SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 00058

ANNUAL REPORT
2015

CONTENTS

Corporate Information

DIRECTORS

Executive Directors:

Huang Weidong *(Chairman)*
Leung Chi Fai *(Finance Director)*
Li Chongyang
Qi Jiao

Independent non-executive Directors:

Cong Yongjian
Deng Chunmei
Lam Kai Yeung
Liu Chenli

COMPANY SECRETARY

Leung Chi Fai

AUTHORISED REPRESENTATIVES

Leung Chi Fai
Li Chongyang

AUDIT COMMITTEE

Lam Kai Yeung *(Chairman)*
Cong Yongjian
Deng Chunmei
Liu Chenli

NOMINATION COMMITTEE

Huang Weidong *(Chairman)*
Leung Chi Fai
Cong Yongjian
Deng Chunmei
Lam Kai Yeung
Liu Chenli

REMUNERATION COMMITTEE

Lam Kai Yeung *(Chairman)*
Huang Weidong
Leung Chi Fai
Cong Yongjian
Deng Chunmei
Liu Chenli

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1902, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants
905 Slivercord, Tower 2
30 Canton Road
Tsim Sha Tsui
Hong Kong

LEGAL ADVISERS

As to Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Hong Kong law:
Angela Ho & Associates
Unit 1405, 14/F
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

In Hong Kong:
Bank of Communications Co., Ltd, Hong Kong Branch
Dah Sing Bank Limited
Industrial Bank Co., Ltd, Hong Kong Branch

In the People's Republic of China:
Guangdong Yangdong Rural Commercial Bank
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited

WEBSITE

http://www.irasia.com/listco/hk/sunway

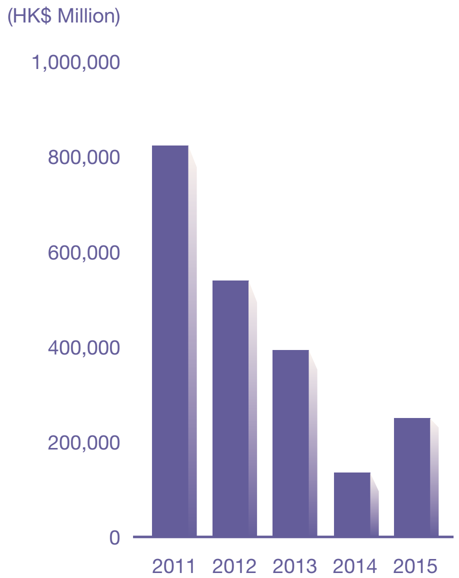
STOCK CODE

The Stock Exchange of Hong Kong Limited: 58

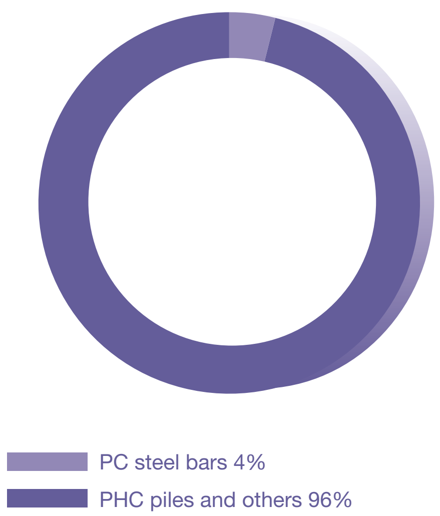
Financial Highlights

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
OPERATING RESULTS		
Revenue	**343,526**	305,048
Profit/(loss) for the year/period	**308,138**	(389,316)
Profit/(loss) for the year/period attributable to owners of the Company	**298,005**	(394,405)
Earnings (loss) per share – basic and diluted	**HK18 cents**	HK(33 cents)
Proposed final dividend per share	**Nil**	Nil
FINANCIAL POSITION		
Total assets	**451,126**	1,658,743
Pledged bank deposits and cash and cash equivalents	**24,115**	28,014
Equity attributable to owners of the Company	**247,348**	134,407
FINANCIAL RATIOS		
Current ratio	**1.66**	1.07
Gearing ratio	**0.47**	7.83

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY



REVENUE BY BUSINESS SEGMENTS



Chairman's Statement

It is my pleasure to present my first report as Chairman of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for year 2015.

The year of 2015 was year of transformation and consolidation for the Group. We completed the disposal of the entire interests in the Electronic Business in January 2015 and signified the conclusion of its legacy business. We decided to consolidate our manufacturing operation of the construction materials business with a view to minimize the operating costs given the present underutilisation of the manufacturing capacity of the pre-stressed steel bars business and redirect our effort in other potential profitable business ventures such as financial service industry, in order to provide returns and broaden the revenue base of the Group.

ASSET MANAGEMENT AND SECURITIES BUSINESS

In December 2015, the Company entered into a conditional sale and purchase agreement with an independent third party to acquire a company which is principally engaged in Type 9 regulated activities (asset management) under the Securities Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO"). In March 2016, the Company entered into a conditional sale and purchase with an independent third party to acquire a company which is principally engaged in Type 1 regulated activities (dealing in securities) under the SFO. Both acquisitions have not completed as at the date of this report.

MONEY LENDING BUSINESS

In February 2016, the Group obtained a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) with a view to engage in the money lending business in the future.

CAR FINANCING BUSINESS

Given the potential growth and positive outlook in the car rental and car finance businesses in the People's Republic of China (the "PRC") market, the Group entered into a memorandum of understanding with an independent third party in February 2016 for a possible acquisition ("Possible Acquisition") of a car financing company in the PRC to tap into the businesses of car rental, car finance and investment, car sale, car repair and car insurance in the PRC. The Possible Acquisition is subject to further negotiations and the entering into of a formal agreement.

All of these moves are in line with our objective to dedicate our efforts to diversify our business into the financial services industry. As to the construction material business, we are prudent on the future of the construction material business as its revenue is expected to be down going in the foreseeable period. Our management will continue to strengthen its operating efficiency through stringent internal controls to avoid further unfavorable impact to the Group's financial performance.

Looking forward, we will continue to seek attractive investment and business opportunities in the financial services industry and other profitable industries that offer long term, steady returns and create a solid foundation for the Group.

On behalf of the Board, I would like to express my sincere gratitude to our management and staff for their invaluable effort and contributions in the past year. I would also like to thank our shareholders, customers and suppliers for their continuous support.

Huang Weidong
Chairman

Hong Kong
31 March 2016

Management Discussion and Analysis

REVIEW OF RESULTS AND OPERATIONS CONTINUING OPERATIONS

Continuing operations of the Company represent the pre-stressed high-strength concrete piles and others businesses (the "PHC Pile and Others Businesses") and the pre-stressed steel bars business (the "PC Steel Bar Business") (collectively, the "Construction Materials Businesses"), which were acquired by the Group on 2 May 2014. The comparative figures for profit and loss items of the continuing operations represented a financial period of fifteen months from 1 October 2013 to 31 December 2014 (the "Last Financial Period").

PHC Pile and Others Businesses

PHC Pile and Others Businesses are operated by a subsidiary of the Company, 廣東恒佳建材股份有限公司 (Guangdong Hengjia Construction Materials Co., Ltd) ("Guangdong Hengjia") and its production factory is situated in Yangjiang City, Guangdong Province, the PRC.

Revenue from the PHC Pile and Others Businesses represented sales of pre-stressed high strength concrete pile, ready-mixed concrete and bricks which contributed approximately 19%, 68% and 13%, (Last Financial Period: approximately 43%, 42% and 15%) respectively to the revenue of PHC Pile and Others Businesses. The total revenue from the continuing operations for the year ended 31 December 2015 ("FY2015") was mainly generated from the PHC Pile and Others Businesses. Revenue for FY2015 was HK$329,875,000 compared with HK$243,943,000 reported in the Last Financial Period, which contributed approximately 96% and 80% of the total revenue of the continuing operations for FY2015 and the Last Financial Period respectively.

Pre-stressed high strength concrete pile is a major material used in beginning stage of construction. Tighten credit measures in the PRC gave pressure to developers and investors in investing new property projects, hence, its demand dropped. Ready-mixed concrete can be wide applied to different construction stages and sectors. Benefit from the Guangdong province's development and improvement of transportation network policy, sales of ready-mixed concrete was boosted up.

The operations of the PHC Pile and Others Businesses for FY2015 remained stable with segment profit for FY2015 of HK$41,009,000 as compared with HK$31,094,000 for the Last Financial Period.

PC Steel Bar Business

PC Steel Bar Business is operated by a subsidiary of the Company, Zhuhai Hoston Special Materials Co., Ltd. ("Zhuhai Hoston") and its production factory is situated in Zhuhai City, Guangdong Province, the PRC (the "Zhuhai Factory").

Revenue from PC Steel Bar Business represents sales of pre-stressed steel bars. Revenue from the PC Steel Bar Business was significantly worsened from HK$61,105,000 reported in the Last Financial Period to HK$13,651,000 in FY2015, due to the business interruption in its production operation as a result of the litigations claims initiated by banks and suppliers against a subsidiary of the Group as disclosed in the Annual Report 2014 and the Company's announcement dated 14 May 2015, 5 June 2015 and 6 August 2015, 14 October 2015 and 7 January 2016 and the non-recoverable prepayments and other receivables ("Non-recoverable Prepayments") in an aggregate amount of HK$57,138,000 which may involve possible commercial crimes committed by the two former directors of Zhuhai Hoston ("the "Former Directors"). The Non-recoverable Prepayments represented (i) HK$43,445,000 (as disclosed in the Annual Report 2014 of the Company, partially offset by the receipt of inventories of HK$5,340,000) (with value-added tax) during the year ended 31 December 2015 and (ii) an additional prepayments of HK$19,033,000 for the purchase of inventories which the Group had no record to indicate the receipt and existence of these inventories up to the date of this report.

As disclosed in the interim report of the Company for the six months ended 30 June 2015 and the announcement of the Company dated 14 October 2015, Zhuhai Hoston had filed a report to Zhuhai Public Security Bureau (the "Bureau") against the Former Directors on 30 July 2015 in respect of the possible commercial crimes ("Reported Case") and the Bureau has accepted the Reported Case and will conduct a formal investigation against one of the Former Directors to start with. The Bureau's investigation is in progress and the Board will update the Shareholders and potential investors with respect to any further developments concerning the Reported Case as and when appropriate.

In addition, as previously announced, in view of the present underutilisation of the production capacity of the Zhuhai Factory as a result of the abovementioned business interruption, the Board decided to suspend the operation of the Zhuhai Factory from 1 January 2016 until further notice.

Segment loss for FY2015 increased from HK$59,397,000 for the Last Financial Period to HK$115,917,000 for FY2015, principally due to (i) the significant drop in revenue; (ii) the net provision for impairment loss of prepayment, deposits and other receivables (including the Non-recoverable prepayments) of HK$67,318,000; and (iii) the provision for impairment loss of property, plant and equipment of HK$6,124,000 as a result of the suspension of the operation of the Zhuhai Factory.

The Directors expected that there will not be any further substantial adverse impact on the overall operations of the Group. Notwithstanding the suspension of operation of the Zhuhai Factory, the remaining business activities of the Group have been conducted as usual.

Other gains and losses, net

Other gains and losses, net for FY2015 mainly consisted of the net provision for impairment of prepayments, deposits and other receivables of HK$67,111,000, decrease in fair value of contingent consideration of HK$29,757,000, loss on extinguishment of promissory note of HK$19,575,000, provision for impairment loss of contingent consideration of HK$13,695,000 and net provision for impairment loss of trade receivables of HK$7,308,000.

Other expenses

Other expenses for FY2015 mainly represented late penalty charges to suppliers and the PRC government levies of HK$6,182,000.

Selling and distribution expenses

Selling and distribution expenses for FY2015 mainly comprised of transportation costs of HK$23,397,000 and salaries for the sale-persons of HK$2,908,000. It increased in line with the increase in sales of ready-mixed concrete which required special equipment for delivery with higher delivery costs.

Administrative expenses

Administrative expenses for FY2015 mainly comprised of staff costs of $10,310,000, directors' remuneration of HK$5,670,000 and legal and professional fees of HK$6,736,000, depreciation and amortisation of HK$$3,347,000 and entertainment of HK$3,017,000. Taking into account the Construction Materials Businesses was acquired on 2 May 2014, the administrative expenses for FY2015 were fairly consistent as compare with the Last Financial Period.

Finance costs

Finance costs for FY2015 were interest expenses for the bank borrowings of HK$7,470,000 and imputed interest expenses on other payable and promissory note of HK$2,267,000. Decrease in finance costs was mainly due to the settlement of the other payable and promissory note in early 2015.

DISCONTINUED OPERATIONS

As disclosed in the note 25 to the consolidated financial statements, the disposal of the Electronic Businesses was completed and its operations were discontinued on 30 January 2015. Profit for the year from discontinued operations of HK$484,073,000 represented a gain on disposal of subsidiaries of HK$502,261,000 and partially offset by the loss after tax of discontinued operations of HK$18,188,000. The gain on disposal of subsidiaries was arising from the total consideration satisfied by cash of HK$300,000,000, net of the disposal of net liabilities of HK$316,521,000, waiver of receivables of HK$363,973,000 from the Disposal Group and release of exchange fluctuation reserve of HK$249,713,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and the PRC. As at 31 December 2015, the total shareholders' equity of the Group was HK$307,900,000, representing an increase of approximately 64% over the Last Financial Period. As at 31 December 2015, the Group's cash and cash equivalents and pledged time deposits stood at HK$24,115,000 whereas interest-bearing borrowings were HK$45,671,000. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, was approximately 47% as at 31 December 2015.

