanism.

The Group is generally entitled to use all the property, plant and equipment of the water supply plants, however, the relevant governmental authority as grantors will control and regulate the scope of services the Group must provide with the water supply plants, and retain the beneficial entitlement to any residual interest in the water supply plants at the end of the term of the Service Concession Periods.

The service concession arrangement is governed by a contract entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the water supply plants to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

The Group recognises the consideration received or receivable in exchange for the construction services rendered as an intangible asset (note 16) as the Group receives a right to charge users of the water supply service.

Service concession arrangements are accounted for as follows if:-

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangement is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Service concession arrangements *(continued)*

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement are recognised at their fair value as a financial asset or an intangible asset.

A financial asset (loan and receivable) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

An intangible asset (concession intangible asset) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out in note 2(l)(iv).

Construction or upgrade services

Revenue and costs relating to construction and upgrade services are accounted for in accordance with the policy set out in note 2(r).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Service concession arrangements *(continued)*

Operating services

Revenue relating to operating services are accounted for in accordance with the policy set out in note (aa).

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the water supply plants that it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the water supply plants are recognised and measured in accordance with the policy set out in note 2(z).

(r) Construction contracts

Contract revenue comprises the agreed contact amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(t) Government grants

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

(u) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(v) Share capital

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

(w) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Income tax

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Income tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(k), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

(y) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Employee benefits *(continued)*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(z) Provisions and contingent liabilities

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Recognition of revenue

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

(i) Revenue from the provision of enterprise solutions services is recognised on a straight-line basis over the period in which the work is performed.

(ii) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

(iii) Handling income from online payment platform transaction is recognised when the transaction is authorised and completed.

(iv) Annual fee income of online payment platform services is recognised on a straight-line basis over the years of the services.

(v) Revenue arising from water supply is recognised based on water supplied as recorded by meters read during the period.

(vi) Water supply related installation, construction and maintenance income is recognised when services are rendered.

(vii) Revenue from long-term construction contracts is recognised by reference to the percentage of completion of the contract at the reporting date.

(viii) Set up fee income of online payment platform services is recognised at the time when the services are rendered.

(ix) Interest income is recognised on a time proportion basis using the effective interest method.

(x) Dividend income is recognised at the time when the shareholders' right to receive payment has been established.

(xi) Rental income receivable under operating lease is recognised on a straight-line basis over the terms of the relevant lease.

(xii) Building management service income is recognised over the relevant period in which the services are rendered.

(xiii) Consultancy service fee income is recognised over the relevant period in which the services are rendered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ab) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:-

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:-

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ac) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 December 2015 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2015:-

HKFRS 9 (2014)	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 28, HKFRS 10 and HKFRS 12	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements to HKFRSs (2012–2014)	Amendments to HKFRS 5, HKFRS 7 and HKAS 19

The Group is required to initially apply these standards and amendments in its annual consolidated financial statements beginning on 1 January 2016, except that the Group is required to initially apply HKFRS 15 and HKFRS 9 (2014) in its annual consolidated financial statements beginning on 1 January 2018 and amendments to HKAS 28 and HKFRS10 have no mandatory effective date. HKFRS 14 is not applicable to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2 to the consolidated financial statements, management had made the following estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Inventories

Note 2(p) to the consolidated financial statements describes that inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provisioning policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regards, the directors of the Group are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the consolidated financial statements.

(ii) Depreciation

The management determines the estimated useful lives and related depreciation of the property, plant and equipment as set out in note 2(h) to the consolidated financial statements. The estimate is based on projected lifecycles of the assets. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using straight-line method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

(a) Key sources of estimation uncertainty *(continued)*

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was HK$167,387,000 (2014 : HK$77,097,000). Details of the impairment loss calculation are provided in note 17 to the consolidated financial statements.

(iv) Estimation of fair value of investment properties

Investment properties were revalued at 31 December 2015 based on the appraised market value by an independent valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amount of investment properties at 31 December 2015 was HK$53,847,000 (2014: HK$32,539,000).

(v) PRC enterprise income tax and deferred tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and deferred tax provisions in the year in which the differences realise.

(vi) Construction contracts

As explained in accounting policies stated in notes 2(r) and 2(aa), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimated of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts record to date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

(b) Critical judgements

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the consolidated financial statements are made in determining:-

(i) whether the significant risks and rewards of ownership of goods have been transferred to the buyer;

(ii) whether there is an indication of impairment of assets;

(iii) the expected manner of recovery of the carrying amount of assets;

(iv) whether the discount rates used to calculate the recoverable amount of goodwill and other assets are appropriate for the purpose of impairment review; and

(v) the valuation method used to calculate the fair value of share options at the measurement date.

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For the year ended 31 December 2015

4. REVENUE AND OTHER REVENUE

The Group is principally engaged in investment holding, provision of payment solutions and related services, timber trading and furniture manufacturing, system integration and technical platform services, property investment, building management and water supply. Revenue for the year represents revenue recognised from the provision of payment handling income net of tax, the net invoiced value of goods sold, rental and building management service income and water supply and related services income. An analysis of the Group's revenue and other revenue is set out below:-

	2015 **HK$'000**	2014 HK$'000
Payment solutions and related services income	**218,914**	279,900
Timber trading and furniture manufacturing	**—**	34,195
Rental and building management service income	**159**	3,053
Water supply and related services income	**5,344**	—
Revenue	**224,417**	317,148
Interest on bank deposits	**8,360**	8,490
Other interest income	**29**	247
Government subsidy	**6,367**	3,691
Consultancy service income	**1,808**	—
Dividend income	**—**	108
Other revenue	**16,564**	12,536
Total revenue	**240,981**	329,684

5. OTHER INCOME

	2015 **HK$'000**	2014 HK$'000
Gain on disposal of financial assets at fair value through profit or loss	**524**	1,377
Gain on change in fair value of financial assets at fair value through profit or loss	**—**	101
Reversal of written off of inventories	**—**	496
Exchange gain	**—**	5,979
Others	**485**	46
	1,009	7,999

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For the year ended 31 December 2015

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2015 HK$'000	2014 HK$'000
(Loss)/profit before income tax is arrived at after charging/ (crediting) :-		
(a) Finance costs		
Interest on bank loan expenses	4,942	—
Interest on bank overdraft	—	72
Less: interest capitalised included in property, plant and equipment and other intangible assets (note)	(68)	—
Bank charges	554	688
	5,428	760

Note:-

For the year ended 31 December 2015, the capitalisation rate was ranged from 6% to 6.13%.

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For the year ended 31 December 2015

6. (LOSS)/PROFIT BEFORE INCOME TAX *(continued)*

(b) Other items

	2015 HK$'000	2014 HK$'000
Auditor's remuneration		
— Audit services	**1,310**	671
— Other services	**2,540**	531
	3,850	1,202
Cost of inventories sold	**3,514**	27,119
Staff costs (including directors' remuneration)		
— Salaries and other benefits	**124,243**	134,120
— Pension scheme contributions	**21,156**	18,110
	145,399	152,230
Bad debts written off	**126**	—
Depreciation	**19,611**	29,976
Impairment loss on debtors	**58**	923
Impairment loss on other receivables	**—**	994
Impairment loss on intangible assets	**—**	8,796
Write-down of inventories	**883**	3,470
Amortisation of prepaid land lease premium	**302**	1,240
Amortisation of intangible assets	**477**	4,764
Loss/(gain) on change in fair value of financial assets at fair value through profit or loss	**85**	(101)
Minimum operating lease rentals	**21,909**	15,798
Sale proceeds of property, plant and equipment	**(501)**	(2,611)
Less: Carrying amounts of property, plant and equipment	**1,091**	4,634
Loss on disposal of property, plant and equipment	**590**	2,023
Gain on disposal of financial assets at fair value through profit or loss	**(524)**	(1,377)
Rental income less direct outgoings	**(149)**	(2,393)

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For the year ended 31 December 2015

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, is as follows:-

	Year ended 31 December 2015					
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (note i)	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Chen Runqiang (note ii)	50	1,194	—	1,244	—	1,244
Mr. Zhou Jianhui	60	1,560	18	1,638	—	1,638
Mr. Chen Jinyang	60	1,560	—	1,620	—	1,620
Mr. Chow Cheuk Lap (note iii)	59	1,411	—	1,470	—	1,470
Dr. Cheung Wai Bun, Charles, *J.P.*	360	—	—	360	—	360
Mr. Chau Cheuk Wah	60	2,145	18	2,223	—	2,223
Ms. Fan Man Yee, Alice (note iii)	235	—	—	235	—	235
Mr. Chao Pao Shu, George	240	—	—	240	—	240
Mr. David Tsoi	240	—	—	240	—	240
Mr. Chan Chun Kau (note v)	240	—	—	240	—	240
Ms. Zhang Haimei (note iv)	7	—	—	7	—	7
	1,611	7,870	36	9,517	—	9,517

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For the year ended 31 December 2015

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors *(continued)*

	Year ended 31 December 2014					
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (note i)	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Chen Runqiang (note ii)	60	1,440	—	1,500	—	1,500
Mr. Zhou Jianhui	60	1,440	7	1,507	—	1,507
Mr. Chen Jinyang	60	1,560	—	1,620	—	1,620
Mr. Chow Cheuk Lap (note iii)	60	1,440	—	1,500	—	1,500
Dr. Cheung Wai Bun, Charles, *J.P.*	360	—	—	360	—	360
Mr. Chau Cheuk Wah	60	2,145	17	2,222	—	2,222
Ms. Fan Man Yee, Alice (note iii)	240	—	—	240	—	240
Mr. Chao Pao Shu, George	240	—	—	240	—	240
Mr. David Tsoi	240	—	—	240	—	240
Mr. Chan Chun Kau (note v)	240	—	—	240	—	240
	1,620	8,025	24	9,669	—	9,669

Notes:-

i. Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the scheme amortised to the statement of profit or loss during the period disregarding whether the options have been exercised or not.

ii. Resigned on 29 October 2015.

iii. Resigned on 23 December 2015.

iv. Appointed on 23 December 2015.

v. Resigned on 13 January 2016.

No directors waived any emolument during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, of which all (2014: all) are directors of the Company and the details of their remuneration have already been disclosed above.

During the year, no share option (2014: nil) was granted to the above highest paid employees in respect of their services to the Group.

During the year, no emolument was paid by the Group to the five highest paid employees, including the directors of the Company, as an inducement to join, or upon joining the Group.

8. INCOME TAX EXPENSE

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (2014: 25%).

During the year, certain subsidiaries in the PRC are entitled to preferential tax treatments. Certain subsidiaries are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate. Other subsidiaries in the PRC did not generate any assessable profits subject to Mainland China corporate income tax.

(b) The income tax expense represents the sum of the current tax and deferred tax and is made up as follows:-

	2015 **HK$'000**	2014 HK$'000
Current tax:-		
Current year	**1,863**	9,931
Under-provision in respect of previous year	**21**	608
	1,884	10,539
Deferred taxation (Note 9(a)):-		
Current year	**250**	(114)
	2,134	10,425

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8. INCOME TAX EXPENSE *(continued)*

(c) The income tax expense for the year can be reconciled to the (loss)/profit per consolidated statement of profit or loss as follows:-

	Hong Kong		PRC		Total	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss)/profit before income tax	**(52,155)**	(436)	**(8,259)**	48,595	**(60,414)**	48,159
Applicable tax rate (%)	**16.5**	16.5	**25**	25	**N/A**	N/A
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	**(8,606)**	(72)	**(2,065)**	12,149	**(10,671)**	12,077
Tax effect of non-deductible expenses in determining taxable profit	**1,986**	702	**6,044**	2,844	**8,030**	3,546
Tax effect of non-taxable revenue in determining taxable profit	**(513)**	(8,607)	**(368)**	(1,243)	**(881)**	(9,850)
Tax effect of unrecognised accelerated depreciation allowances	**(6)**	(241)	**(103)**	(199)	**(109)**	(440)
Tax effect of unrecognised tax losses	**7,139**	8,218	**879**	4,011	**8,018**	12,229
Tax effect on tax concession	**—**	—	**(2,274)**	(7,745)	**(2,274)**	(7,745)
Under-provision in respect of previous year	**—**	—	**21**	608	**21**	608
Income tax expense	**—**	—	**2,134**	10,425	**2,134**	10,425

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. DEFERRED TAXATION

(a) The following is deferred tax assets/(liabilities) recognised by the Group and movements hereon during the current year and prior year:-

	Impairment loss on debtors HK$'000	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties HK$'000	Temporary differences on intangible assets recognised under service concession arrangement HK$'000	Total HK$'000
At 1.1.2014	—	(17,350)	—	(17,350)
Acquisition of a subsidiary — Note 34(b)	—	(574)	—	(574)
Disposals of subsidiaries — Note 35(b)	—	16,452	—	16,452
Credited/(charged) to profit or loss — Note 8(b)	146	(32)	—	114
Exchange adjustments	—	103	—	103
At 31.12.2014 and 1.1.2015	146	(1,401)	—	(1,255)
Acquisitions of subsidiaries — Note 34(a)	—	(41,295)	(22,258)	(63,553)
Credited/(charged) to profit or loss — Note 8(b)	66	(312)	(4)	(250)
Exchange adjustments	(10)	184	52	226
At 31.12.2015	**202**	**(42,824)**	**(22,210)**	**(64,832)**

Represented by:-

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**202**	146
Deferred tax liabilities	**(65,034)**	(1,401)
	(64,832)	(1,255)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. DEFERRED TAXATION *(continued)*

(b) The components of unrecognised deductible/(taxable) temporary difference of the Group are as follows:-

	2015 HK$'000	2014 HK$'000
Deductible temporary difference — note (i)		
Decelerated tax allowances	416	—
Unutilised tax losses	191,556	144,772
	191,972	144,772
Taxable temporary difference — note (ii)		
Accelerated tax allowances	—	(569)
	191,972	144,203

Notes:-

(i) Deductible temporary difference has not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unrecognised tax losses are losses of HK$27,742,000 (2014: HK$24,225,000) that will expire within five years from the date of incurrence. Other losses can be carried forward indefinitely.

(ii) Taxable temporary difference has not been recognised in these consolidated financial statements owing to its immateriality.

(c) As at 31 December 2015, temporary differences relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB79,741,000 (equivalent to approximately HK$95,187,000) (2014: RMB18,916,000 (equivalent to approximately HK$23,847,000)). The related deferred tax liabilities of HK$4,759,000 (2014: HK$1,192,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of the subsidiaries and the directors have determined that these retained profits are not likely to be distributed in the foreseeable future.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015 (2014: Nil).

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For the year ended 31 December 2015

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share for the year is based on the following data:-

	2015 **HK$'000**	2014 HK$'000
(Loss)/profit		
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share	**(44,412)**	32,694

	2015	2014
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic (loss)/earnings per share	**2,091,133,790**	2,070,448,858
Effect of dilutive potential ordinary shares:-		
Share options (Note)	**—**	—
Weighted average number of shares in issue for the purpose of calculation of diluted (loss)/earnings per share	**2,091,133,790**	2,070,448,858

Note:-

The computation of diluted loss per share for the year ended 31 December 2015 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in loss per share for the year which is regarded as anti-dilutive.

For the year ended 31 December 2014, diluted earnings per share was equal to the basic earnings per share because the exercise price of the Group's share option was higher than the average market price of the Company's shares.

12. RETIREMENT BENEFIT COSTS

Since 1 December 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's contribution to such scheme for the year ended 31 December 2015 amounted to HK$432,000 (2014: HK$261,000).

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For the year ended 31 December 2015

12. RETIREMENT BENEFIT COSTS *(continued)*

The Company's subsidiaries in the PRC have participated in a central pension scheme. Contributions are made by the subsidiaries to the scheme based on certain percentage of the applicable payroll costs. The Group has no obligation other than the above-mentioned contributions.

The Group's contribution to the state-sponsored retirement plan for the year ended 31 December 2015 amounted to HK$20,724,000 (2014: HK$17,849,000).

13. PROPERTY, PLANT AND EQUIPMENT

	Properties held under medium-term lease HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
For the year ended 31.12.2014							
Opening net book value	26,390	1,299	11,253	8,017	336	6,593	53,888
Exchange adjustments	(122)	(7)	(61)	(164)	—	(36)	(390)
Additions	3,443	567	2,873	25,294	724	9,392	42,293
Transfer from intangible assets — Note 16	—	—	—	1,118	—	—	1,118
Transfer to inventories	—	—	—	(956)	—	—	(956)
Disposals	—	(129)	—	(1,926)	(16)	(2,563)	(4,634)
Depreciation	(1,317)	(230)	(6,124)	(19,673)	(164)	(2,468)	(29,976)
Disposals of subsidiaries — Note 35(b)	(15,824)	(1,500)	(2,555)	(748)	(88)	(2,642)	(23,357)
Closing net book value	12,570	—	5,386	10,962	792	8,276	37,986
At 31.12.2014							
Cost	13,657	—	16,628	45,782	1,212	12,265	89,544
Aggregate depreciation	(1,087)	—	(11,242)	(34,820)	(420)	(3,989)	(51,558)
Net book value	12,570	—	5,386	10,962	792	8,276	37,986

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

	Properties held under medium-term lease HK$'000	Water pipeline HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction In progress HK$'000	Total HK$'000
For the year ended 31.12.2015									
Opening net book value	12,570	—	—	5,386	10,962	792	8,276	—	37,986
Exchange adjustments	(604)	(489)	(23)	(366)	(83)	—	(302)	(290)	(2,157)
Additions	—	53	898	7,022	3,395	90	3,584	7,109	22,151
Transfer from CIP	—	1,413	—	—	—	—	—	(1,413)	—
Disposals	—	—	—	—	(100)	(114)	(877)	—	(1,091)
Depreciation	(440)	(430)	(41)	(3,668)	(11,850)	(271)	(2,911)	—	(19,611)
Acquisitions of subsidiaries — Note 34(a)	92,049	208,068	8,912	1,505	1,851	—	762	118,418	431,565
Closing net book value	103,575	208,615	9,746	9,879	4,175	497	8,532	123,824	468,843
At 31.12.2015									
Cost	105,060	209,045	9,787	22,476	49,613	1,022	13,910	123,824	534,737
Aggregate depreciation	(1,485)	(430)	(41)	(12,597)	(45,438)	(525)	(5,378)	—	(65,894)
Net book value	103,575	208,615	9,746	9,879	4,175	497	8,532	123,824	468,843

As at 31 December 2015, the Group's property, plant and equipment with a net carrying amount of RMB35,904,000 (equivalent to approximately HK$42,858,000) were pledged to secure the Group bank and other borrowings (note 30).