SIGNIFICANT INVESTMENTS AND ACQUISITION

A sale and purchase agreement dated 10 December 2015 was entered into amongst the Top Margin Group Limited, a wholly owned subsidiary of the Company, as the purchaser, Ark One (Cayman) Limited as the vendor and Mr. Lee Kar Ming Kenneth (the sole shareholder of the Ark One (Cayman) Limited) as the guarantor in relation to the sale and purchase of the entire issued share capital of Ark One Limited (the "Ark One") at a consideration of HK$5,000,000 plus the balance remaining in the bank accounts of Ark One as at the completion date as shown in the accounts of Ark One. Ark One is a company principally engaged in Type 9 regulated activities (asset management) under the SFO. As at the date of this report, the acquisition has not been completed.

The Group has no other significant investment and acquisition during the year.

CAPITAL STRUCTURE

No repurchases of shares were made during the year. On 2 November 2009, the Company granted options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK$0.1 per share each on or before 1 November 2019. 30,500,000 share options were lapsed and 20,500,000 share options were exercised during the year. As at 31 December 2015, the number of shares in respect of which options had been granted and exercisable was Nil.

On 28 July 2015, an aggregate of 290,960,000 placing shares have been successfully placed by the placing agent to not less than six placees at the placing price of HK$0.335 per placing share pursuant to the terms and conditions of the placing agreement. Accordingly, the Company issued 290,960,000 ordinary shares to the placees. As at 31 December 2015, the number of ordinary shares issued was 1,745,761,299.

During the year, the convertible notes with an aggregate principal amount of HK$50,000,000 were redeemed. As at 31 December 2015, the Company had convertible notes with principal amount of HK$130,000,000 which entitling the noteholders thereof to convert into 433,333,333 Shares. Based on the opinions obtained from the legal advisers of the Company, in view of the on-going legal proceedings as disclosed in note 46(iv) to the consolidated financial statements and, according to the monthly returns of the Company since the beginning of January 2016, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares.

PLEDGE OF ASSETS

The Group's certain leasehold land and buildings of HK$56,225,000, certain prepaid land lease payments of HK$25,553,000, certain plant and machinery of HK$9,683,000, and bank deposits of HK$1,313,000, are used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group has approximately 400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB") and Hong Kong Dollars ("HKD"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

COMMITMENTS

As at 31 December 2015, the Group has contracted commitments of HK$4,000,000 for acquisition of a subsidiary (31 December 2014: $9,726,000 for acquisition of land use rights and HK$2,735,000 for acquisition of property, plant and equipment).

CONTINGENT LIABILITIES

The Company had released the corporate guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries of the Company during the year. Such facilities were utilised to the extent of HK$62,339,000 as at 31 December 2014. As at 31 December 2015, the Company does not have any material contingent liabilities (31 December 2014: HK$100,000,000).

LEGAL PROCEEDINGS

As at the date of this report, the Group has been involved in the following outstanding legal proceedings:

(a) Zhuhai Hoston had received the following civil rulings (the "Rulings") in the PRC:

Date of Rulings	Defendant(s)	Court	Details of Ruling against Zhuhai Hoston
29 September 2015 (Note 1)	Zhuhai Hoston	廣東省珠海市金灣區人民法院 (Guangdong Zhuhai Jinwan People's Court)*	(i) Payment of RMB1,019,741.10 plus late penalty charges to 珠海港物流發展有限公司 (Zhuhai Port Logistic Development Co., Ltd)*, a supplier of Zhuhai Hoston, by Zhuhai Hoston; and (ii) Payment of legal costs of RMB64,442 by Zhuhai Hoston.
7 November 2015, 27 November 2015 and 26 March 2016	(i) Zhuhai Hoston (ii) 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.)* (iii) 王志寧 (Wang Zhining)* (iv) 楊健茹 (Yang Jianru)* (v) 王天 (Wang Tian)* (vi) 楊健麗 (Yang Jianli)* (vii) 李楊 (Li Yang)*	廣東省珠海市香洲區人民法院 (Guangdong Zhuhai Xiangzhou People's Court)*	(i) Payment of RMB9,152,910.14 plus late penalty charges to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co. Ltd)* ("Financing Guarantee"), a company which provided financial assistance to Zhuhai Hoston; (ii) Certain assets of Zhuhai Hoston (up to an amount of RMB8,700,000) were frozen for the period of 2 to 3 years; (iii) First priority claim by Financing Guarantee on certain pledged assets of Zhuhai Hoston up to an guarantee amount of RMB25,330,000; and (iv) Payment of legal costs and preservation fee of RMB87,387.
17 November 2015 (Note 2)	Zhuhai Hoston	廣東省珠海市中級人民法院 (Guangdong Zhuhai Intermediate People's Court)*	(i) Payment of RMB1,830,130.48 plus late penalty charges to 廣州市壹弘運輸有限公司 (Guangzhou Yihong Transportation Co., Ltd)* ("Guangzhou Yihong"), a supplier of Zhuhai Hoston, by Zhuhai Hoston; and (ii) Payment of legal costs and preservation fee of RMB53,408 by Zhuhai Hoston.
24 December 2015 (Note 3)	Zhuhai Hoston	廣東省佛山市中級人民法院 (Guangdong Foshan Intermediate People's Court)*	(i) Payment of RMB491,252.02 plus late penalty charges to 佛山市南海信通物資有限公司 (Foshan Nanhai Xintong Materials Co., Ltd)* ("Foshan Nanhai"), a supplier of Zhuhai Hoston; and (ii) Payment of RMB29,096.81 in respect of legal costs and property preservation fee by Zhuhai Hoston.

Notes:

1. Zhuhai Hoston filed an appeal against the Ruling dated 29 September 2015 ("September 2015 Ruling") to 廣東省珠海市中級人民法院 (Guangdong Zhuhai Intermediate People's Court*). The Septemter 2015 Ruling was upheld by the court on 11 March 2016 and Zhuhai Hoston has to pay additional legal costs of RMB14,484.

2. An execution notice dated 4 January 2016 was issued by 廣東省斗門市人民法院 (Guangdong Zhuhai Doumen People's Court*) to Zhuhai Hoston regarding the enforcement of the Ruling dated 17 November 2015 given by 廣東省珠海市中級人民法院 (Guangdong Zhuhai Intermediate People's Court*). A settlement agreement was reached between Zhuhai Hoston and Guangzhou Yihong in mid March 2016, pursuant to which Zhuhai Hoston agreed to pay a total of RMB2,295,538.48, representing the principal, interests and late penalty charges, by monthly installments during the period from 30 March 2016 to 1 January 2017 to Quangdong Yihong as well as legal costs amounting to RMB54,572.

3. An execution notice dated 26 January 2016 was issued by 廣東省佛山市南海人民法院 (Guangdong Foshan Nanhai People's Court*) to Zhuhai Hoston regarding the enforcement of the Ruling dated 24 December 2015 given by 廣東省佛山市中級人民法院 (Guangdong Foshan Intermediate People's Court*). A settlement agreement was reached in mid March 2016 between Zhuhai Hoston and Foshan Nanhai, pursuant to which Zhuhai Hoston agreed to pay a total of RMB1,564,242.7, representing the principal, interests and late penalty charges, by monthly installments during the period from 25 March 2016 to 31 August 2016 to Foshan Nanhai and legal costs of RMB18,042.42.

The abovesaid amounts and corresponding late penalty charges and legal costs have been recognised in the consolidated financial statements as at 31 December 2015.

(b) By a general indorsed writ of summons dated 23 June 2015 (the "23 June 2015 Legal Proceedings") and statement of claim dated 18 August 2015 issued the Company and its wholly-owned subsidiary (collectively, the "Plaintiffs") against Mr. Xiao Guang Kevin (蕭光) ("Mr. Xiao") and Mr. Wang Zhining (王志寧), the vendor and the guarantor of a very substantial acquisition of the Company ("VSA") as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, (collectively, the "Defendants"), the Plaintiffs claim that the Defendants have fundamentally breached the terms and conditions of a sale and purchase agreement relation to the VSA (the "SPA"). Accordingly, the Plaintiffs are seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao (the "Notes").

The Company is seeking advice from its legal adviser. In any event, the Board does not envisage that the Plaintiff 's claims will have any material adverse impact to the financial performance and trading position of the Group.

(c) On 30 July 2015, Zhuhai Hoston had filed a report to Zhuhai Public Security Bureau (the "Bureau") against the former directors ("Former Directors") in respect of the possible commercial crimes ("Reported Case"). The Bureau has accepted the Reported Case and will conduct a formal investigation against one former director of Zhuhai Hoston to start with. The Bureau's investigation is in progress and the Board will update the Shareholders and potential investors with respect to any further developments concerning the Reported Case as and when appropriate.

* *for identification purposes only*

(d) On 3 February 2016, an action was initiated by Ms. Liu Qian (劉倩) ("Ms. Liu") against the Company as the defendant in the High Court of Hong Kong. Ms. Liu claims as the owner of certain Notes transferred by Mr. Xiao to her ("Ms. Liu's Notes"), among other things: (i) HK$25,000,000, being the difference between the market value of the Shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to Ms. Liu's Notes and the face value (based on the conversion price) of Ms. Liu's Notes had the Company converted Ms. Liu's Notes pursuant to the Ms. Liu's request; and (ii) HK$15,000,000, being the value of Ms. Liu's Notes beneficially owned by Ms. Liu.

However, as Ms. Liu's Notes are the subject matter in the 23 June 2015 Legal Proceedings, the Company believes it has grounds not to accede to the Ms. Liu's requests pending the determination of the 23 June 2015 Legal Proceedings.

(e) On 29 February 2016, the Group filed a lawsuit in Zhuhai Xiangzhou People's Court against the Former Directors and their controlled company (the "Controlled Company") regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machineries. The amount was subsequently transferred to the Controlled Company based on the instruction of the Former Directors to the suppliers. No conclusion has been reached up to the date of this report.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

PROSPECT

In view of the current business environment of construction industries in Guangdong region, the Board plans to maintain the existing scale of operation for the Construction Materials Businesses. The management continues to closely monitor its existing businesses from time to time and adopt timely and appropriate measures to improve the business operation and financial position of the Group.

Looking ahead, the Group intends to diversify its business into the financial services industry and other profitable industries, in order to provide returns and enhance value for the shareholders and broaden revenue sources of the Group. This includes:

(i) the proposed acquisitions of Ark One Limited and Grand Silver Securities Limited, companies which are principally engaged in Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO;

(ii) on 11 February 2016, Sunway Financial Management Limited, a wholly-owned subsidiary of the Company, has obtained a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong); and

(iii) on 24 February 2016, the Group entered into a memorandum of understanding for the possible acquisition to expand into the businesses of car rental, car finance and investment, car sale, car repair and car insurance in the PRC. As at the date of this report, this possible acquisition is subject to further negotiations and entering into of a formal agreement which may or may not materialise.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Huang Weidong, aged 48, joined the Company in 2015 and is the Chairman of the Board of Directors of the Company. Mr. Huang graduated from Xiamen University with an Executive Master of Business Administration in 2013 and has extensive experience in corporate management. Mr. Huang is brother-in-law of Ms. Xie Guilin a substantial shareholder of the Company.

Mr. Leung Chi Fai, aged 49, joined the Company in 1999 and is the Finance Director and Company Secretary of the Company. Mr. Leung is responsible for overseeing the Group's finance, accounting and corporate secretarial functions. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Li Chongyang, aged 44, joined the Company in 2015. Mr. Li graduated from Shanghai Maritime University (formerly known as 上海海運學院 (Shanghai Maritime Institute*)) majoring in International Maritime and International Economics Law. Mr. Li has over 20 years of experience in corporate management and logistics management.

Ms. Qi Jiao, aged 25, joined the Company in 2015. Ms. Qi has completed her studies of Hospitality Administration and Business Management in Singapore in 2012. Ms. Qi is experienced in marketing and strategic planning.

Independent non-executive Directors

Mr. Cong Yongjian, aged 41, received a degree of Master of Laws from the University of International Business and Economics in PRC as well as a degree of Master of Laws from Cornell University in the United States of America ("USA") respectively. He is a trained attorney admitted in PRC and New York, the USA. He has over 15 years of legal practice experience representing in-house clients on various investment related issues.

Mr. Cong was a founding member of China Development Bank International Holdings Ltd ("CDBI"), where he served on the Investment Committee, also was in charge of fund formation department and legal/risk management department. At CDBI, He led a number of high profile transactions, i.e., US$200 million equity investment to Alibaba Group as well as many privatization transactions.

Prior to joining CDBI, Mr. Cong was with J. P. Morgan and Standard Chartered, where he participated in a large number of merger and acquisitions transactions, private equity investments, real estate investments, mezzanine financings, and other special situations investments. Mr. Cong has substantial experience in investment and risk management.

Ms. Deng Chunmei, aged 32, graduated from Xihua University in the PRC, majoring in Computer Science and Technology, in 2007. She has over 8 years of experience in human resource management and information technology management in a PRC corporation.

Ms. Deng, is an independent non-executive director of Yueshou Environmental Holdings Limited (stock code: 1191), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), since 19 September 2014.

Biographical Details of Directors and Senior Management

Mr. Lam Kai Yeung, aged 46, is a fellow of the Association of Chartered Certified Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Lam obtained a bachelor degree of accounting from Xiamen University in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010. Mr. Lam is a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Mr. Lam was the company secretary and qualified accountant of Hunan Nonferrous Metals Corporation Limited (stock code: 2626), a company listed on the Main Board of the Stock Exchange and had delisted from the Stock Exchange in March 2015, from July 2006 to August 2013. Mr. Lam has been an independent non-executive director of Northeast Tiger Pharmaceutical Company Limited (stock code: 8197), a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange, from August 2008 to June 2015; an non-executive director of Ping Shan Tea Group Limited (stock code: 364), a company listed on the Main Board of the Stock Exchange, from December 2014 to May 2015.

Mr. Lam is an independent non-executive director of Silverman Holdings Limited (stock code: 1616), a company listed on the Main Board of the Stock Exchange, since June 2012; an independent non-executive director of Highlight China IoT International Limited (formerly known as Ford Glory Group Holdings Limited) (stock code: 1682), a company listed on the Main Board of the Stock Exchange, since August 2014; an independent non-executive director of Finsoft Financial Investment Holdings Limited (stock code: 8018), a company listed on the GEM of the Stock Exchange, since June 2015; an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, since October 2015; and an independent non-executive Director of Holly Futures Co., Ltd. (Stock Code: 3678), a company listed on the Main Board of the Stock Exchange since June 2015.

Mr. Liu Chenli, aged 35, graduated from the University of Hong Kong with a degree of Doctor of Philosophy in 2011. Mr. Liu is a Professor of Shenzhen Institute of Advanced Technology, Chinese Academy of Sciences and specialized in Synthetic Biology Engineering Research.

SENIOR MANAGEMENT

Mr. Lin Yepan, aged 42, was graduated from the Renmin University of China. He joined Guangdong Hengjia as the general manager and since 2011 has been appointed as the director of Guangdong Hengjia. He is responsible for directing business development and overseeing daily operations of the PHC piles and other businesses. He was an executive director of the Company from 2 May 2014 to 19 May 2015.

Mr. Lin Zhenjun, aged 42, has been the Chairman of Guangdong Hengjia since 2007. Mr. Lin has over 10 years of supervisory experience.

Mr. Tan Jin, aged 47, joined Guangdong Hengjia since 2009 and acted as legal representative and director of Zhuhai Hoston since May 2015. Mr. Tan has substantial management experience and is responsible for Zhuhai Hoston's daily management.

Mr. Xu Dun, aged 52, was graduated from the Open University of China. Mr. Xu held the position of the director Guangdong Hengjia since 2011.

Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and trading of pre-stressed steel bars, pre-stressed high strength concrete piles, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2015 are set out in note 44 to the consolidated financial statements.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the board of Directors dated 28 July 2014, the financial year end date of the Company has been changed from 30 September to 31 December. The comparative figures presented for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a period of fifteen months from 1 October 2013 to 31 December 2014, are not comparable with those of the current year, which cover a period of twelve months from 1 January 2015 to 31 December 2015. The change of the financial year end date of the Company was to align its financial year end date with all of its major operating subsidiaries.

BUSINESS REVIEW

The business review of the Group as at 31 December 2015 are set out under the section headed "Management Discussion and Analysis" of this report on pages 5 to 10.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2015 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 29 to 128 of this report.

The Directors do not recommend the payment of final dividend in respect of current financial year to the shareholders.

SUMMARY FINANCIAL INFORMATION

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

Results	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000	Year ended 30 September 2013 HK$'000 (Restated)	2012 HK$'000 (Restated)	2011 HK$'000 (Restated)
CONTINUING OPERATIONS					
LOSS BEFORE TAX	**(166,610)**	(71,304)	(12,905)	(9,600)	(9,557)
Income tax expenses	**(9,325)**	(7,640)	–	–	–
LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	**(175,935)**	(78,944)	(12,905)	(9,600)	(9,557)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year/period from discontinued operations	**484,073**	(310,372)	(193,540)	(201,348)	(78,688)
LOSS FOR THE YEAR/PERIOD	**308,138**	(389,316)	(206,445)	(210,948)	(88,245)
Attributable to:					
Owners of the Company	**298,005**	(394,405)	(206,445)	(210,948)	(88,245)
Non-controlling interests	**10,133**	5,089	–	–	–
	308,138	(389,316)	(206,445)	(210,948)	(88,245)

ASSETS AND LIABILITIES	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000	As at 30 September 2013 HK$'000 (Restated)	2012 HK$'000 (Restated)	2011 HK$'000 (Restated)
Non-current assets	**254,796**	345,701	606,438	616,756	601,384
Current assets	**196,330**	1,313,042	625,786	910,034	789,109
TOTAL ASSETS	**451,126**	1,658,743	1,232,224	1,526,790	1,390,493
Current liabilities	**118,072**	1,227,773	632,097	950,508	568,816
Non-current liabilities	**25,154**	243,077	214,452	48,790	36,801
TOTAL LIABILITIES	**143,226**	1,470,850	846,549	999,298	605,617
NET ASSETS	**307,900**	187,893	385,675	527,492	784,876

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

Movements in the Company's share capital during the year are set out in note 34 to the consolidated financial statements.

Details of the share option scheme are set out in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 36 to the consolidated financial statements.

Details of movements in the reserves of the Company during the year are set out in note 48 to the consolidated financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$2,000,000.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 47 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 37% of the Group's total sales for the year and sales to the Group's largest customer accounted for 24% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 54% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 23% of the Group's total purchases for the year.

None of the Directors or any of their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")), or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group has approximately 400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this report were:

Executive Directors:

Mr. Huang Weidong (Chairman, appointed on 10 June 2015)
Mr. Leung Chi Fai
Mr. Li Chongyang (appointed on 19 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Ms. Qi Jiao (appointed on 20 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Ms. Fang Jing (appointed on 14 August 2015 and ceased on 18 November 2015)
Mr. Lin Yepan (resigned on 19 May 2015)
Mr. Wang Tian (retired on 4 June 2015)
Ms. Wong King Man (retired on 4 June 2015)
Ms. Wong King Ching, Helen (former Chairman, resigned on 10 June 2015)

Independent non-executive Directors:

Mr. Cong Yongjian (appointed on 14 August 2015)
Ms. Deng Chunmei (appointed on 29 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Mr. Lam Kai Yeung (appointed on 20 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Mr. Liu Chenli (appointed on 29 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Ms. Fong Yin Cheung (retired on 4 June 2015)
Mr. Hung Yat Ming (resigned on 20 May 2015)
Mr. So Day Wing (resigned on 10 June 2015)

The Company has received written confirmation of independence from each of the existing Independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the Independent non-executive Directors are independent in accordance with the Listing Rules.

In accordance with clause 111 of the Company's bye-laws, Mr. Leung Chi Fai and Ms. Deng Chunmei will retire as Directors and being eligible offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 11 to 12 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Huang Weidong, Mr. Leung Chi Fai, Mr. Li Chongyang and Ms. Qi Jiao had entered into service contract with the Company for an initial term of three years commencing from 10 June 2015, 1 August 1999, 23 October 2015 and 23 October 2015, respectively, which continues thereafter until terminated by not less than three months' notice in writing served by either party on the other. The Company has extended the service contract with Mr. Leung Chi Fai until 31 July 2018.

Each of Mr. Cong Yongjian, Ms. Deng Chunmei, Mr. Lam Kai Yeung and Mr. Liu Chenli had entered into letter of appointment with the Company on 14 August 2015, 23 October 2015, 23 October 2015 and 23 October 2015, respectively, and were not appointed for a specific length or proposed length of service. Each of his/her appointment will be subjected to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the memorandum of association and the bye-laws of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

None of the Directors or their respective associates has any business or interest that competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

On 17 November 2014, the Group entered into a sale and purchase agreement with Feng Hao Holdings Limited ("Feng Hao"), pursuant to which, the Group agrees to dispose its 100% entire interests in Sunway International (BVI) Holdings Limited and Sunway International Investment Holdings Limited and its subsidiaries (collectively referred to the "Disposal Group") at a consideration of HK$180,000,000. On 15 December 2014, the Group and the Purchaser have agreed to enter into the supplemental Agreement to increase the consideration to HK$300,000,000. Feng Hao is beneficially owned as to 50% by Ms. Wong Chun Ying, 16.668% by Ms. Wong King Ching, Helen and 16.666% by Ms. Wong King Man.

Saved as the related party transactions set out in note 41 to the consolidated financial statement, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 December 2015, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Capacity	Number of shares interested	Percentage of shareholding (Note 1)
Mr. Leung Chi Fai	Beneficial owner	1,700,000	0.10%
Mr. Li Chongyang	Beneficial owner	5,000,000	0.29%
Mr. Cong Yongjian	Beneficial owner	300,000	0.02%

Note:

1. The percentage of shareholding is calculated based on the number of ordinary shares issued as at 31 December 2015 and is subject to rounding.

The interests of the Directors in the share options of the Company are separately disclosed in note 37 to the consolidated financial statements.

Save as disclosed above, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 37 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive to acquire such rights in any other body corporate.

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

At 31 December 2015, so far as is known to the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares or underlying shares held (Note 2)	Percentage of interest held (Note 1)
Business Century Investments Limited (Note 2)	Beneficial owner	278,955,333	15.98%
Ms. Xie Guilin (Note 2)	Interest in controlled corporation	278,955,333	15.98%
Ms. Chu Yuet Wah (Note 3)	Interest in controlled corporation	2,200,208,949	50.41%
Active Dynamic Limited (Note 3)	Interest in controlled corporation	2,200,208,949	50.41%
Galaxy Sky Investments Limited (Note 3)	Interest in controlled corporation	2,200,208,949	50.41%
Kingston Capital Asia Limited (Note 3)	Interest in controlled corporation	2,200,208,949	50.41%
Kingston Financial Group Limited (Note 3)	Interest in controlled corporation	2,200,208,949	50.41%
Underwriter (Note 3)	Others	2,200,208,949	50.41%

Note:

1. The percentage is calculated based on the number of ordinary shares of the Company issued as at 31 December 2015 and is subject to rounding.

2. These 278,955,333 Shares are held by the Business Century Investments Limited, a company wholly-owned by Ms. Xie Guilin. Ms. Xie is the beneficial owner of the entire issued share capital of Business Century Investments Limited.

3. The Shares are the Offer Shares which the Underwriter is interested under the Underwriting Agreement on the assumption of no acceptance by the Qualifying Shareholders under the Open Offer. The Underwriter is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 49.19% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.

4. References are made to the announcements of the Company dated 23 June 2015, 26 October 2015 and 5 February 2016, respectively in respect of the convertible notes previously issued by the Company. As advised by the legal advisers to the Company, as far as the Company is concerned, all remaining convertible notes have become void and are not capable of converting into shares.

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any persons (other than the Directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Save as disclosed in note 41 to the consolidated financial statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

Report of the Directors

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 20 to 23 of this report.

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

The Company had arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

AUDIT COMMITTEE

The Company's Audit Committee was established on 6 August 1999 in accordance with the requirements of the Code of Best Practice (the "Code") for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. Members of the Audit Committee at the date of this report comprised all Independent non-executive Directors, namely, Mr. Cong Yongjian, Ms. Deng Chunmei, Mr. Lam Kai Yeung, Mr. Liu Chenli.

The Group's financial statements for the year ended 31 December 2015 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

On 25 July 2014, Zenith CPA Limited resigned as auditor of the Company and Moore Stephens Certified Public Accountants is appointed as auditors of the Company on 19 August 2014. On 1 January 2015, Moore Stephens Certified Public Accountants practised in the name of another certified public accountant, Moore Stephens CPA Limited. A resolution for re-appointment of Moore Stephens CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Huang Weidong
Chairman

Hong Kong
31 March 2016

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures. The Company endeavors to ensure that its businesses are conducted in accordance with the rules and regulations and applicable codes and standards.

The Board of Directors (the "Board") reviews and improves the corporate governance practices from time to time to ensure that the interests of its shareholders are properly protected and promoted.

During the year under review, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "Code") and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviations as disclosed in this report.

BOARD OF DIRECTORS

(1) Responsibilities

The Board is responsible for the management and strategic directions of the Company. The Board is also accountable to shareholders for the performance and activities of the Company. The day-to-day management, operation and administration of the Company are delegated to the management, while certain key matters such as making recommendation of final dividend or other distributions are reserved for the approval by the Board. Other major corporate matters that are delegated by the Board to management include execution of business strategies, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Directors are responsible for the preparation of consolidated financial statements which give a true and fair view of the Company for each financial period. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and accounting standards issued by the Hong Kong Institute of Certified Public Accountants have been complied with. Appropriate accounting policies have been selected and applied consistently. The accounts are prepared on a going concern basis with supporting assumptions or qualifications as necessary. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group.