As at 31 December 2015, the Group's buildings and structure with a net carrying amount of approximately HK$1,460,000 was in the process of obtaining the construction plan permits, construction commencement permits and construction completion reports. These structures have erected on land for which the relevant land use right certificates have not been obtained by the Group. Based on the legal opinion from the Group's legal advisor, who is a registered law firm in the PRC, the directors of the Group consider that the risk for the structure will be demolished is relatively low and there is no legal obstacle for the Group to obtain the relevant certificates and permits mentioned above. In accordance with the relevant regulations, the directors of the Group estimated the fine of approximately HK$69,000 and had made a provision accordingly.

Notes to the Consolidated Financial Statements

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

As at 31 December 2015, the Group's construction in progress with a net carrying amount of approximately HK$6,822,000, and its water pipeline with a net carrying amount of approximately HK$13,816,000 was in the process of obtaining the construction plan permits. Based on the legal opinion from the Group's legal advisor, who is a registered law firm in the PRC, the directors of the Group consider that the risks for the structure will be demolished or that the Group will be punished for non-compliance are relatively low and there is no legal obstacle for the Group to obtain the relevant permits mentioned above.

14. PREPAID LAND LEASE PREMIUM

The Group's interests in land lease premium represents prepaid operating lease payments and its net book value is analysed as follows:-

	2015	2014
	HK$'000	HK$'000
Outside Hong Kong, held under medium-term lease	**29,649**	9,706
Less: Current portion	**(285)**	(300)
Non-current portion	**29,364**	9,406
Representing:-		
Opening net book value	**9,706**	43,555
Additions	**—**	2,860
Acquisitions of subsidiaries — Note 34(a)	**20,797**	—
Disposals of subsidiaries — Note 35(b)	**—**	(35,197)
Exchange adjustments	**(552)**	(272)
Amortisation of prepaid land lease premium	**(302)**	(1,240)
Closing net book value	**29,649**	9,706

The Group's prepaid land lease payments represent up-front payments to acquire long term interest in usage of land situated in the PRC, which are held under medium term leases.

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15. INVESTMENT PROPERTIES

	HK$'000
At 1.1.2014	166,274
Increase in fair value recognised in the consolidated statement of profit or loss	126
Acquisition of a subsidiary — Note 34(b)	11,096
Disposals of subsidiaries — Note 35(b)	(143,997)
Exchange adjustments	(960)
At 31.12.2014 and 1.1.2015	32,539
Increase in fair value recognised in the consolidated statement of profit or loss	1,206
Acquisitions of subsidiaries — Note 34(a)	21,932
Exchange adjustments	(1,830)
At 31.12.2015	**53,847**

Notes:-

(a) The Group's properties interest held under operating leases to earn rentals or for long-term capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These properties are located at the PRC and held under medium-term lease.

(b) The Group's investment properties were revalued at 31 December 2015. The valuation was carried out by an independent firm of surveyors, BMI Appraisals Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. Management had discussed with the surveyors on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

(c) The fair value of the Group's investment properties measured at the end of the reporting period is categorised as Level 3 of fair value hierarchy as defined in HKFRS 13.

Notes to the Consolidated Financial Statements

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15. INVESTMENT PROPERTIES *(continued)*

Notes:- *(continued)*

(d) Information about Level 3 fair value measurement:-

	Valuation techniques	Unobservable input	Range	Weighted average
Residential property in PRC	Market comparison approach	Premium (discount) on quality of the buildings	-5% to 0%	-2.5%
Commercial property in PRC	Market comparison approach	Premium (discount) on quality of the buildings	-8% to 0%	-4%
Commercial properties in PRC	Income capitalisation approach	Prevailing market rents	RMB2.8 to RMB23 per square meter per month	RMB12.9 per square meter per month
		Capitalisation rates	5.7% to 9%	7.35%

(e) The fair value of investment properties located at the PRC was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis, adjusted by quality and location of the Group's investment properties compared to the recent sales. The fair value measurement is negatively correlated to risk-adjusted discount rates.

(f) The Group also applied income capitalisation approach as valuation technique. This approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the capitalisation rates, the lower the fair value. The higher the prevailing market rents, the higher the fair value. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

(g) Fair value adjustment of investment properties is recognised in the line item "Increase in fair value of investment properties" on the face of the consolidated statement of profit or loss.

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16. INTANGIBLE ASSETS

	Development cost HK$'000	Computer software and technology HK$'000	Domain name HK$'000	(Note (a)) Other intangible asset HK$'000	Total HK$'000
At 1.1.2014					
Cost	11,084	6,576	2,682	—	20,342
Accumulated amortisation	—	(1,899)	—	—	(1,899)
Net book value	11,084	4,677	2,682	—	18,443
For the year ended 31.12.2014					
Opening net book value	11,084	4,677	2,682	—	18,443
Transfers to property, plant and equipment — Note 13	(1,118)	—	—	—	(1,118)
Transfer	(604)	604	—	—	—
Additions	574	—	—	—	574
Impairment loss	(8,796)	—	—	—	(8,796)
Amortisation	—	(4,764)	—	—	(4,764)
Exchange adjustments	(62)	(27)	—	—	(89)
Closing net book value	1,078	490	2,682	—	4,250
At 31.12.2014					
Cost	9,874	7,140	2,682	—	19,696
Accumulated amortisation	—	(6,650)	—	—	(6,650)
Accumulated impairment loss	(8,796)	—	—	—	(8,796)
Net book value	1,078	490	2,682	—	4,250
For the year ended 31.12.2015					
Opening net book value	**1,078**	**490**	**2,682**	**—**	**4,250**
Acquisitions of subsidiaries — Note 34(a)	**—**	**—**	**—**	**352,996**	**352,996**
Additions	**—**	**—**	**—**	**431**	**431**
Amortisation	**—**	**(198)**	**—**	**(279)**	**(477)**
Exchange adjustments	**(57)**	**(19)**	**—**	**(827)**	**(903)**
Closing net book value	**1,021**	**273**	**2,682**	**352,321**	**356,297**
At 31.12.2015					
Cost	**9,326**	**6,762**	**2,682**	**352,599**	**371,369**
Accumulated amortisation	**—**	**(6,489)**	**—**	**(278)**	**(6,767)**
Accumulated impairment loss	**(8,305)**	**—**	**—**	**—**	**(8,305)**
Net book value	**1,021**	**273**	**2,682**	**352,321**	**356,297**

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16. INTANGIBLE ASSETS *(continued)*

Note :

(a) Pursuant to a concession agreement between a subsidiary, Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water") and a relevant authority in the PRC dated 21 November 2006, Taihe Water obtained the right to operate certain water supply plants located at Qingyuan City of Guangdong Province in the PRC for a period of 20 years on a BOT basis. Taihe Water is entitled to use all the property, plant and equipment of the water supply plants.

(b) As at 31 December 2015, land use right held by the Group under service concession arrangement with a net carrying amount of RMB4,355,000 (equivalent to approximately HK$5,198,000) was pledged to secure the Group's bank and other borrowing (note 30).

(c) In 2014, the management of the Group reviewed the estimated useful lives of all of its computer software and technology and concluded that due to the technological development in recent years, the expected useful lives of its computer software and technology were shorter than their original estimation. As a result, the Group has shortened the estimated useful lives of its computer software and technology to three years.

The change in accounting estimates was accounted for prospectively from 1 January 2014. The effect of this change in estimated useful lives increased amortisation charge by approximately HK$4,038,000 for the year ended 31 December 2014.

17. GOODWILL

	HK$'000
Cost:-	
At 1.1.2014	79,893
Acquisition of a subsidiary — Note 34(b)	695
Disposals of subsidiaries	(3,466)
At 31.12.2014 and 1.1.2015	77,122
Acquisitions of subsidiaries — Note 34(a)	90,290
At 31.12.2015	**167,412**
Impairment loss:-	
At 1.1.2014	3,491
Disposals of subsidiaries	(3,466)
At 31.12.2014, 1.1.2015 and 31.12.2015	**25**
Net book value:-	
At 31.12.2015	**167,387**
At 31.12.2014	77,097

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17. GOODWILL *(continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:-

	2015	2014
	HK$'000	HK$'000
Platform payment services	**43,050**	43,050
Internet based remittance services	**33,352**	33,352
Water supply services	**90,290**	—
Others	**720**	720
	167,412	77,122

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For platform payment services and internet based remittance services segments, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate was 18.52% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using the growth rate with 3%.