The Company had arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

BOARD OF DIRECTORS *(Continued)*

(1) Responsibilities *(Continued)*

Details of Directors' attendance at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and General meetings held for the year ended 31 December 2015 are set out in the table below:

		No. of meetings attended/entitled to attend			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Huang Weidong	13/13	–	2/2	2/2	0/0
Mr. Leung Chi Fai	24/24	–	7/7	7/7	2/2
Mr. Li Chongyang	6/6	–	–	–	1/1
Ms. Qi Jiao	4/5	–	–	–	1/1
Ms. Fang Jing	0/4	–	–	–	0/0
Ms. Wong King Ching, Helen	11/11	–	5/5	5/5	2/2
Ms. Wong King Man	10/10	–	4/4	–	0/2
Mr. Lin Yepan	0/7	–	–	–	0/1
Mr. Wang Tian	5/10	–	–	–	1/2
Independent non-executive Directors					
Mr. Cong Yongjian	7/7	2/2	0/1	0/1	0/0
Ms. Deng Chunmei	3/3	0/0	0/0	0/0	1/1
Mr. Lam Kai Yeung	4/5	0/0	0/1	0/1	0/1
Mr. Liu Chenli	2/3	0/0	0/0	0/0	0/1
Ms. Fong Yin Cheung	9/10	2/2	4/4	4/4	0/2
Mr. Hung Yat Ming	8/8	2/2	3/3	3/3	1/1
Mr. So Day Wing	9/11	2/2	3/5	3/5	1/2

(2) Board Composition

The Board currently comprises four Executive Directors and four Independent non-executive Directors. The Board members during the year ended 31 December 2015 were:

Executive Directors

Mr. Huang Weidong *(Chairman)* (appointed on 10 June 2015)
Mr. Leung Chi Fai
Mr. Li Chongyang (appointed on 19 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Ms. Qi Jiao (appointed on 20 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Ms. Fang Jing (appointed on 14 August 2015 and ceased on 18 November 2015)
Mr. Lin Yepan (resigned on 19 May 2015)
Mr. Wang Tian (retired on 4 June 2015)
Ms. Wong King Man (retired on 4 June 2015)
Ms. Wong King Ching, Helen (former chairman) (resigned on 10 June 2015)

BOARD OF DIRECTORS *(Continued)*

(2) **Board Composition** *(Continued)*

Independent non-executive Directors:
Mr. Cong Yongjian (appointed on 14 August 2015)
Ms. Deng Chunmei (appointed on 29 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Mr. Lam Kai Yeung (appointed on 20 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Mr. Liu Chenli (appointed on 29 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)
Ms. Fong Yin Cheung (retired on 4 June 2015)
Mr. Hung Yat Ming (resigned on 20 May 2015)
Mr. So Day Wing (resigned on 10 June 2015)

The biographies of the Directors are set out on page 11 to 12 of the Annual Report.

During the year ended 31 December 2015, the Company has received a written confirmation of independence from the existing Independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent non-executive Directors are independent in accordance with the Listing Rules. All the Independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Up to 10 June 2015, Ms. Wong King Ching, Helen, the former Chairman of the Company, held both positions of the Chairman and the Chief Executive Officer of the Company before her resignation on 10 June 2015. The Board is of the opinion that it is appropriate and in the best interests of the Company for Ms. Wong to hold both positions at the relevant time as it helped to maintain the continuity of the Company's policies and the stability of the Company's operations.

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election. The Independent non-executive Directors are not appointed for specific terms. According to the Company's Bye-Law 111(A), one third of the Directors shall retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-Law 111(A) states that the Chairman is not subject to retirement by rotation and shall not be counted in determining the number of Directors to retire. In the opinion of the Board, the continuity of leadership role of the Chairman is important for the stability of the Company and is considered beneficial to the growth of the Company. The Board is of the view that the Chairman should not be subject to retirement by rotation at the present time.

Under the Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Under the Rule 3.10A of the Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board. Under the Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee of an issuer must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director. Under the Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. The Board had only 1, nil and 1 Independent non-executive Director during the respective periods from (a) the close of annual general meeting on 4 June 2015 to 9 June 2015; (b) 10 June 2015 to 13 August 2015; and (c) 14 August 2015 to 22 October 2015, which fell below the minimum number of Independent non-executive Directors, Audit Committee's members and Remuneration Committee's members. Following the appointments of Independent non-executive Directors and members of each of the Audit Committee and Remuneration Committee on 23 October 2015, the Company has complied with the requirements pursuant to Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules.

BOARD OF DIRECTORS *(Continued)*

(3) **Directors' Training**

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also provides relevant reading materials to Directors to help ensure they are apprised of the roles, functions and duties of being a director of a listed company and the development of their knowledge on the regulatory updates whenever necessary or appropriate.

During the year under review, the Company has provided training materials to all Directors, namely Mr. Huang Weidong, Mr. Leung Chi Fai, Mr. Li Chongyang, Ms. Qi Jiao, Mr. Cong Yongjian, Ms. Deng Chunmei, Mr. Lam Kai Yeung and Mr. Liu Chenli, to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has received the records of training from all Directors.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Leung Chi Fai, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is also an Executive Director of the Company and is responsible for overseeing the Group's finance, accounting and corporate secretarial functions. During the year, Mr. Leung has taken not less than 15 hours of relevant professional training.

AUDIT COMMITTEE

The Audit Committee is comprised of four independent non-executive Directors. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The Committee is responsible for reviewing the Company's financial information, financial and accounting policies and practices adopted by the Group, compliance of listing rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The Committee also monitors the appointment, remuneration and function of the Group's external auditor.

The Audit Committee had reviewed the annual report for the year ended 31 December 2015 and the interim report for the six months ended 30 June 2015 which was opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the Codes as required under the Listing Rules.

AUDITOR'S REMUNERATION

The statement of the Group's external auditor, Moore Stephens CPA Limited, about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 26 to 28.

During the year, the total fee paid/payable in respect of audit services provided by the external auditor is set out below:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Audit services	**1,100**	1,500
Non-audit services	**–**	1,700
	1,100	3,200

REMUNERATION COMMITTEE

The Remuneration Committee comprises the two Executive Director, Mr. Huang Weidong and Mr. Leung Chi Fai and four Independent non-executive Directors, is responsible for reviewing and evaluating the remuneration packages of the Executive Directors and making recommendations to the Board from time to time.

During the year under review, the Remuneration Committee reviewed the existing remuneration policies and the remuneration package of the Directors of the Company.

Under the Code Provision B.1.5, the remuneration paid/payable to each of the 4 individuals of the senior management during the year was within the remuneration band from Nil to HK$1,000,000.

NOMINATION COMMITTEE

The Nomination Committee, comprises the two Executive Directors, Mr. Huang Weidong and Mr. Leung Chi Fai, and the four Independent non-executive Directors. It is responsible for the appointment of new Directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become Directors when necessary. In evaluating whether an appointee is suitable to act as a Director, the Committee will consider the experience, qualification and other relevant factors.

During the year under review, the Nomination Committee had reviewed the structure, size and composition of the Board and made recommendations to the Board on appointment, retirement and re-appointment arrangement of the Directors.

INTERNAL CONTROL

The Board is responsible for ensuring that a sound and effective internal control system is maintained within the Group. The Company has adopted a set of internal control procedures and policies to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure that the financial and operational functions, compliance control, material control, asset management and risk management functions are in place and functioning effectively.

During the year, the Company has engaged an independent professional accountant to review the internal control system and practices of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code. The corporate governance duties performed by the Board for the year ended 31 December 2015 were summarized below:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
(b) to review and monitor the training and continuous professional development of the Directors and senior management;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct applicable to employees and directors; and
(e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company, to enable the shareholders and the potential investors to make an informed decision on their investments in the shares and other securities of the Company, and to actively participate in the activities organised by the Company for them. The Company communicates with the shareholders and the potential investors through various channels, including annual and interim reports, annual general meetings and special general meetings, announcements and circulars.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

Information published by the Company pursuant to the Listing Rules will be made available on each of the websites of the Stock Exchange and the Company at www.irasia.com/listco/hk/sunway to enable the shareholders and the potential investors to have better understanding of the Company and its latest development. All key information such as announcements, annual and interim reports can be downloaded from either of these websites.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene special general meeting ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company proceed to convene a SGM; and such SGM shall be held within three months after the deposit of such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists may themselves convene a SGM.

(2) Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(3) Procedures for shareholders to propose a person for election as a director

As regards the procedures for proposing a person for election as a director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.irasia.com/listco/hk/sunway.

(4) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders and the investment community may make enquiries in the attention of the Company Secretary by post to the head office of the Company in Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There are no charges in the Company's constitutional documents during the year.

Independent Auditor's Report

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CPA LIMITED

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大華馬施雲
會計師事務所有限公司

To the shareholders of Sunway International Holdings Limited
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 128, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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 as to whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

(a) **Opening balances and corresponding figures – prepayments, deposits and other receivables**

Our auditor's report on the Group's consolidated financial statements for the fifteen months ended 31 December 2014 dated 24 April 2015 was disclaimed due to the absence of sufficient evidence available to us to ascertain the nature and recoverability of the amount of HK$43,445,000 (equivalent to RMB34,453,000) which was purported to be prepayments (the "Prepayments A") to certain suppliers for purchase of goods and machineries. During the year ended 31 December 2015, the inventories (with Value-Added Tax ("VAT")) amounting to HK$2,546,000 (equivalent to RMB2,132,000) and HK$3,842,000 (equivalent to RMB3,218,000) were purported to be received from two of the suppliers respectively. However, among these two receipts of inventories, there were insufficient records to indicate the receipt and existence of the inventories (with VAT) of HK$3,842,000 (equivalent to RMB3,218,000) delivered from one of the suppliers. In addition, up to the date of this report, there were no goods received or refund from the suppliers in relation to the remaining balance of Prepayments A of HK$34,749,000 (equivalent to RMB29,103,000). As disclosed in note 23 to the consolidated financial statements, the Company engaged an independent professional advisor to conduct an investigation (the "Investigation") regarding the Prepayments A. Based on the findings of the Investigation, the directors of the Company believe that the amount of HK$38,591,000 (equivalent to RMB32,321,000) of Prepayments A may involve possible commercial crimes committed by the two former directors (the "Former Directors") of a subsidiary of the Group (the "Subsidiary"). As disclosed in note 46(v) to the consolidated financial statements, the Company had filed a report to Zhuhai Public Bureau (the "Bureau") against the Former Directors on 30 July 2015 in respect of the possible commercial crimes. The case is still under investigation by the Bureau. The directors considered that it is appropriate to make the impairment on the Prepayments A of HK$38,105,000.

Because of the unavailability of reliable financial information, we were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures to satisfy ourselves about the nature and recoverability of the Prepayments A as of 1 January 2015. Any adjustments to the Prepayments A as of 1 January 2015 would have a consequential effect on the consolidated income statement for the year ended 31 December 2015, and the related elements making up the consolidated statement of changes in equity, the consolidated statement of cash flows and the related disclosures in the consolidated financial statements. The comparative figures showed in the consolidated financial statements may not be comparable with the figures for the current year.

(b) **Limitation of scope – Prepayments, deposits and other receivables**

Included in the Group's prepayments, deposits and other receivables balance as at 31 December 2015 were prepayments (the "Prepayments B") made by the Subsidiary to certain companies with an aggregate amount of HK$19,033,000 (equivalent to RMB15,940,000). During the year ended 31 December 2015, the inventories with an aggregate amount of HK$9,606,000 (equivalent to RMB8,045,000) were purported to be received from one of the companies in relation to the Prepayments B. However, there were insufficient records to indicate the receipt and existence of the inventories. In addition, up to the date of this report, there were no goods received or refund from the companies in relation to the remaining balance of Prepayments B of HK$9,427,000 (equivalent to RMB7,895,000). The directors of the Company considered that it is appropriate to make a full impairment on the Prepayments B, as at 31 December 2015, as the Prepayments B may be related to the possible commercial crimes committed by the Former Directors.

In the absence of sufficient evidence available to us to ascertain the nature of aforesaid amounts, we were unable to satisfy ourselves that these amounts were properly accounted for and disclosed in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(c) **Limitation of scope – Balances of promissory note, other payable and convertible notes**

As disclosed in note 38 to the consolidated financial statements, on 2 May 2014, the Group acquired 100% equity interest in Joint Expert Global Limited and its subsidiaries (the "Acquisition") from Mr. Xiao Guang Kevin (the "Vendor") at a consideration of HK$550,000,000, which consisted of cash consideration of HK$150,000,000 matured on 2 November 2015 (was subsequently extended to 30 June 2016), zero interest rate promissory note of HK$100,000,000 maturing on 2 May 2017 (the "Promissory Note") and zero coupon rate convertible notes with an aggregate principal amount of HK$300,000,000 maturing on 28 April 2017 (the "Convertible Notes").

During the year ended 31 December 2015, the Company have 1) settled the cash consideration of HK$150,000,000, 2) early redeemed the Promissory Note at a consideration of HK$77,000,000 and 3) early redeemed the part of the Convertible Notes with an aggregate principal amount of HK$50,000,000 at a consideration of HK$35,000,000 (collectively, the "Payments"). The Payments are one of the subject matters in the litigation dispute with the Vendor as disclosed in note 46(iv) to the consolidated financial statements. Up to the date of this report, the litigation is still in progress and no conclusion has been reached. We were unable to obtain confirmation responses in respect of the Promissory Note, other payable and Convertible Notes (collectively, the "Consideration Payables") from the Vendor. In the absence of sufficient evidence available to us to ascertain the completeness and accuracy of the balances of the Consideration Payables, we were unable to satisfy ourselves that the balances of Consideration Payables were properly accounted for and disclosed in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements of the Group, and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore Stephens CPA Limited
Certified Public Accountants

Chan King Keung
Practising Certificate Number: P06057

Hong Kong, 31 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Continuing operations			
Revenue	4	**343,526**	305,048
Cost of sales		**(277,461)**	(256,647)
Gross profit		**66,065**	48,401
Other income	5	**845**	6,637
Other gains and losses, net	6	**(151,792)**	(64,066)
Selling and distribution expenses		**(26,598)**	(9,412)
Administrative expenses		**(37,125)**	(30,347)
Other expenses		**(8,268)**	(1,835)
Finance costs	7	**(9,737)**	(20,682)
Loss before tax	8	**(166,610)**	(71,304)
Income tax expenses	11	**(9,325)**	(7,640)
Loss for the year/period from continuing operations		**(175,935)**	(78,944)
Discontinued operations			
Profit/(loss) for the year/period from discontinued operations	25	**484,073**	(310,372)
Profit/(loss) for the year/period		**308,138**	(389,316)
Profit/(loss) for the year/period attributable to Owners of the Company:			
– Continuing operations		**(186,068)**	(84,033)
– Discontinued operations	25	**484,073**	(310,372)
		298,005	(394,405)
Non-controlling interests			
– Continuing operations		**10,133**	5,089
		308,138	(389,316)
			Restated
Earnings (loss) per share	12		
Basic and diluted		**HK18 cents**	HK(33 cents)
Loss per share from continuing operations	12		
Basic and diluted		**HK(11 cents)**	HK(7 cents)
Earnings (loss) per share from discontinued operations	12		
Basic and diluted		**HK29 cents**	HK(26 cents)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	**Year ended 31 December 2015 HK$'000**	Period from 1 October 2013 to 31 December 2014 HK$'000
Profit/(loss) for the year/period		**308,138**	(389,316)
Other comprehensive income			
Items that may be reclassified to consolidated income statement in subsequent periods:			
Available-for-sale financial assets:			
– Change in fair value, net of tax		**18**	(106)
– Reclassification adjustment for (gain)/loss on disposal included in consolidated income statement		**(2,685)**	255
		(2,667)	149
Exchange differences on translation of foreign operations		**(5,796)**	–
Reclassification adjustment for exchange fluctuation reserve upon disposal of subsidiaries		**(249,713)**	–
		(258,176)	149
Items that will not be reclassified to consolidated income statement in subsequent periods:			
Revaluation of items of property, plant and equipment, net of tax		**6,325**	12,900
Other comprehensive income for the year/period, net of tax		**(251,851)**	13,049
Total comprehensive income for the year/period		**56,287**	(376,267)
Total comprehensive income for the year/period attributable to:			
Owners of the Company			
– Continuing operations		**(189,501)**	(81,755)
– Discontinued operations		**237,702**	(301,509)
		48,201	(383,264)
Non-controlling interests			
– Continuing operations		**8,086**	6,997
		56,287	(376,267)

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	13	**131,297**	167,555
Investment properties	14	**–**	–
Intangible asset	15	**33**	80
Prepaid land lease payments	16	**31,897**	34,217
Goodwill	17	**84,421**	84,421
Interest in a joint venture	18	**–**	–
Available-for-sale financial assets	19	**–**	44,489
Deposit paid for acquisition of a subsidiary		**1,000**	–
Deposit paid for acquisition of non-current assets		**–**	10,719
Deferred tax assets	30	**6,148**	4,220
Total non-current assets		**254,796**	345,701
Current assets			
Financial assets at fair value through profit or loss	20	**571**	–
Inventories	21	**10,991**	22,235
Trade and bill receivables	22	**124,930**	171,596
Prepayments, deposits and other receivables	23	**35,356**	132,672
Restricted bank deposits	24(c)	**367**	–
Pledged bank deposits	24(b)	**1,313**	7,485
Cash and cash equivalents	24(a)	**22,802**	20,529
		196,330	354,517
Assets classified as held-for-sale	25(c)	**–**	958,525
Total current assets		**196,330**	1,313,042
Current liabilities			
Trade and bill payables	26	**44,065**	104,831
Other payables, accruals and deposit received	27	**38,777**	28,876
Amount due to a non-controlling shareholder	28	**1,258**	80,399
Interest-bearing borrowings	29	**27,164**	112,216
Tax payable		**6,808**	9,316
		118,072	335,638
Liabilities classified as held-for-sale	25(c)	**–**	892,135
Total current liabilities		**118,072**	1,227,773
Net current assets		**78,258**	85,269
Total assets less current liabilities		**333,054**	430,970

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Deferred tax liabilities	30	**6,621**	6,216
Provision for long service payment	31	**26**	210
Interest-bearing borrowings	29	**18,507**	29,003
Other payable	32	**–**	129,089
Promissory note	33	**–**	78,559
Total non-current liabilities		**25,154**	243,077
Net assets		**307,900**	187,893
EQUITY			
Share capital	34	**174,576**	143,430
Convertible notes	35	**54,597**	75,595
Reserves	36	**18,175**	(84,618)
Equity attributable to owners of the Company		**247,348**	134,407
Non-controlling interests		**60,552**	53,486
Total equity		**307,900**	187,893

Li Chongyang
Director

Leung Chi Fai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Equity attributable to owners of the Company													
	Share capital HK$'000 Note 34	Share premium HK$'000 Note 36(a)	Convertible notes HK$'000 Note 35	Contributed surplus HK$'000 Note 36(b)	Capital redemption reserve HK$'000 Note 36(a)	Share option reserve HK$'000 Note 36(c)	Asset revaluation reserve HK$'000 Note 36(d)	Exchange fluctuation reserve HK$'000 Note 36(e)	PRC statutory reserve HK$'000 Note 36(f)	Available-for-sale financial assets revaluation reserve HK$'000 Note 36(g)	Accumulated losses HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total equity HK$'000
As at 1 January 2015	143,430	191,419*	75,595	56,471*	509*	5,711*	181,198*	249,713*	15,635*	2,667*	(787,941)*	134,407	53,486	187,893
Profit for the year	-	-	-	-	-	-	-	-	-	-	298,005	298,005	10,133	308,138
Other comprehensive income:														
Surplus on revaluation of items of property, plant and equipment, net of tax	-	-	-	-	-	-	5,318	-	-	-	-	5,318	1,007	6,325
Available-for-sale financial assets:														
Change in fair value	-	-	-	-	-	-	-	-	-	18	-	18	-	18
Reclassification adjustment for gain on disposal of included in the consolidated income statement	-	-	-	-	-	-	-	-	-	(2,685)	-	(2,685)	-	(2,685)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	(2,742)	-	-	-	(2,742)	(3,054)	(5,796)
Reclassification adjustment for exchange fluctuation reserve upon disposal of subsidiaries (note 25(b))	-	-	-	-	-	-	-	(249,713)	-	-	-	(249,713)	-	(249,713)
Total comprehensive income for the year	-	-	-	-	-	-	5,318	(252,455)	-	(2,667)	298,005	48,201	8,086	56,287
Issue of shares pursuant to placing agreement (note 34(b))	29,096	68,376	-	-	-	-	-	-	-	-	-	97,472	-	97,472
Transaction cost attributable to issue of placing shares	-	(2,646)	-	-	-	-	-	-	-	-	-	(2,646)	-	(2,646)
Transfer to PRC statutory reserve	-	-	-	-	-	-	-	-	3,044	-	(2,024)	1,020	(1,020)	-
Redemption of convertible notes (note 35)	-	(14,002)	(20,998)	-	-	-	-	-	-	-	-	(35,000)	-	(35,000)
Exercise of share options (note 34(a))	2,050	4,140	-	-	-	(2,296)	-	-	-	-	-	3,894	-	3,894
Share options lapsed	-	-	-	-	-	(3,415)	-	-	-	-	3,415	-	-	-
Release upon disposal of subsidiaries	-	-	-	(56,471)	-	-	(182,411)	-	(12,928)	-	251,810	-	-	-
As at 31 December 2015	174,576	247,287*	54,597	-*	509*	-*	4,105*	(2,742)*	5,751*	-*	(236,735)*	247,348	60,552	307,900

* These reserve accounts comprise the consolidated reserves of a net credit amount of HK$18,175,000 (2014: a net debit amount of HK$84,618,000).

Consolidated Statement of Changes in Equity

For the period ended from 1 October 2013 to 31 December 2014

	Equity attributable to owners of the Company													
	Share capital HK$'000 Note 34	Share premium HK$'000 Note 36(a)	Convertible notes HK$'000 Note 35	Contributed surplus HK$'000 Note 36(b)	Capital redemption reserve HK$'000 Note 36(a)	Share option reserve HK$'000 Note 36(c)	Asset revaluation reserve HK$'000 Note 36(d)	Exchange fluctuation reserve HK$'000 Note 36(e)	PRC statutory reserve HK$'000 Note 36(f)	Available-for-sale financial assets revaluation reserve HK$'000 Note 36(g)	Accumulated losses HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total equity HK$'000
As at 1 October 2013	101,600	177,325	–	56,471	509	6,925	170,206	249,713	12,928	2,518	(392,520)	385,675	–	385,675
Loss for the period	–	–	–	–	–	–	–	–	–	–	(394,405)	(394,405)	5,089	(389,316)
Other comprehensive income:														
Surplus on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	10,992	–	–	–	–	10,992	1,908	12,900
Available-for-sale financial assets:														
Change in fair value	–	–	–	–	–	–	–	–	–	(106)	–	(106)	–	(106)
Reclassification adjustment for loss on disposal included in the consolidated income statement	–	–	–	–	–	–	–	–	–	255	–	255	–	255
Total comprehensive income for the period	–	–	–	–	–	–	10,992	–	–	149	(394,405)	(383,264)	6,997	(376,267)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	2,707	–	(1,800)	907	(907)	–
Issue of convertible notes (note 35)	–	–	125,992	–	–	–	–	–	–	–	–	125,992	–	125,992
Conversion of convertible notes (note 35)	40,000	10,397	(50,397)	–	–	–	–	–	–	–	–	–	–	–
Exercise of share options (note 34(a))	1,830	3,697	–	–	–	(2,049)	–	–	–	–	–	3,478	–	3,478
Equity-settled share option agreement	–	–	–	–	–	1,619	–	–	–	–	–	1,619	–	1,619
Share options lapsed	–	–	–	–	–	(784)	–	–	–	–	784	–	–	–
Non-controlling interests arising on business combination (note 38)	–	–	–	–	–	–	–	–	–	–	–	–	47,396	47,396
As at 31 December 2014	143,430	191,419*	75,595	56,471*	509*	5,711*	181,198*	249,713*	15,635*	2,667*	(787,941)*	134,407	53,486	187,893