For water supply service segment, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate was 17.03% to 17.46% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using 3.87% to 6.6% average growth rate.

For others segment, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate was 13.11% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using nil growth rate.

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18. INTEREST IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Cost of unlisted investment in an associate	29,613	—
Share of post-acquisition losses and reserves	(71)	—
	29,542	—

Name of companies	Place of establishment and business	Particulars of registered capital	Attributable equity interest held by the Company indirectly	Group's effective interest	Principal activities
Shanghai Renda Commercial Factoring Company Limited	People's Republic of China	RMB50,000,000	49.5%	25.245%	Provision of factoring services

Shanghai Renda Commercial Factoring Company Limited is a strategic business partner of the Group.

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

The associate was newly incorporated on 23 September 2015.

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For the year ended 31 December 2015

18. INTEREST IN AN ASSOCIATE *(continued)*

The summarised financial information in respect of Shanghai Renda Commercial Factoring Company Limited are set out below:-

	2015 HK$'000
Current assets	59,687
Current liabilities	(12)
Net assets	59,675
Group's share of net assets of an associate	29,542

	For the period from 23.9.2015 to 31.12.2015 HK$'000
Revenue	—
Loss for the period	(10)
Other comprehensive loss for the period	(140)
Total comprehensive loss for the period	(150)
Group's share of results of an associate for the year	(3)

Share of results of an associate of HK$256,000 for the year ended 31 December 2014 represents share of results of an associate being disposed on 29 December 2014.

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19. LOAN TO AN OFFICER

Loan to an officer of the Group disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance are as follows:-

Name of officer	At 31 December 2015 HK$'000	At 1 January 2015 HK$'000	Maximum outstanding during the year HK$'000	Terms
Madam Luan Yumin	—	12,362	12,362	Interest-free, unsecured and repayable on 1 September 2016

The amount was repaid to the Group on 23 April 2015.

20. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2015, the Group paid a deposit of approximately HK$37,588,000 to acquire property, plant and equipment. Capital commitment of such acquisition is disclosed in note 36(b) to the consolidated financial statements.

21. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	332	—
Finished goods	4,753	2,806
Less: write-down of inventories	(2,074)	(1,304)
	3,011	1,502

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For the year ended 31 December 2015

22. DEBTORS

	2015 HK$'000	2014 HK$'000
Trade debtors	**94,118**	68,166
Less: impairment loss — Note 22(c)	**(2,559)**	(2,510)
	91,559	65,656

Notes:-

(a) Apart from payment solutions business, the credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically. For payment solutions business, as the Group is playing the role as an agent on behalf of the merchants for collection of payments, there is no significant credit risk.

(b) An aging analysis of debtors is set out below:-

	2015 HK$'000	2014 HK$'000
0–6 months	**90,900**	65,656
7–12 months	**350**	—
1–2 years	**309**	—
	91,559	65,656
Neither past due nor impaired	**91,250**	65,656
Past due but not impaired	**309**	—
	91,559	65,656

Debtors that were neither past due nor impaired relate to tenants and a wide range of customers for service providers of payment solutions business and water supply service for whom there were no recent history of default.

As at 31 December 2015, debtors that were past due but not impaired included an amount of HK$309,000 which was related to numbers of independent customers of water supply service which had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. DEBTORS *(continued)*

Notes:- (continued)

(c) The movement in the impairment loss on accounts receivable during the year is as follows:-

	2015 HK$'000	2014 HK$'000
At 1 January	2,510	1,727
Impairment loss recognised	58	923
Disposals of subsidiaries	—	(140)
Exchange adjustments	(9)	—
At 31 December	2,559	2,510

(d) As at 31 December 2015, the receivables under service concession arrangement with a carrying amount of RMB18,278,000 (equivalent to approximately HK$21,818,000) (2014: HK$Nil) were pledged to secure bank loans granted to the Group (note 30).

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Utilities and deposits	4,398	2,852
Prepayments	4,394	12,437
Secured loans receivable — Note 23(a)	55,495	5,988
Unsecured loans receivable — Note 23(b)	112,744	129,081
Interest receivable	119	—
Amounts due from former subsidiaries — Note 23(c)	14,590	64,839
Amount due from non-controlling shareholder of a subsidiary	13,419	—
Other receivables	8,911	5,114
	214,070	220,311
Less: impairment loss on other receivables — Note 23(d)	(1,201)	(1,938)
	212,869	218,373
Less: non-current portion	(227)	(5,037)
Current portion	212,642	213,336

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For the year ended 31 December 2015

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes:-

(a) Except for an amount of HK$Nil (2014: HK$5,295,000) which was interest-free, the remaining secured loans receivable were interest-bearing at 2% per month (2014: 0.8% per month) and repayable within one year.

(b) All unsecured loans receivable were interest-free. Except for an amount of HK$227,000 (2014: HK$500,000) which was repayable after one year, the remaining balance was repayable within one year.

(c) The amounts are interest-free, unsecured and repayable on demand.

(d) The movement in the impairment loss on other receivables during the year is as follows:-

	2015 **HK$'000**	2014 HK$'000
At 1 January	**1,938**	6,705
Impairment loss recognised	**—**	994
Written off	**(693)**	—
Disposals of subsidiaries	**—**	(5,724)
Exchange adjustments	**(44)**	(37)
At 31 December	**1,201**	1,938

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 **HK$'000**	2014 HK$'000
Listed securities, at market value		
Equity securities — PRC	**1,647**	221

25. CASH AND BANK BALANCES

As at 31 December 2015, cash and bank balances of the Group denominated in Renminbi amounted to HK$608,174,000 (2014: HK$492,207,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

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26. TRADE PAYABLES

	2015 HK$'000	2014 HK$'000
An aging analysis of trade payables is set out below:-		
0–12 months	**1,888**	—

27. PAYABLE TO MERCHANTS

	2015 HK$'000	2014 HK$'000
An aging analysis of payable to merchants is set out below:-		
0–12 months	**409,827**	418,479
Over one year	**3,017**	4,396
	412,844	422,875

28. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Deposits received and receipts in advance	**18,977**	8,531
Accruals	**27,404**	26,030
Sundry creditors	**67,951**	47,075
Construction fee payable	**114,932**	—
Dividend payable to non-controlling shareholder of a subsidiary	**18,258**	—
Amount due to a former subsidiary — Note 28(a)	—	430
Other tax payables	**23,512**	22,141
	271,034	104,207

Note:-

(a) The amount was interest-free, unsecured and repayable on demand.

29. AMOUNTS DUE TO RELATED COMPANIES

The amounts are interest-free, unsecured and repayable within one year.

Notes to the Consolidated Financial Statements

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30. BANK AND OTHER BORROWINGS

As at 31 December 2015, the bank and other borrowings were analysed as follows:-

	Notes	2015 HK$'000	2014 HK$'000
Bank loans, secured	(a)	**597,096**	—
Bank loan, unsecured	(b)	**59,685**	—
Government loans, unsecured	(c)	**5,074**	—
		661,855	—
Due for payment:-			
— Within one year		**413,873**	—
— Within two to five years		**126,351**	—
— Over five years		**121,631**	—
		661,855	—

Notes:-

(a) Details of secured bank loans are as follows:-

Secured bank loan of HK$281,021,000 was interest-bearing at 3.1% per annum, repayable within one year, denominated in Renminbi.

Secured bank loans of HK$58,705,000, HK$8,548,000, HK$16,935,000 and HK$129,257,000 were interest-bearing at 5.65%, 6.15%, 6.72% and 6.765% respectively per annum, repayable after five years, denominated in Renminbi.

Secured bank loan of HK$102,630,000 was interest-bearing at 6.765% per annum, repayable after five years, denominated in Renminbi.

(b) Unsecured bank loan of HK$59,685,000 was interest-bearing at 5.655% per annum, repayable within one year and denominated in Renminbi.

(c) Details of unsecured government loans are as follows:-

Unsecured government loan of HK$1,157,000 was interest-bearing at 3.3% per annum, repayable within one year and denominated in Renminbi.

Unsecured government loan of HK$3,511,000 was interest-bearing at 3.3% per annum, repayable after one year to five years and denominated in Renminbi.

Unsecured government loan of HK$406,000 was interest-bearing at 3.3% per annum, repayable after five years and denominated in Renminbi.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. BANK AND OTHER BORROWINGS *(continued)*

Notes:- *(continued)*

(d) The Group had the following banking facilities:-

	At 31 December	
	2015	2014
	HK$'000	HK$'000
Total banking facilities granted	**829,323**	—
Less : banking facilities utilised by the Group	**(656,781)**	—
Unutilised banking facilities	**172,542**	—

As at 31 December 2015, these banking facilities were secured by :-

i. charges over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK$281,021,000);

ii. charges over property, plant and equipment with aggregate carrying amounts of RMB35,904,000 (equivalent to approximately HK$42,858,000) (note 13);

iii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,355,000 (equivalent to approximately HK$5,198,000) (note 16);

iv. pledge of trade receivables under service concession arrangement with a carrying amount of RMB18,278,000 (equivalent to approximately HK$21,818,000) (note 22);

v. pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;

vi. pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

vii. guarantee by Xinghongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group;

viii. guarantee by Dongguan New Century Science and Education Development Limited and Mr. Yang Zhimao; and

ix. guarantee by the non-controlling shareholder of a subsidiary.