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Cash flows from operating activities			
Loss before tax			
Continuing operations		**(166,610)**	(71,304)
Discontinued operations	25(a)	**(17,432)**	(305,519)
		(184,042)	(376,823)
Adjustments for:			
Amortisation of intangible assets	15	**45**	31
Amortisation of prepaid land lease payments		**1,032**	3,033
Bank and other interest income		**(14)**	(3,347)
Depreciation		**30,078**	111,263
Dividend income	5	**(22)**	(75)
Equity-settled share option expenses	37	**–**	1,619
Gain on disposal of items of property, plant and equipment		**–**	(7,434)
Gain on extinguishment of promissory note	6	**(2,490)**	–
Loss on extinguishment of other payable	6	**19,575**	–
Net (gain)/loss arising on available-for-sale financial assets for the equity securities listed in Hong Kong	6	**(2,685)**	255
Net loss arising on financial assets at fair value through profit or loss	6	**877**	–
Fair value change of contingent consideration	6	**29,757**	8,615
Fair value change of investment properties	14	**–**	1,155
Fair value change of other payable	32	**–**	(8,943)
Finance costs		**11,576**	57,832
Provision for impairment loss of property, plant and equipment	13	**7,080**	–
Provision for impairment loss of goodwill	17	**–**	42,902
Provision for impairment loss of trade receivables, net		**8,291**	42,354
Provision for impairment loss of other receivables, net	23	**67,111**	7,312
Provision for impairment loss of contingent consideration	19	**13,695**	–
Provision for impairment loss of a joint venture	18	**–**	1,274
Write-off of property, plant and equipment		**124**	1,970
Write-off of trade receivables		**1,649**	–
(Reversal of)/write-down of inventories to net realisable value, net		**(3,795)**	8,972
Reversal of provision for long service payment, net		**(151)**	(88)
Share of loss of a joint venture		**–**	798
Operating loss before working capital changes		**(2,309)**	(107,325)
Decrease in inventories		**28,269**	95,825
Decrease/(increase) in trade receivables		**19,548**	(7,728)
Increase in prepayments, deposits and other receivables		**(35,597)**	(17,845)
Increase in restricted bank deposits		**(367)**	–
(Decrease)/increase in trade payables		**(35,631)**	8,006
Decrease in other payables and accruals		**(3,011)**	(4,180)
Cash used in operations		**(29,098)**	(33,247)
Interest received		**14**	3,347
Interest paid		**(9,309)**	(43,824)
PRC Income tax paid		**(13,311)**	(22,770)
Net cash used in operating activities		**(51,704)**	(96,494)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(3,922)**	(23,288)
Deposit paid for acquisition of a subsidiary		**(1,000)**	–
Deposit paid for acquisition of land use right		**–**	(7,329)
Acquisition of financial assets at fair value through profit or loss		**(15,710)**	–
Dividend income		**22**	75
Repayment of promissory note	33	**(77,000)**	–
Repayment of other payable	32	**(150,000)**	–
Proceeds from disposal of available-for-sale financial assets		**1,055**	1,230
Proceeds from disposal of financial assets at fair value through profit or loss		**14,262**	–
Proceeds from disposal of items of property, plant and equipment		**–**	5,250
Net cash flow arising on disposal of subsidiaries	25(b)	**271,017**	–
Net cash flow arising on acquisition of subsidiaries		**–**	5,095
Redemption of convertible notes	35	**(35,000)**	–
Decrease/(increase) in pledged bank deposits		**7,762**	(30,556)
Decrease in bank deposits with original maturity over 3 months		**12,610**	63,032
Net cash generated from investing activities		**24,096**	13,509
Cash flows from financing activities			
Proceeds from trust receipt loans		**–**	22,268
Repayment of trust receipt loans		**–**	(19,460)
Repayment of other borrowing		**–**	(154,377)
Proceeds from loans and borrowings		**104,234**	873,077
Repayment of loans and borrowings		**(129,667)**	(726,947)
Proceeds from exercise of share options		**3,894**	3,478
Proceeds from placing the shares		**94,826**	–
(Decrease)/increase in amount due to a non-controlling shareholder		**(74,816)**	9,205
(Decrease)/increase in amount due to a director		**(44)**	66,186
Net cash (used in)/generated from financing activities		**(1,573)**	73,430
Net decrease in cash and cash equivalents		**(29,181)**	(9,555)
Cash and cash equivalents at beginning of year/period		**56,901**	66,456
Effect of foreign exchange rate changes, net		**(4,918)**	–
Cash and cash equivalents at end of year/period		**22,802**	56,901
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of financial position		**22,802**	20,529
Less: Bank deposits with original maturity over 3 months		**–**	(12,610)
Cash and cash equivalents as stated in the consolidated statement of financial position		**22,802**	7,919
Cash and cash equivalents attributable to a discontinued operation		**–**	48,982
Cash and cash equivalents as stated in the consolidated statement of cash flows		**22,802**	56,901

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

Sunway International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and the issued shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business has been changed from Rooms 1708–1710, Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong to Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong on 15 July 2015. During the year, the Company's principal activity is investment holding.

As stated in the circular dated 12 January 2015, the Company entered into the disposal agreement to sell all equity shares of Sunway International (BVI) Holdings Limited and Sunway International Investment Holdings Limited, both of which are direct wholly-owned subsidiaries of the Company (collectively referred to the "Disposal Group"). The disposal was completed on 30 January 2015. Upon completion, the Company and its subsidiaries (collectively referred to as the "Group") ceased to be engaged in the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and digital products) (the "Electronic Businesses") and the main business changes to the manufacturing and trading of pre-stressed steel bars, pre-stressed high strength concrete piles, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-permeable concrete products (the "Construction Materials Businesses"). The Electronic Businesses are presented as a discontinued operation and stated at the lower of their carrying amounts and fair value less costs to sell in these consolidated financial statements as further disclosed in note 25.

Pursuant to a resolution of the board of directors dated 28 July 2014, the financial year end date of the Company has been changed from 30 September to 31 December. These consolidated financial statements now presented cover a period of twelve months from 1 January 2015 to 31 December 2015. Accordingly, the comparative figures presented for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes covered a period of fifteen months from 1 October 2013 to 31 December 2014, are not comparable with those of the current year.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, except for certain property, plant and equipment, investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss (the "FVTPL") which are measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of these consolidated financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2(b).

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2015 are consistent with those adopted in the consolidated financial statements for the period from 1 October 2013 to 31 December 2014, except for the adoption of the new and revised HKFRSs as explained in (a) below.

(a) Adoption of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Investment Entities
HK (IFRIC) – Int 21	Levies
HKAS 19 (2011) Amendments	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

Except for those impacts described below, the adoption of the above revised standards and interpretation has had no significant effect on these consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies that an asset revaluation can be performed in one of the following ways:

(i) adjusting the gross carrying amount of the asset to market value; or

(ii) determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value.

In addition, it clarifies that the accumulated depreciation or amortisation is the difference between the gross carrying amount and the carrying amount of the asset.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time, during the current financial year. The main impact to these consolidated financial statements is on the presentation and disclosure of certain information in these consolidated financial statements.

(b) Significant judgements and estimates

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Significant judgements and estimates *(Continued)*

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is HK$84,421,000 (2014: HK$84,421,000). Further details of the recoverable amount calculation are disclosed in note 17.

Useful lives of property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimated useful lives and/or residual values are based on the historical experience of the actual useful lives of property, plant and equipment of similar assets and taking into account anticipated technological changes. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and thereafter depreciations charge in the future period. As at 31 December 2015, the carrying amount of the Group's property, plant and equipment is HK$131,297,000 (2014: HK$167,555,000). Further details are disclosed in note 13.

Net realisable value of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy as set out in note 2(j). Management estimates the net realisable value based on current market situation and historical experience of manufacturing and selling products of similar nature. Any change in the assumptions would increase or decrease the amount of inventories write down or the related reversals of write down made in prior years and affect the Group's net asset value. As at 31 December 2015, the carrying amount of inventories is HK$10,991,000 (2014: HK$22,235,000). Further details are disclosed in note 21.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment loss that should be recognised in the consolidated income statement for the year ended 31 December 2015. As at 31 December 2015, the fair value of the available-for-sale financial assets is HK$Nil (2014: HK$44,489,000). Further details are disclosed in note 19.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Significant judgements and estimates *(Continued)*

Estimation uncertainty (Continued)

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

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profits forecasts and relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

As at 31 December 2015, deferred tax assets and liabilities are HK$6,148,000 (2014: HK$4,220,000) and HK$6,621,000 (2014: HK$6,216,000) respectively. Further details are disclosed in note 30.

(c) Basis of consolidation

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in consolidated statement of other comprehensive income is reclassified to consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated income statement.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the group obtains control), and the resulting gain or loss, if any, is recognised in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in consolidated income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Business combinations and goodwill *(Continued)*

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

After initial recognition, goodwill is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purposes of impairment testing, goodwill is allocated to each of the Group's CGU (or groups of CGUs) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. If the recoverable amount of the CGU (group of CGUs) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit (group of CGUs) and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

(e) Non-current assets and disposal groups held for sale

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

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

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

Impairment losses on initial classification as held-for-sale, and on subsequent remeasurement while held-for-sale, are recognised in consolidated income statement.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in consolidated income statement.

Buildings, plant, machinery and office equipment and motor vehicles are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in consolidated income statement, in which case the increase is recognised in consolidated income statement.

A revaluation deficit is recognised in consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the property revaluation reserve to retained profits is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to that particular asset being sold is transferred to retained profits.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:

Leasehold land under finance lease	Over the lease terms
Buildings	2% to 5% per annum
Leasehold improvements	10% per annum
Plant, machinery and office equipment	10% per annum
Motor vehicles	20% per annum
Furniture and fixtures	10% per annum

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment and depreciation *(Continued)*

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(g) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

(h) Investment properties

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

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

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

(i) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or CGU to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Impairment of non-financial assets *(Continued)*

An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Investments and other financial assets

Initial recognition and measurement

The Group's financial assets are classified, at initial recognition, into financial assets at FVTPL, loans and receivables, available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of FVTPL.

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Investments and other financial assets *(Continued)*

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and those designated as at FVTPL upon initial recognition.

Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other gains and losses in the consolidated income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at FVTPL are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Investments and other financial assets *(Continued)*

Available-for-sale financial investments
Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are measured at fair value. Unrealised gains or losses (except for changes in exchange rates for monetary items, interest, dividends and impairment losses which are recognised in the consolidated income statement) are recognised in consolidated statement of comprehensive income until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in consolidated statement of comprehensive income is taken to the consolidated income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as other income.

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

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

(l) Impairment of financial assets

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

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets *(Continued)*

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

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

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

Assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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

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

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Derecognition of financial assets

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

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

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

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

(n) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate.

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

The Group's financial liabilities include trade and bill payables, other payables and accruals, amount due to a non-controlling shareholder and interest-bearing borrowings and promissory note.

Subsequent measurement

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

Loans and borrowings

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

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

(p) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to the consolidated income statement in the accounting period in which they are incurred.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

(q) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Foreign currency translation

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item. The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the company at the exchange rates ruling at the end of the reporting period, and their income and expense items are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recorded in consolidated statement of comprehensive income and the cumulative balance is included in exchange reserve in the consolidated statement of changes in equity. On disposal of a foreign operation, the deferred cumulative amount recognised in exchange reserve relating to that particular foreign operation is recognised in the consolidated income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, as follows:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

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

(t) 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 charged to the consolidated income statement in the period in which they are incurred.

(u) Other employee benefits

(i) Pension scheme

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

The employees of the subsidiaries within the Group which operate in the People's Republic of China ("PRC") are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Other employee benefits *(Continued)*

(ii) Employee long service payment

The provision for long service is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

(iii) Share-based payments

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

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carried forward unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in subsidiaries and joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

(w) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or 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 individual in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner;

(iii) dependents of that person or that person's spouse or domestic partner; and

(y) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(z) Fair value measurement

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

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

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

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(aa) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's line of business.

The measurement policies the Group uses for reporting segment results under HKFRS 8 *Operating Segments* are the same as those used in its consolidated financial statements prepared under HKFRSs, except that interest income, interest expense, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but tax assets.

(bb) Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that has been disposed of or is classified as held for sale, which represents a separate major line of business or geographical area of operations of the Group.

Classification as a discontinued operation occurs upon disposal. It also occurs when the operation is abandoned.

Where an operation is classified as discontinues, a single amount is presented on the face of profit and loss account, which comprises the post-tax profit or loss the discontinued operation.

3. OPERATING SEGMENT INFORMATION

As a result of the business combination as set out in note 38, the Group had two additional reportable business segment – pre-stressed ("PC") steel bars and high-strength concrete ("PHC") piles and others during the period from 1 October 2013 to 31 December 2014.

For management purpose, the Group is organised into business units based on their products and has four reportable operating segments as follows:

Continuing operations

(a) the PC steel bar consists the sale and manufacturing of PC steel bar (the "PC steel bar"); and

(b) the PHC piles and others consist of the sales and manufacturing of PHC piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products (the "PHC piles and others").

Discontinued operations

(c) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic components and parts (the "Electronic components and parts");

(d) the consumer electronic products segment consists of the design, development, manufacture and sale of consumer electronic products (the "Consumer electronic products");

As mentioned in note 1, the Electronic Businesses, including the segment of the Electronic components and parts and Consumer electronic products were disposed of and presented as discontinued operations.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reporting segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that head office and corporate expenses, share of results of a joint venture, bank and other interest income, other income, other gains and losses, net and finance costs are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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 exclude goodwill, available-for-sale financial assets, deferred tax assets, financial assets at fair value through profit or loss, restricted bank deposits, pledged bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities exclude interest-bearing borrowings, tax payable, deferred tax liabilities, promissory note, other payable and unallocated head office and corporate liabilities, as these liabilities are managed on a group basis. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities

For the year ended 31 December 2015

	Continuing operations			Discontinued operations			
	PC steel bar HK$'000	PHC piles and others HK$'000	Sub-total HK$'000	Electronic components and parts HK$'000	Consumer electronic products HK$'000	Sub-total HK$'000	Total HK$'000
Segment revenue							
Revenue	17,185	329,875	347,060	27,736	28,551	56,287	403,347
Elimination	(3,534)	–	(3,534)	–	–	–	(3,534)
Revenue from external customers	13,651	329,875	343,526	27,736	28,551	56,287	399,813
Reportable segment (loss)/profit from operations	(115,917)	41,009	(74,908)	(9,975)	(8,183)	(18,158)	(93,066)
Reconciliation:							
Bank and other Interest income			13			1	14
Other income, other gains and losses, net			(57,830)			2,570	(55,260)
Finance costs			(9,737)			(1,840)	(11,577)
Unallocated head office and corporate expenses			(24,148)			(5)	(24,153)
Loss before tax			(166,610)			(17,432)	(184,042)
Segment assets	19,325	311,294	330,619	–	–	–	330,619
Segment liabilities	27,603	55,055	82,658	–	–	–	82,658