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31. SHARE CAPITAL

(a) Share capital

	Note	The Group and the Company Number of shares	HK$'000
Ordinary share of HK$0.01 each			
Authorised:-			
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015		5,000,000,000	50,000
Issued and fully paid:-			
At 1 January 2014, 31 December 2014 and 1 January 2015		2,070,448,858	20,705
Shares issued under share option scheme	(i)	50,000,000	500
At 31 December 2015		**2,120,448,858**	**21,205**

Note:-

(i) During the year ended 31 December 2015, 50,000,000 share options were exercised by the eligible option holders, resulting in the issue of 50,000,000 shares of HK$0.01 each of the Company at a total consideration of HK$23,250,000.

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 31 December 2015 and at 31 December 2014 were as follows:-

	2015 **HK$'000**	2014 HK$'000
Total liabilities	**1,484,376**	552,489
Total assets	**2,434,249**	1,301,002
Gearing ratio	**60.98%**	42.47%

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32. SHARE OPTIONS

Pursuant to the Company transferred the listing of its share from GEM to the Main Board of the Stock Exchange on 22 June 2010, the Company adopted a new share option scheme which is compliance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010 ("New Share Option Scheme"). The three share option schemes adopted on 12 October 2001 ("GEM Share Option Schemes") have been terminated and no further options under such schemes have been granted thereunder upon the adoption of the New Share Option Scheme. The outstanding options granted under the GEM Share Option Schemes shall continue to be subject to the provision of the GEM Share Option Schemes.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme.

The subscription price of the New Share Option Scheme shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

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32. SHARE OPTIONS *(continued)*

(a) A summary of the movements of share options granted under the New Share Option Scheme during each of the two years ended 31 December 2015 is as follows:-

			Number of share options		
Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2014, 31 December 2014 and 1 January 2015	Exercised during the year	Outstanding at 31 December 2015
25 November 2013	25 November 2013 to 11 August 2020	HK$0.465	120,000,000	(50,000,000)	70,000,000

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

	2015 Weighted average of exercise price HK$	2015 Number of options	2014 Weighted average of exercise price HK$	2014 Number of options
Outstanding at the beginning of the year	**0.465**	**120,000,000**	0.465	120,000,000
Exercised during the year	**0.465**	**(50,000,000)**	—	—
Outstanding at the end of year	**0.465**	**70,000,000**	0.465	120,000,000
Exercisable at the end of year	**0.465**	**70,000,000**	0.465	120,000,000

The weighted average share price at the dates of exercise for the share options exercised during the year ended 31 December 2015 was HK$0.806. There was no share option exercised during the year ended 31 December 2014.

The options outstanding at 31 December 2015 had an exercise price of HK$0.465 (2014: HK$0.465) and a weighted average remaining contractual life of 4.6 years (2014: 5.6 years).

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32. SHARE OPTIONS *(continued)*

(c) Fair value of share options granted

120,000,000 share options under the New Share Option Scheme were granted during the year ended 31 December 2013.

Fair value of share options granted during the year ended 31 December 2013 was as follows:-

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

Fair value at measurement date	HK$0.03997
Share price	HK$0.460
Exercise price	HK$0.465
Expected volatility	65.89%
Expected dividend yield	1.41%
Risk-free interest rate	1.44%

The expected volatility is based on the historic volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

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33. RESERVES

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

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1.1.2014	497,758	481	4,796	(50,082)	452,953
Total comprehensive loss for the year	—	—	—	(16,934)	(16,934)
At 31.12.2014 and 1.1.2015	497,758	481	4,796	(67,016)	436,019
Shares issued under share option scheme	23,150	—	(400)	—	22,750
Total comprehensive loss for the year	—	—	—	(31,100)	(31,100)
At 31.12.2015	**520,908**	**481**	**4,396**	**(98,116)**	**427,669**

Notes:-

(i) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the reorganisation completed in 2001. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(iii) As at 31 December 2015, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK$422,792,000 (2014: HK$430,742,000) subject to the restrictions as stated above.

(iv) The special reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired pursuant to the reorganisation completed in 2001.

(v) The subsidiary established in the PRC was required by PRC Company Law to appropriate 10% of its statutory after-tax profit to a statutory reserve fund until the balance of the fund reached 50% of share capital and thereafter any further appropriation was optional. The statutory reserve fund could be utilised to offset prior years' losses or to increase share capital on the condition that the statutory reserve fund must be maintained at a maximum of 25% of the share capital after such issuance. During the year, the Board of Directors of the subsidiary resolved to appropriate HK$4,297,000 (2014: HK$4,044,000) from retained profits to statutory reserve fund.

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34. ACQUISITIONS OF SUBSIDIARIES

(a) On 23 December 2015, the Group acquired 49% equity interests in Qinghui Properties Limited and its subsidiaries (the "Qinghui Group"), companies incorporated in the PRC, at a cash consideration of RMB224,420,000 (equivalent to HK$268,519,000).

The fair values of the identifiable assets and liabilities of the Qinghui Group acquired as at the date of acquisition was as follows:-

	HK$'000
Property, plant and equipment — Note 13	431,565
Prepaid land lease premium — Note 14	20,797
Investment properties — Note 15	21,932
Intangible assets — Note 16	352,996
Deposits paid for acquisition of property, plant and equipment	14,123
Inventories	2,358
Debtors	18,720
Deposits, prepayments and other receivables	6,773
Amount due from a related company	67
Cash and bank balances	149,145
Trade payables	(1,907)
Deposits received, sundry creditors and accruals	(131,867)
Amounts due to related companies	(126,801)
Bank and other borrowings — current portion	(73,339)
Tax payable	(6,234)
Bank and other borrowings — non-current portion	(248,564)
Deferred tax liability — Note 9(a)	(63,553)
	366,211
Non-controlling interests	(187,982)
	178,229
Goodwill arising on acquisition	
Consideration for acquisition	268,519
Less: Fair value of identifiable net assets acquired	(178,229)
	90,290
Net cash outflow arising on acquisition	
Cash consideration paid	(268,519)
Less: Cash and cash equivalents acquired	149,145
	(119,374)

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34. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Acquisition-related costs amounting to HK$7,000,000 has been recognised as an expense in current year, within the "general and administrative expenses" line item in the consolidated statement of profit or loss.

The Group recognised a goodwill of HK$90,290,000 arising from acquisition of the Qinghui Group because the purchase consideration exceeded the fair value of net assets acquired.

The newly acquired business contributed a revenue of HK$5,351,000 to the Group and contributed a profit of HK$1,203,000 to the Group for the period between the date of acquisition and the end of reporting period.

Had the acquisition been completed on 1 January 2015, the Group's revenue for the year would have been HK$588,710,000, and the profit for the year would have been HK$4,273,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2015 nor is intended to be a projection of future results.

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34. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(b) On 20 May 2014, the Group acquired 77.5% equity interests in Shanghai Chixing Property Management Limited, a company incorporated in the PRC, at a cash consideration of RMB2,205,000 (equivalent to HK$2,771,000).

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition was as follows:-

	HK$'000
Investment properties — Note 15	11,096
Other receivables	1,144
Cash and bank balances	104
Other payables and accruals	(9,090)
Deferred tax liability — Note 9(a)	(574)
	2,680
Non-controlling interests	(604)
	2,076
Goodwill arising on acquisition	
Consideration for acquisition	2,771
Less: Fair value of identifiable net assets acquired	(2,076)
	695

	HK$'000
Net cash outflow arising on acquisition	
Cash consideration paid	(2,771)
Less: Cash and cash equivalents acquired	104
	(2,667)

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34. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(b) *(continued)*

The Group recognised a goodwill of HK$695,000 because the purchase consideration exceeded the fair value of net assets acquired.

The newly acquired business contributed a revenue of HK$335,000 to the Group and contributed a loss of HK$92,000 to the Group for the period between the date of acquisition and the end of reporting period.

Had the acquisition been completed on 1 January 2014, the Group's revenue for the year would have been HK$317,393,000, and the profit for the year would have been HK$39,508,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2014 nor is intended to be a projection of future results.

(c) On 13 October 2014, the Group acquired the entire equity interest in Ease2Pay Limited, a company incorporated in Hong Kong, at a cash consideration of HK$1.

The fair value of the identifiable assets of the subsidiary acquired as at the date of acquisition was as follows:-

	HK$'000
Other receivables	10
Gain on a bargain purchase arising on acquisition	
Consideration for acquisition	—
Less: Fair value of identifiable net assets acquired	(10)
	(10)

The Group recognised a gain on bargain purchase of HK$10,000 because the fair value of net assets acquired exceeded the purchase consideration.

The newly acquired business did not contribute any revenue to the Group and contributed a loss of HK$1,000 to the Group for the period between the date of acquisition and the end of reporting period.

Had the acquisition been completed on 1 January 2014, total Group's revenue for the year would have been HK$317,148,000, and profit for the year would have been HK$37,813,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2014 nor is intended to be a projection of future results.

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For the year ended 31 December 2015

35. DISPOSAL OF INTERESTS IN SUBSIDIARIES

(a) Disposal of equity interest of Universal Unipass Limited ("Unipass")

On 27 January 2015, the Group disposed of its entire equity interest in Unipass at a consideration of RMB991,000 (equivalent to HK$1,246,000).

The net assets of Unipass as at the date of disposal included other receivables of RMB991,000 (equivalent to HK$1,246,000).

(b) Disposal of equity interest of Universal Enterprise Resources Limited ("UER") and Universal Enterprise Investment Holdings Limited ("UEIH")

On 29 December 2014, the Group disposed of the entire equity interests of UER and UEIH at a consideration of HK$113,064,000.

	UER	UEIH	Total
	HK$'000	HK$'000	HK$'000
Net (liabilities)/assets disposed of:-			
Property, plant and equipment — Note 13	4,246	19,111	23,357
Prepaid land lease premium — Note 14	—	35,197	35,197
Investment properties — Note 15	6,379	137,618	143,997
Interest in an associate	—	552	552
Other investment	—	12,607	12,607
Inventories	54,500	—	54,500
Debtors	142	79	221
Deposits, prepayments and other receivables	17,878	203,965	221,843
Cash and bank balances	2,272	541	2,813
Deposits received, sundry creditors and accruals	(132,251)	(292,185)	(424,436)
Deferred tax liability — Note 9(a)	(15)	(16,437)	(16,452)
	(46,849)	101,048	54,199
Gain on disposals of subsidiaries			
Consideration received			113,064
Less: Net assets disposed of			(54,199)
Less: Tax effect			(12,641)
			46,224
Net cash inflow arising on disposals of subsidiaries			
Cash consideration received			113,064
Less: Cash and bank balances disposed of			(2,813)
			110,251

Notes to the Consolidated Financial Statements

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35. DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

(c) Disposal of interests in a subsidiary without loss of control

On 23 December 2015, the Group disposed of 9.99% equity interests in a subsidiary at a consideration of RMB11,383,000 (equivalent to HK$14,147,000). The carrying amount of the non-controlling interests in this subsidiary on the date of disposal was HK$13,707,000. The Group recognised an increase in non-controlling interests of HK$13,707,000 and in equity attributable to shareholders of the Company of HK$162,000. The effect of changes in the ownership interests of this subsidiary on the equity attributable to shareholders of the Company during the year is summarised as follows:-

	HK$'000
Consideration received from non-controlling interests	14,147
Carrying amount of non-controlling interests disposed of	(13,707)
Income tax effect	(278)
Changes recognised on disposal within equity	162

On 29 December 2014, the Group disposed of 49% equity interests in subsidiaries at a consideration of HK$62,834,000. The carrying amount of the non-controlling interests in this subsidiary on the date of disposal was HK$141,062,000. The Group recognised an increase in non-controlling interests of HK$141,062,000 and in equity attributable to shareholders of the Company of HK$86,447,000. The effect of changes in the ownership interests of this subsidiary on the equity attributable to shareholders of the Company during the year is summarised as follows:-

	HK$'000
Consideration received from non-controlling interests	62,834
Carrying amount of non-controlling interests disposed of	(141,062)
Income tax effect	(8,219)
Changes recognised on disposal within equity	(86,447)

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36. COMMITMENTS

(a) Operating lease arrangements

As lessor

As at 31 December 2015, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:-

	2015 HK$'000	2014 HK$'000
Within one year	**576**	151
After one year but within five years	**108**	151
	684	302

The Group leases its investment properties under operating leases. The leases were negotiated for terms ranging from one to five years.

As at 31 December 2015, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:-

	2015 HK$'000	2014 HK$'000
Within one year	**18,844**	17,639
After one year but within five years	**16,298**	30,114
	35,142	47,753

Operating lease payments represent rentals payable by the Group for the use of servers and office premises. Leases are negotiated for a term ranging from one to five years with fixed monthly rentals.

(b) Capital commitments

Capital expenditure contracted but not provided for is as follows:-

	2015 HK$'000	2014 HK$'000
Property, plant and equipment	**138,590**	—
Other intangible assets	**111,022**	—
	249,612	—

Notes to the Consolidated Financial Statements

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37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

The Group's policy is to prudently manage daily operations and invest surplus funds managed by the Group in a manner which satisfy liquidity requirements, safeguard financial assets, manage risks while optimising the returns.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, market price risk and interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of the other parties, measured by the extent of past due or default.

In respect of debtors arising from trading business, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and obtaining information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due with 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group was not exposed to significant credit risk from debtors arising from online platform as the transactions of which are made in cash or via reliable major credit cards by limiting the amount of credit exposure to these financial institutions and the merchants. In addition, the Group is playing the role as an agent on behalf of the merchants for collection of payment.

Carrying amounts of financial assets at 31 December 2015, which represented the amounts of maximum exposure to credit risk, were as follows:-

	2015	2014
	HK$'000	HK$'000
Loan to an officer	**—**	12,362
Debtors	**91,559**	65,656
Deposits and other receivables	**208,475**	205,936
Fixed deposits	**63,218**	338,087
Pledged time deposit	**281,021**	—
Cash and bank balances	**637,771**	512,223
	1,282,044	1,134,264

The Directors are satisfied with the credit quality of financial assets.

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37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the gearing ratio.

Maturities of the non-derivative financial liabilities of the Group at 31 December 2015 were as follows:-

	2015				
	Carrying amount	**Total contractual undiscounted cash flows**	**Less than 1 year or on demand**	**In 2 to 5 years**	**Over 5 years**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total amounts of contractual undiscounted obligations:-					
Bank and other borrowings	**661,855**	**748,854**	**441,882**	**162,868**	**144,104**
Trade payables	**1,888**	**1,888**	**1,888**	**—**	**—**
Payable to merchants	**412,844**	**412,844**	**412,844**	**—**	**—**
Sundry creditors and accruals	**254,802**	**254,802**	**254,802**	**—**	**—**
Amounts due to related companies	**123,796**	**123,796**	**123,796**	**—**	**—**
	1,455,185	**1,542,184**	**1,235,212**	**162,868**	**144,104**

	2014				
	Carrying amount	Total contractual undiscounted cash flows	Less than 1 year or on demand	In 2 to 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total amounts of contractual undiscounted obligations:-					
Payable to merchants	422,875	422,875	422,875	—	—
Sundry creditors and accruals	101,781	101,781	101,781	—	—
Amounts due to related companies	14,350	14,350	14,350	—	—
	539,006	539,006	539,006	—	—

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For the year ended 31 December 2015

37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Carrying amounts of financial assets and financial liabilities at 31 December 2015 exposed to currency risk were as follows:-

	2015	2014
	HK$'000	HK$'000
Financial assets denominated in foreign currencies:-		
Debtors	—	1
Deposits and other receivables	**133**	133
Cash and bank balances	**1,401**	1,407
	1,534	1,541
Financial liabilities denominated in foreign currencies:-		
Sundry creditors and accruals	—	6,819
	—	6,819
Net financial assets/(liabilities) exposed to currency risk	**1,534**	(5,278)

Notes to the Consolidated Financial Statements

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37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk *(continued)*

The Group's net financial assets/(liabilities) exposed to currency risk were primarily denominated in the following currencies:-

	2015 HK$'000	2014 HK$'000
Singapore dollars	1	1
United States dollars	1,482	1,486
Renminbi	44	(6,772)
Other currencies	7	7
	1,534	(5,278)

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from Renminbi, primarily with respect to the Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile as there were insignificant fluctuation in exchange rate between Hong Kong dollars and Renminbi.

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote.

Should Hong Kong dollars at 31 December 2015 devalue by 10% against all foreign currencies except United States dollars, the carrying amount of the net financial assets/(liabilities) of the Group exposed to currency risk at 31 December 2015 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2015 would be increased by HK$5,000 (2014: decreased by HK$676,000); and loss (2014 : profit) for the year ended 31 December 2015 would be decreased by HK$5,000 (2014: HK$676,000).

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37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. The Group manages market prices risk, when it is considered significant, by entering into appropriate derivatives contracts.

The Group is exposed to equity price risk arising from equity investments classified as financial assets at fair value through profit or loss (note 24). The Group is not exposed to commodity price risk.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity price had been 10% higher/lower, post-tax loss (2014: profit) for the year ended 31 December 2015 would be decreased/increased by HK$165,000 (2014: increased/decreased by HK$22,000); and hence the equity at 31 December 2015 would be increased/decreased by HK$165,000 (2014: HK$22,000) as a result of the change in fair value of equity investments.