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities *(Continued)*

For the 15 months ended 31 December 2014

	Continuing operations			Discontinued operations			
	PC steel bar HK$'000	PHC piles and others HK$'000	Sub-total HK$'000	Electronic components and parts HK$'000	Consumer electronic products HK$'000	Sub-total HK$'000	Total HK$'000
Segment revenue							
Revenue	69,967	243,943	313,910	344,012	425,934	769,946	1,083,856
Elimination	(8,862)	–	(8,862)	–	–	–	(8,862)
Revenue from external customers	61,105	243,943	305,048	344,012	425,934	769,946	1,074,994
Reportable segment (loss)/ profit from operations	(59,397)	31,094	(28,303)	(138,197)	(159,250)	(297,447)	(325,750)
Reconciliation:							
Bank and other Interest income			141			3,206	3,347
Other income, other gains and losses			73			27,552	27,625
Finance costs			(20,682)			(37,150)	(57,832)
Share of loss of a joint venture			–			(798)	(798)
Unallocated head office and corporate expenses			(22,533)			(882)	(23,415)
Loss before tax			(71,304)			(305,519)	(376,823)
Segment assets	157,216	396,231	553,447	324,517	375,519	700,036	1,253,483
Segment liabilities	131,584	230,542	362,126	120,968	153,274	274,242	636,368

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable assets and liabilities

	31 December 2015			31 December 2014		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Assets						
Total reportable segment assets	330,619	–	330,619	553,447	700,036	1,253,483
Financial assets at fair value through profit or loss			571			–
Available-for-sale financial assets			–			44,489
Deferred tax assets			6,148			4,220
Goodwill			84,421			84,421
Cash and cash equivalents			22,802			57,645
Pledged bank deposits			1,313			31,556
Restricted bank deposits			367			–
Unallocated head office and corporate assets			4,885			182,929
Consolidated total assets			451,126			1,658,743
Liabilities						
Total reportable segment liabilities	82,658	–	82,658	362,126	274,242	636,368
Interest-bearing borrowings			45,671			456,430
Tax payable			6,808			26,561
Deferred tax liabilities			6,621			68,334
Promissory note			–			78,559
Other payable			–			129,089
Unallocated head office and corporate liabilities			1,468			75,509
Consolidated total liabilities			143,226			1,470,850

3. OPERATING SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 December 2015

	Continuing operations				Discontinued operations			
	PC steel bar HK$'000	PHC piles and others HK$'000	Corporate/ unallocated HK$'000	Sub-total HK$'000	Electronic components and parts HK$'000	Consumer electronic products HK$'000	Sub-total HK$'000	Total HK$'000
Other segment information:								
Capital expenditure*	(30)	(409)	(2,319)	(2,758)	(663)	(501)	(1,164)	(3,922)
Depreciation	(5,479)	(18,920)	(175)	(24,574)	(3,148)	(2,356)	(5,504)	(30,078)
Provision for impairment of property, plant and equipment	(6,124)	(956)	–	(7,080)	–	–	–	(7,080)
Write off of property, plant and equipment	(121)	(3)	–	(124)	–	–	–	(124)
Amortisation of prepaid land lease payments	(267)	(594)	–	(861)	(101)	(70)	(171)	(1,032)
Amortisation of intangible asset	–	(45)	–	(45)	–	–	–	(45)
Write down of inventories to net realisable value	(2,476)	(723)	–	(3,199)	(596)	–	(596)	(3,795)
Provision for impairment of trade receivables	(7,988)	(7,512)	–	(15,500)	(589)	(447)	(1,036)	(16,536)
Reversal of impairment of trade receivables	4,007	4,185	–	8,192	53	–	53	8,245
Write off of trade receivables	(1,218)	–	–	(1,218)	(245)	(186)	(431)	(1,649)
Provision for impairment of other receivables	(67,614)	(556)	–	(68,170)	–	–	–	(68,170)
Reversal of impairment of other receivables	296	763	–	1,059	–	–	–	1,059

3. OPERATING SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the 15 months ended 31 December 2014

	Continuing operations				Discontinued operations			
	PC steel bar HK$'000	PHC piles and others HK$'000	Corporate/ unallocated HK$'000	Sub-total HK$'000	Electronic components HK$'000	Consumer electronic products HK$'000	Sub-total HK$'000	Total HK$'000
Other segment information:								
Capital expenditure*	(82)	(159)	–	(241)	(10,864)	(12,183)	(23,047)	(23,288)
Depreciation	(1,015)	(14,190)	–	(15,205)	(45,057)	(51,001)	(96,058)	(111,263)
Amortisation of prepaid land lease payments	(180)	(401)	–	(581)	(1,156)	(1,296)	(2,452)	(3,033)
Amortisation of intangible asset	–	(31)	–	(31)	–	–	–	(31)
Gain on disposal on property, plant and equipment	–	–	–	–	3,506	3,928	7,434	7,434
Loss on written off of property, plant and equipment	–	–	–	–	(929)	(1,041)	(1,970)	(1,970)
Provision for impairment of goodwill	–	–	(42,902)	(42,902)	–	–	–	(42,902)
Write down of inventories to net realisable value	(768)	–	–	(768)	(17,460)	(19,562)	(37,022)	(37,790)
Reversal of write down of inventories	–	–	–	–	13,591	15,227	28,818	28,818
Provision for impairment of trade receivables	(18,259)	(2,192)	–	(20,451)	(16,167)	(18,056)	(34,223)	(54,674)
Reversal of impairment of trade receivables	–	–	–	–	5,804	6,516	12,320	12,320
Provision for impairment of other receivables	–	(18)	–	(18)	(3,440)	(3,854)	(7,294)	(7,312)

* Capital expenditure consists of additions to property, plant and equipment

3. OPERATING SEGMENT INFORMATION *(Continued)*

(d) Geographical information

The geographical location of revenue information is based on the locations of customers at which the goods delivered.

	Continuing operations		Discontinued operations	
	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Period from 1 October 2013 to 31 December 2014 HK$'000
Hong Kong	**–**	–	**670**	28,964
The PRC (excluding Hong Kong)	**343,526**	305,048	**43,123**	81,077
Other Asian countries*	**–**	–	**1,973**	141,643
American countries**	**–**	–	**9,519**	467,574
European countries***	**–**	–	**310**	34,179
African countries****	**–**	–	**692**	16,509
Consolidated	**343,526**	305,048	**56,287**	769,946

* Other Asian countries principally included Indonesia, Japan, Korea, Taiwan and Pakistan.

** American countries principally included the United States, Chile, Peru, Argentina, Mexico and Brazil.

*** European countries principally included Poland, Spain, France, Germany and England.

**** African countries principally included Lagos, Nigeria, Kenya and Egypt.

The Group's non-current assets are located in the PRC.

(e) Information about a major customer

For the year ended 31 December 2015, the Group had transactions with one customer, which contributed over 10% of the Group's total revenue from continuing operations. The total revenue earned from this customer amounting to HK$81,102,000. For the period from 1 October 2013 to 31 December 2014, no customer has contributed 10% or more of the Group's total revenue.

4. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for return and trade discounts during the current year.

5. OTHER INCOME

An analysis of the Group's other income from continuing operations is as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Bank interest income	**13**	141
Government grants (note)	**450**	710
Dividend income	**22**	75
Sundry income	**360**	5,711
	845	6,637

Note:

The Group received grants from the local government in the PRC. There were no attaching condition to the grant and the Group recognised the grants as income upon receipt.

6. OTHER GAINS AND LOSSES, NET

An analysis of the Group's other gains and losses, net from continuing operations is as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Exchange difference, net	(1,695)	–
Fair value change of other payable (note 32)	–	8,943
Fair value change of contingent consideration	(29,757)	(8,615)
Gain on extinguishment of promissory note (note 33)	2,490	–
Loss on extinguishment of other payable (note 32)	(19,575)	–
Net gain/(loss) arising on disposal of available-for-sale financial assets for the listed equity securities in Hong Kong	2,685	(255)
Net loss arising on financial asset designated as at FVTPL	(877)	–
Provision for impairment loss of trade receivables, net	(7,308)	(20,451)
Provision for impairment loss of prepayments, deposits and other receivables, net	(67,111)	(18)
Provision for impairment loss of property, plant and equipment	(7,080)	–
Provision for impairment loss of goodwill	–	(42,902)
Provision for impairment loss of contingent consideration (note 19)	(13,695)	–
Revaluation deficit of property, plant and equipment	(3,560)	–
Write down of inventories to net realisable value	(3,199)	(768)
Write off of property, plant and equipment	(124)	–
Write off of trade receivables	(1,218)	–
Others	(1,768)	–
	(151,792)	(64,066)

7. FINANCE COSTS

An analysis of the Group's finance costs from continuing operations is as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Interests on interest-bearing borrowings	7,470	6,674
Imputed interest expenses on other payable (note 32)	1,336	8,774
Imputed interest expenses on promissory note (note 33)	931	5,234
	9,737	20,682

8. LOSS BEFORE TAX

Loss before tax from continuing operations is arrived at after charging/(crediting):

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Auditor's remuneration:		
Audit fee	**1,100**	1,500
Non-audit services	**–**	1,700
	1,100	3,200
Amortisation of prepaid land lease payments*	**861**	581
Amortisation of intangible asset#	**45**	31
Cost of inventories sold*	**216,014**	231,999
Minimum lease payments under operating leases in respect of land and buildings	**1,645**	121
Employee benefit expenses (including directors' and chief executive's remuneration (note (9)):		
Salaries, wages and other benefits	**30,802**	26,127
Pension scheme contributions^	**3,926**	5,929
Reversal of long service payment, net	**(184)**	(32)
Equity-settled share option expenses	**–**	1,619
	34,544	33,643

* These items are included in "cost of sales" in the consolidated income statement.

\# This item is included in "administrative expenses" in the consolidated income statement.

^ As at 31 December 2015, the Group had no forfeited contribution available reduce to its contributions to the pension scheme in future years (2014: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the period, disclosed pursuant to the Listing Rules and Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Fees	**934**	1,240
Other emoluments:		
Salaries, allowances and benefits in kind	**4,649**	7,634
Pension scheme contributions	**79**	71
Equity-settled share option expenses	**–**	784
	4,728	8,489
	5,662	9,729

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 37. The fair value of such options, which had been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current period is included in the above directors and chief executive's remuneration disclosures.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Analysis of directors' and chief executive's remuneration on named basis is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expense HK$'000	Total HK$'000
Year ended 31 December 2015					
Executive directors:					
Mr. Huang Weidong (appointed on 10 June 2015)	–	657	11	–	668
Mr. Leung Chi Fai	40	779	16	–	835
Mr. Li Chongyang (appointed on 19 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	–	934	12	–	946
Ms. Qi Jiao (appointed on 20 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	–	384	11	–	395
Ms. Fang Jing (appointed on 14 August 2015 and ceased on 18 November 2015)	–	172	6	–	178
Ms. Wong King Ching, Helen* (resigned on 10 June 2015)	–	691	9	–	700
Ms. Wong King Man (retired on 4 June 2015)	–	845	8	–	853
Mr. Wang Tian (retired on 4 June 2015)	45	125	2	–	172
Mr. Lin Yepan (resigned on 19 May 2015)	23	62	4	–	89
	108	4,649	79	–	4,836
Independent non-executive directors:					
Mr. Cong Yongjian (appointed on 14 August 2015)	92	–	–	–	92
Ms. Deng Chunmei (appointed on 29 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	142	–	–	–	142
Mr. Liu Chenli (appointed on 29 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	142	–	–	–	142
Mr. Lam Kai Yeung (appointed on 20 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	148	–	–	–	148
Mr. So Day Wing (resigned on 10 June 2015)	106	–	–	–	106
Ms. Fong Yin Cheung (retired on 4 June 2015)	103	–	–	–	103
Mr. Hung Yat Ming (resigned on 20 May 2015)	93	–	–	–	93
	826	–	–	–	826
	934	4,649	79	–	5,662

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expense HK$'000	Total HK$'000
Period ended 31 December 2014					
Executive directors:					
Ms. Wong King Ching, Helen*	–	3,236	21	224	3,481
Mr. Leung Chi Fai	120	1,077	21	56	1,274
Ms. Wong King Man	–	3,003	21	224	3,248
Mr. Wang Tian (appointed on 2 May 2014)	40	91	5	–	136
Mr. Lin Yepan (appointed on 2 May 2014)	40	227	3	–	270
	200	7,634	71	504	8,409
Non-executive directors:					
Mr. Wong Kim Seong (retired on 2 May 2014)	–	–	–	–	–
Ms. Wong Chun Ying (retired on 2 May 2014)	140	–	–	224	364
	140	–	–	224	364
Independent non-executive directors:					
Mr. So Day Wing	300	–	–	56	356
Ms. Fong Yin Cheung	300	–	–	–	300
Mr. Hung Yat Ming	300	–	–	–	300
	900	–	–	56	956
	1,240	7,634	71	784	9,729

* Ms. Wong King Ching, Helen, an executive director of the Company, was also the chief executive of the Company before 10 June 2015.

There was no other emolument payable to the independent non-executive director during the current year (period ended 31 December 2014: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the current year (period ended 31 December 2014: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors and chief executive (period ended 31 December 2014: three directors and chief executive), details of whose remuneration are set out in note 9 above. Details of remuneration of the remaining one (period ended 31 December 2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Salaries and allowances	**440**	951
Pension scheme contributions	**14**	41
Equity-settled share option expense	**–**	242
	454	1,234

The number of non-director, non-chief executive and highest paid employees whose remuneration fall within the following band is as follows:

	Number of employees	
	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Nil – HK$1,000,000	**1**	2

In prior years, share options were granted to non-directors, non-chief executives and highest paid employees in respect of their services to the Group, further details of which are set out in note 37. The fair value of such options, which had been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current period is included in the above non-directors, non-chief executives and highest paid employees' remuneration disclosures.