All investments are subject to a maximum concentration limit predetermined by the Board.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(e) Interest rate risk *(continued)*

The following table details the fixed/variable rate financial assets/liabilities in which the Group is exposed to interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at 31 December 2015 and 2014 :-

	At 31 December 2015		At 31 December 2014	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed rate financial assets				
Fixed deposits	0.66%–0.4%	63,218	0.11%–0.21%	338,087
Pledged time deposit	2.6%	281,021	—	—
Secured loans receivable	24%	55,495	—	—
Fixed rate financial liabilities				
Bank and other borrowings	3.1%	(281,021)	—	—
Variable rate financial assets				
Bank balances	0.01%–0.385%	603,203	0.01%–0.35%	497,686
Variable rate financial liabilities				
Bank and other borrowings	3.3%–6.765%	(380,834)	—	—
		341,082		835,773

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's loss (2014: profit) for the year ended 31 December 2015 would be decreased (2014: increased) and respective accumulated losses (2014: retained profits) would be decreased (2014: increased) by approximately HK$2,198,000 (2014 : HK$4,332,000).

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(f) Fair values

(i) Financial instruments carried at fair value

For financial instruments carried at fair value, the financial instruments should be measured by the three level hierarchy as defined in HKFRS 13. The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:-

- Level 1: fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: fair value measured using significant unobservable inputs.

As at 31 December 2015, the only financial instruments of the Group carried at fair value were financial assets at fair value through profit or loss of HK$1,647,000 (2014: HK$221,000) listed on the Shanghai Stock Exchange (see note 24). These instruments fall into Level 1 of the fair value hierarchy described above.

During the year ended 31 December 2015, there were no significant transfers between financial level instruments in level 1 and level 2.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements

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38. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) On 21 June 2015, Shenzhen Huanye Universal Technologies Limited (an indirect wholly-owned subsidiary of the Company) ("Shenzhen Huanye") and Dongguan Hongshun Shiye Development Company Limited ("Hongshun Shiye") entered into the sale and purchase agreement pursuant to which Shenzhen Huanye has conditionally agreed to acquire and Hongshun Shiye conditionally agreed to sell 49% of the entire equity interest in Qinghui Group (the "Acquisition"), at cash consideration of RMB224,420,000 (equivalent to approximately HK$268,519,000). Hongshun Shiye is beneficially and wholly-owned by Mr. Yang Zhimao and his spouse Ms. Zhu Fenlian ("Yangs"), who also own the entire issued share capital of Ever City Industrial Development Limited, which is a substantial shareholder of the Company. Accordingly, Hongshun Shiye is a connected person of the Company under Rule 14A.07 of the Listing Rules and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Acquisition was approved by the independent shareholders of the Company on 18 December 2015 and completed on 23 December 2015.

(b) On 23 December 2015, the Group disposed of 9.99% equity interests in a subsidiary to Shanghai Chiyi Investment Partnership ("Shanghai Chiyi") at a consideration of RMB11,383,000 (equivalent to HK$14,147,000). Shanghai Chiyi is a connected person of the Company in which a director of Shanghai Chiyi is also a director of the subsidiary of the Company. The disposal was completed on 23 December 2015.

(c) Apart from the transaction as disclosed in notes 19, 23, 28 and 30 to the financial statements, the Group had other material transaction with its related party during the year as following:-

Particulars	Relationship	2015 HK$'000	2014 HK$'000
Consultancy services income	Common director	470	—
Construction costs	Related party	436	—
Rental income	Common shareholder	13	—
	Related party	9	—
Rental fee	Common director	5,389	—
Building management fee	Common director	844	—

(d) **Key management compensation**

	2015 HK$'000	2014 HK$'000
Fees for key management personnel	289	300
Salaries, allowances and other benefits in kind	10,927	11,203
Pension scheme contributions	278	500
	11,494	12,003

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39. CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no contingent liabilities.

40. SEGMENT REPORTING

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has presented the following five reportable segments.

(a) Payment solutions

This segment primarily derives its revenue from the provision of payment solutions and ongoing technical support services to customers in the PRC, Hong Kong and overseas. Currently the Group's activities in this regard are carried out in the PRC, Hong Kong and overseas.

(b) Timber trading and furniture manufacturing

This segment engaged in trading of timber and manufacturing of furniture to customers in the PRC. Currently the Group is developing timber trading in the PRC.

(c) System integration and technical platform services

This segment engaged in provision of system integration and technical platform services to customers in the PRC. Currently the Group's activities in this regard are carried out in the PRC.

(d) Industry park

This segment engaged in development and management of e-commerce, financial and resources industry parks where enterprise cluster of the same industry chain are integrated. The services for enterprise in industry parks include property leasing, property sales, building management facilities maintenance, processing efficiency improvement and management related consulting, supporting and outsourcing. Currently the Group's activities in this regard are carried out in the PRC.

(e) Water supply and related services

This segment engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province. The water supply business currently operates three water treatment plants, which source raw water from local river sources. All the water treatment plants have obtained licenses and approvals from the local government to source raw water from the local river sources.

Others include supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and the PRC. These operating segments have not been aggregated to form a reportable segment.

Notes to the Consolidated Financial Statements

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40. SEGMENT REPORTING *(continued)*

The key management assesses the performance of the segments based on the results, assets and liabilities attributable to each reportable segment on the following basis:-

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets and liabilities excluded deferred tax assets, financial assets at fair value through profit or loss, deferred tax liability and other corporate assets and liabilities.

The measure used for reporting segment profit is “adjusted EBIT”, i.e. “adjusted earnings before interest and taxes”, where “interest” is regarded as including investment income. To arrive at adjusted EBIT, the Group’s earnings are further adjusted for items not specifically attributed to individual segments such as share of results of an associate.

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40. SEGMENT REPORTING *(continued)*

(a) Segments results, assets and liabilities

The following tables present the information for the Group's reporting segments:-

	Reportable Segments													
	Payment solutions		Timber trading and furniture manufacturing		System integrating and technical platform services		Industry park		Water supply and related services		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reportable segment revenue														
Revenue from external customers	218,914	279,900	—	34,195	—	—	152	3,053	5,351	—	—	—	224,417	317,148
Other revenue	13,005	11,436	—	535	1	253	459	141	7	—	3,092	171	16,564	12,536
Total revenue	231,919	291,336	—	34,730	1	253	611	3,194	5,358	—	3,092	171	240,981	329,684
Reportable segment (loss)/profit	(35,002)	56,147	—	(7,001)	(638)	(3,760)	(863)	(16,462)	1,704	—	(36,088)	(28,444)	(70,887)	480
Interest on bank deposits													8,360	8,490
Other interest income													29	247
Government subsidy													6,367	3,691
Dividend income													—	108
(Loss)/profit from operations													(56,131)	13,016
Gain on a bargain purchase													—	10
Increase in fair value of investment properties													1,206	126
Impairment loss on debtors	(58)	(858)	—	(65)	—	—	—	—	—	—	—	—	(58)	(923)
Impairment loss on other receivables													—	(994)
Impairment loss on intangible assets													—	(8,796)
Gain on disposal of subsidiaries													—	46,224
Share of results of an associate													(3)	256
Finance costs													(5,428)	(760)
(Loss)/profit before income tax													(60,414)	48,159
Income tax expense													(2,134)	(10,425)
(Loss)/profit for the year													(62,548)	37,734
Attributable to:														
— Shareholders of the Company													(44,412)	32,694
— Non-controlling interests													(18,136)	5,040
													(62,548)	37,734

Notes to the Consolidated Financial Statements

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40. SEGMENT REPORTING *(continued)*

(a) Segments results, assets and liabilities *(continued)*

The following tables present the information for the Group's reporting segments:- *(continued)*

	Reportable Segments													
	Payment solutions		Timber trading and furniture manufacturing		System integrating and technical platform services		Industry park		Water supply and related services		Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation for the year	**17,774**	23,462	**—**	1,115	**265**	233	**145**	4,054	**538**	—	**889**	1,112	**19,611**	29,976
Amortisation	**386**	4,870	**—**	—	**—**	—	**113**	1,042	**280**	—	**—**	92	**779**	6,004
Capital expenditure incurred during the year	**12,109**	40,576	**—**	1,916	**1**	1,184	**—**	1,235	**8,494**	—	**1,978**	816	**22,582**	45,727
Reportable segment assets	**832,157**	846,012	**—**	—	**29,124**	19,347	**96,457**	55,093	**1,069,550**	—	**405,314**	389,329	**2,432,602**	1,309,781
Unallocated assets													**1,849**	367
Total assets													**2,434,451**	1,310,148
Reportable segment liabilities	**521,528**	475,903	**—**	—	**23,008**	13,080	**281,677**	2,625	**560,819**	—	**79,283**	46,246	**1,466,315**	537,854
Unallocated liabilities													**83,095**	16,036
Total liabilities													**1,549,410**	553,890

There was no revenue arising from transactions with any customers which was individually more than 10 percent of the Group's revenue in both years.

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40. SEGMENT REPORTING *(continued)*

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**224,096**	315,598	**321**	1,550	**224,417**	317,148
Other revenue	**13,442**	12,347	**3,122**	189	**16,564**	12,536
Total revenue	**237,538**	327,945	**3,443**	1,739	**240,981**	329,684
Non-current assets	**1,087,601**	122,261	**55,494**	56,416	**1,143,095**	178,677

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on the physical location of the assets, in the case of property, plant and equipment, investment properties and prepaid land lease premium, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operation, in the case of interest in an associate, deposit paid for acquisition of property, plant and equipment, loan to an officer and other receivables.

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,193**	1,281
Interests in subsidiaries		**603,437**	343,569
		605,630	344,850
CURRENT ASSETS			
Deposits, prepayments and other receivables		**1,094**	2,208
Fixed deposits		**—**	338,087
Cash and bank balances		**69,061**	1,975
		70,155	342,270
DEDUCT:-			
CURRENT LIABILITIES			
Sundry creditors and accruals		**3,102**	6,498
Amounts due to subsidiaries		**223,809**	223,898
		226,911	230,396
NET CURRENT (LIABILITIES)/ASSETS		**(156,756)**	111,874
NET ASSETS		**448,874**	456,724
REPRESENTING:-			
CAPITAL AND RESERVES			
Share capital	31	**21,205**	20,705
Reserves	33	**427,669**	436,019
TOTAL EQUITY		**448,874**	456,724

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42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The details of the principal subsidiaries at 31 December 2015 are as follows:-

Name of company	Place of incorporation/establishment and operation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company		Group's effective interest	Principal activities
			Directly	Indirectly		
Universal Cyberworks International Limited	British Virgin Islands	2 ordinary shares of US$1 each	100%	—	100%	Investment holding
Universal eCommerce China Limited	People's Republic of China	RMB100,000,000	—	51% (2014: 51%)	51% (2014: 51%)	Provision of payment solutions and related services
International Payment Solutions Holdings Limited	Hong Kong	HK$101,540,000	—	51% (2014: 51%)	51% (2014: 51%)	Investment holding
International Payment Solutions (China) Limited*	People's Republic of China	US$880,000	—	51% (2014: 51%)	51% (2014: 51%)	Provision of technical platform services
Universal Technologies (Hong Kong) Limited	Hong Kong	HK$10,000	—	100% (2014: 100%)	100% (2014: 100%)	Trading of timber
International Payment Solutions (Hong Kong) Limited	Hong Kong	HK$10,000	—	100% (2014: 100%)	100% (2014: 100%)	Provision of payment solutions and related, services
Universal ECPAY Limited	People's Republic of China	RMB105,000,000	—	67.51% (2014: 77.5%)	34.43% (2014: 39.53%)	Provision of payment solutions and related services
Universal Technologies Investment Limited	Hong Kong	HK$1,000,000	—	100% (2014: 100%)	100% (2014: 100%)	Investment holding
Shanghai Phetion Information Technology Company Limited	People's Republic of China	RMB550,000	—	51% (2014: 51%)	51% (2014: 51%)	Provision of technical platform services
Shanghai Zhuofu Technologies Company Limited	People's Republic of China	RMB1,000,000	—	51% (2014: 51%)	51% (2014: 51%)	Not yet commenced business
Universal Property Holdings Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100% (2014: 100%)	100% (2014: 100%)	Investment holding
Shenzhen Huanye Universal Technologies Limited *	People's Republic of China	RMB10,000,000	—	100% (2014: 100%)	100% (2014: 100%)	Investment holding
Shanghai Chixing Property Management Company Limited	People's Republic of China	RMB500,000	—	67.51% (2014: 77.5%)	34.43% (2014: 39.53%)	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of company	Place of incorporation/establishment and operation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company		Group's effective interest	Principal activities
			Directly	Indirectly		
IPS E-Commerce Hong Kong Limited	Hong Kong	HK$10,000	—	67.51% (2014: 77.5%)	34.43% (2014: 39.53%)	Provision of payment solution and related services
Ease2Pay Limited	Hong Kong	HK$10,000	—	100% (2014: 100%)	100% (2014: 100%)	Provision of payment solution and related services
Qinghui Properties Limited (note)	People's Republic of China	RMB410,000,000	—	49% (2014: —)	49% (2014: —)	Investment holding
Dongguan Xinhongcheng Enterprise Management Company Limited	People's Republic of China	RMB15,000,000	—	49% (2014: —)	49% (2014: —)	Investment holding
Qingyuan Jingyu Properties Company Limited	People's Republic of China	RMB1,000,000	—	49% (2014: —)	49% (2014: —)	Properties investment
Qingyuan Jinhong Industrial Company Limited	People's Republic of China	RMB1,000,000	—	49% (2014: —)	49% (2014: —)	Properties investment
Qingyuan Kaipeng Properties Company Limited	People's Republic of China	RMB1,000,000	—	49% (2014: —)	49% (2014: —)	Properties investment
Qingyuan Water Supply Development Company Limited	People's Republic of China	RMB98,521,440	—	49% (2014: —)	49% (2014: —)	Provision of water supply business
Qingyuan Jincheng Water Testing Company Limited	People's Republic of China	RMB1,600,000	—	49% (2014: —)	49% (2014: —)	Provision of water quality testing service
Qingyuan Qingxin District Huike Properties Company Limited	People's Republic of China	RMB2,000,000	—	49% (2014: —)	49% (2014: —)	Investment holding
Qingyuan Qingxin District Taihe Water Company Limited	People's Republic of China	RMB23,254,000	—	49% (2014: —)	24.99% (2014: —)	Provision of water supply business

* The subsidiaries are registered as Wholly Foreign Owned Enterprises under PRC Laws.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Note:-

As disclosed in the Circular in respect of the acquisition of the Qinghui Group dated 3 December 2015, upon completion of the acquisition, the articles of association of Qinghui Properties Limited ("Qinghui") will be amended so that:-

(i) no resolutions relating to amending the articles of association; increase or decrease of the registered capital; merger, dissolution, winding-up or changing the company form of Qinghui shall be passed unless consents from the shareholders representing two thirds or more of the voting rights have been obtained;

(ii) save for the aforesaid, the board of directors shall be delegated with the authority to deal with all other matters in relation to Qinghui and such delegation shall not be revoked unless the shareholders of the Qinghui representing two thirds or more of the voting rights agree;

(iii) the vendor has right to appoint one director to the board of directors of Qinghui and the Group has right to appoint two directors to the board of directors of Qinghui;

(iv) no resolutions relating to management, operational activities, profit distribution or return on investment shall be passed unless more than 50% of directors agree; and

(v) any amendments to the articles of the association of Qinghui will require the approval from the shareholders of Qinghui representing two thirds or more of the voting right.

In light of the above amendments, the Group can gain control of Qinghui and accordingly, each member of Qinghui and its subsidiaries are treated as subsidiaries of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

The following table lists out the information relating to Universal ECPAY Limited, a subsidiary of the Group which has material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2015	2014
NCI Percentage	**32.49%**	22.50%

	2015 HK$'000	2014 HK$'000
Current assets	**600,640**	708,583
Non-current assets	**31,451**	35,601
Current liabilities	**(461,733)**	(459,889)
Net assets	**170,358**	284,295
Carrying amount of NCI	**83,475**	139,305

	2015 HK$'000	2014 HK$'000
Revenue	**322,737**	391,672
(Loss)/profit for the year	**(2,961)**	40,440
Other comprehensive loss	**(10,890)**	(1,499)
Total comprehensive (loss)/income for the year	**(13,851)**	38,941
(Loss)/profit allocated to NCI	**(1,451)**	9,099
Cash flows generated from operating activities	**86,462**	67,666
Cash flows used in investing activities	**(11,045)**	(13,417)
Cash flows used in financial activities	**(100,086)**	—

43. EVENTS AFTER THE REPORTING PERIOD

On 7 January 2016, additional secured banking facilities of RMB600,000,000 (equivalent to approximately HK$716,220,000) were granted to the Group. Up to the date of this annual report, such banking facilities were utilised by the Group to the extent of RMB260,000,000 (equivalent to approximately HK$310,362,000).

Five Years Financial Summary

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**224,417**	317,148	189,847	126,719	240,339
(Loss)/profit for the year	**(62,548)**	37,734	(24,865)	14,146	61,695
Attributable to:					
Shareholders of the Company	**(44,412)**	32,694	(34,085)	6,989	58,145
Non-controlling interests	**(18,136)**	5,040	9,220	7,157	3,550
	(62,548)	37,734	(24,865)	14,146	61,695

ASSETS AND LIABILITIES

	At 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**1,143,297**	178,823	374,843	368,942	318,368
CURRENT ASSETS	**1,291,154**	1,131,325	791,392	677,458	812,226
DEDUCT:					
CURRENT LIABILITIES	**1,236,394**	552,489	474,616	536,285	676,751
NET CURRENT ASSETS	**54,760**	578,836	316,776	141,173	135,475
	1,198,057	757,659	691,619	510,115	453,843
DEDUCT:					
NON-CURRENT LIABILITIES	**(313,016)**	(1,401)	(17,350)	(15,072)	(13,122)
NET ASSETS	**885,041**	756,258	674,269	495,043	440,721