11. INCOME TAX EXPENSES

No provision for Hong Kong profits tax had been made during the current year (period ended 31 December 2014: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Subsidiaries established in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (period ended 31 December 2014: 25%).

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Current tax – PRC Enterprise Income Tax		
– Current tax for the year	**10,506**	8,586
– Under-provision/(over-provision) in prior years	**422**	(234)
	10,928	8,352
Deferred tax (note 30)	**(1,603)**	(712)
	9,325	7,640

A reconciliation of income tax expense and accounting loss from continuing operations at applicable tax rates is as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Loss before tax	**(166,610)**	(71,304)
Notional tax on loss before tax, calculated at the applicable tax rates in respective jurisdictions	**(35,139)**	(10,862)
Tax effect of expenses not deductible for tax purpose	**21,469**	7,521
Tax effect of income not taxable for tax purpose	**(934)**	–
Tax effect of tax losses and temporary difference not recognised	**23,507**	11,215
Under-provision/(over-provision) in prior years	**422**	(234)
Income tax expenses	**9,325**	7,640

12. EARNINGS (LOSS) PER SHARE

Basic

Basic earnings (loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue throughout the year/period.

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Profit/(loss):		
Profit/(loss) for the year/period attributable to owners of the Company used in the basic earnings (loss) per share calculation:		
From the continuing operations	**(186,068)**	(84,033)
From the discontinued operations	**484,073**	(310,372)
	298,005	(394,405)
	'000	'000 Restated
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis earnings (loss) per share	**1,658,150**	1,198,583

For the year ended 31 December 2015 and the period ended 31 December 2014, no adjustment has been made to the basic earnings (loss) per share amounts presented, as the conversion of the Company's outstanding convertible notes and exercise of outstanding share options had an anti-dilutive effect on the basic earnings (loss) per share from continuing operations.

The basic earnings (loss) per share for the year ended 31 December 2015 and the period ended 31 December 2014 have been adjusted to reflect the placing of shares during the current year.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 31 December 2014 and 1 January 2015						
Cost or valuation	69,025	108,887	4,546	–	302	182,760
Accumulated depreciation and impairment loss	(1,675)	(12,942)	(588)	–	–	(15,205)
Net carrying amount	67,350	95,945	3,958	–	302	167,555
Opening net carrying amount	67,350	95,945	3,958	–	302	167,555
Additions	–	577	1,416	765	–	2,758
Written off	–	–	(124)	–	–	(124)
Provision of impairment loss	–	(6,782)	–	–	(298)	(7,080)
(Deficit)/surplus on revaluation	(4,463)	3,840	(171)	–	–	(794)
Depreciation provided during the year	(3,286)	(20,341)	(909)	(38)	–	(24,574)
Exchange realignment	(3,376)	(2,900)	(164)	–	(4)	(6,444)
As at 31 December 2015, net of accumulated depreciation and impairment loss	56,225	70,339	4,006	727	–	131,297
As at 31 December 2015						
Cost or valuation	61,186	110,404	5,503	765	–	177,858
Accumulated depreciation and impairment loss	(4,961)	(40,065)	(1,497)	(38)	–	(46,561)
Net carrying amount	56,225	70,339	4,006	727	–	131,297

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

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 October 2013								
Cost or valuation	3,290	469,425	88,407	668,204	5,082	1,047	113,802	1,349,257
Accumulated depreciation and impairment loss	(1,821)	(210,206)	(88,123)	(604,538)	(990)	(1,030)	–	(906,708)
Net carrying amount	1,469	259,219	284	63,666	4,092	17	113,802	442,549
Opening net carrying amount	1,469	259,219	284	63,666	4,092	17	113,802	442,549
Additions	–	–	–	3,508	336	–	19,444	23,288
Disposal/Written off	–	–	–	(4,728)	–	(3)	(8,751)	(13,482)
Transfers	–	111,710	–	–	–	–	(111,710)	–
(Deficit)/surplus on revaluation	–	(12,457)	–	28,924	651	–	–	17,118
Acquisition through business combination (note 38)	–	68,624	–	103,798	4,413	–	302	177,137
Depreciation provided during the period	(54)	(35,158)	(51)	(74,509)	(1,483)	(8)	–	(111,263)
Classified as held-for-sale (note 25(c))	(1,415)	(324,588)	(233)	(24,714)	(4,051)	(6)	(12,785)	(367,792)
As at 31 December 2014, net of accumulated depreciation and impairment loss	–	67,350	–	95,945	3,958	–	302	167,555
As at 31 December 2014								
Cost or valuation	–	69,025	–	108,887	4,546	–	302	182,760
Accumulated depreciation and impairment loss	–	(1,675)	–	(12,942)	(588)	–	–	(15,205)
Net carrying amount	–	67,350	–	95,945	3,958	–	302	167,555

As at 31 December 2015, the Group's buildings, plant, machinery and office equipment and motor vehicles were valued by an independent professionally qualified valuer, Peak Vision Appraisals Limited (the "Peak Vision") (2014: Peak Vision and Stirling Appraisals Limited (the "Stirling")), which have appropriate qualifications and recent experiences in the valuation of similar assets.

As at 31 December 2015, certain leasehold land and buildings and plant and machinery of the Group with a total carrying amount of HK$56,225,000 (2014: HK$67,350,000) and HK$9,683,000 (2014: HK$18,471,000) were pledged to secure banking facilities granted to the Group respectively (note 29).

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

As at 31 December 2015, certain buildings and plant and machinery of the Group with a total carrying amount of HK$12,036,000 and HK$ Nil (before provision of impairment of HK$8,031,000) were frozen in relation to the litigation proceedings as mentioned in notes 46(i) and (ii).

As disclosed in note 47, the operation of a subsidiary of the Group has been temporarily suspended. As at 31 December 2015, the carrying amount of the related idle building, plant, machinery and office equipment and motor vehicles of the Group amounted to HK$12,036,000, HK$49,000 and HK$13,000 respectively.

As at 31 December 2015, if buildings, plant, machinery and office equipment and motor vehicles were measured using the cost model, the carrying amount would be as follows:

	Building HK$'000	**Plant, machinery and office equipment HK$'000**	**Motor vehicles HK$'000**
Cost	**83,786**	**141,763**	**9,711**
Accumulated depreciation and impairment loss	**(22,430)**	**(86,550)**	**(6,242)**
Net carrying amount	**61,356**	**55,213**	**3,469**

As at 31 December 2014, if buildings, plant, machinery and office equipment and motor vehicles were measured using the cost model, the carrying amount would be as follows:

	Building HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000
Cost	87,678	176,485	13,245
Accumulated depreciation and impairment loss	(20,328)	(80,539)	(9,287)
Net carrying amount	67,350	95,946	3,958

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

Fair value measurement of property, plant and equipment

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's property, plant and equipment measured at the end of the reporting period, categorised into three-level fair value hierarchy as defined in HKFRS13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observably and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurement as at 31 December 2015 categorised into		
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**
Recurring fair value measurement			
Buildings	**–**	**–**	**56,225**
Plant, machinery and office equipment	**–**	**–**	**70,339**
Motor vehicles in Hong Kong	**–**	**–**	**1,302**
Motor vehicles in the PRC	**–**	**–**	**2,704**
	–	**–**	**130,570**

	Fair value measurement as at 31 December 2014 categorised into		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Buildings			
Buildings in the PRC	–	–	357,195
Apartments in Hong Kong	–	33,363	–
Car park in Hong Kong	–	1,380	–
	–	34,743	357,195
Plant, machinery and office equipment	–	–	120,660
Motor vehicles	–	–	8,008
	–	34,743	485,863

During the year ended 31 December 2015 and period ended 31 December 2014, there were no transfers of fair value measurements between Level 1 and Level 2, or no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

Fair value measurement of property, plant and equipment *(Continued)*

(ii) *Valuation techniques and inputs in Level 2 fair value measurement*

The fair value of apartments located in Hong Kong is determined using comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

The fair value of car park located in Hong Kong is determined by using comparison approach by reference to recent sale price of comparable car park which is publicly available.

(iii) *Information about Level 3 fair value measurement*

The following table gives information about how the fair value of the Group's buildings, plant, machinery and office equipment and motor vehicles carried at fair value are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is unobservable.

As at 31 December 2015

Properties	Location	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in the PRC	Zhuhai and Yangjiang	Depreciation replacement cost method	Average construction cost	RMB1,050 to RMB2,500 per square meter	The higher the average construction cost, the higher the fair value
			Depreciated rates	22% to 77%	The higher the depreciated rates, the higher the fair value
Plant, machinery and office equipment	Zhuhai and Yangjiang	Depreciation replacement cost method	Production index	2.7% to 4.4%	The higher the production index, the higher the fair value
			Depreciated rates	1.5% to 6%	The higher the depreciated rates, the higher the fair value
Office equipment	Hong Kong	Depreciation replacement cost method	Depreciated rates	2% to 8%	The higher the depreciated rates, the higher the fair value
Motor vehicles	Zhuhai and Yangjiang	Comparison method	Discount on age, condition, functional obsolescence	5% to 30%	The higher the discount, the lower the fair value
Motor vehicles	Hong Kong	Comparison method	Discount on age, condition, functional obsolescence	7.60%	The higher the discount, the lower the fair value

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

Fair value measurement of property, plant and equipment *(Continued)*

(iii) Information about Level 3 fair value measurement (Continued)

As at 31 December 2014

Properties	Location	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in the PRC	Zhuhai and Yangjiang	Depreciation replacement cost method	Average construction cost	RMB2,300 to RMB3,150 per square meter	The higher the average construction cost, the higher the fair value
			Depreciated rates	38% to 75%	The higher the depreciated rates, the higher the fair value
Buildings in the PRC	Fujian	Depreciation replacement cost method	Standard construction cost	RMB900 per square meter	The higher the standard construction cost, the higher the fair value
			Depreciated rates	30% to 98%	The higher the depreciated rates, the higher the fair value
Plant, machinery and office equipment	Zhuhai and Yangjiang	Depreciation replacement cost method	Production index	3% to 5.4%	The higher the production index, the higher the fair value
			Depreciated rates	3% to 20%	The higher the depreciated rates, the higher the fair value
Plant, machinery and office equipment	Fujian	Depreciation replacement cost method	Production index	0.5 to 1.08	The higher the production index, the higher the fair value
			Depreciated rates	5% to 95%	The higher the depreciated rates, the higher the fair value
Motor vehicles	Zhuhai and Yangjiang	Comparison method	Discount on age, condition, functional obsolescence	8% to 14%	The higher the discount, the lower the fair value
Motor vehicles	Fujian	Comparison method	Discount on age, condition, functional obsolescence	5% to 90%	The higher the discount, the lower the fair value
Motor vehicles	Hong Kong	Comparison method	Discount on age, condition, functional obsolescence	5% to 65%	The higher the discount, the lower the fair value

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

Fair value measurement of property, plant and equipment *(Continued)*

(iii) Information about Level 3 fair value measurement (Continued)

The fair value of the buildings located in the PRC as at 31 December 2015 and 2014 is determined using the depreciated replacement cost approach, in view of the lack of comparable market date of similar buildings in the vicinity where the Group's buildings are situated, based on significant unobservable inputs and is recognised under level 3 of the fair value hierarchy. The key unobservable inputs of the valuation include average construction cost per square meter or standard construction cost per square meter by taking into account of location of the buildings and other individual factors such as size and condition of buildings, structure and layout of the buildings.

The fair value of the plant, machinery and office equipment as at 31 December 2015 and 2014 is determined using the depreciated replacement cost approach by taking the account of the of functional obsolescence condition and age of assets.

The fair value of motor vehicles as at 31 December 2015 and 2014 is determined using comparison approach by reference to the market value of the motor vehicles in its existing use with adjustment for the age, condition and functional obsolescence.

The following table analyses the fair value measurement of buildings, plant, machinery and office equipment and motor vehicles using significant unobservable inputs (Level 3):

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2015	67,350	95,945	3,958	167,253
Additions	–	577	1,416	1,993
Disposal/Written off	–	–	(124)	(124)
Provision of impairment loss	–	(6,782)	–	(6,782)
(Deficit)/Surplus on revaluation	(4,463)	3,840	(171)	(794)
Depreciation provided during the year	(3,286)	(20,341)	(909)	(24,536)
Exchange realignment	(3,376)	(2,900)	(164)	(6,440)
As at 31 December 2015	**56,225**	**70,339**	**4,006**	**130,570**

For the year ended 31 December 2015

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

Fair value measurement of property, plant and equipment *(Continued)*

(iii) Information about Level 3 fair value measurement (Continued)

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 October 2013	252,439	63,666	4,092	320,197
Additions	–	3,508	336	3,844
Transfers	111,710	–	–	111,710
Disposal/Written off	–	(4,728)	–	(4,728)
(Deficit)/Surplus on revaluation	(13,085)	28,924	651	16,490
Acquisition through business combination	68,624	103,798	4,413	176,835
Depreciation provided during the period	(35,046)	(74,509)	(1,483)	(111,038)
Classified as held-for-sale	(317,292)	(24,714)	(4,051)	(346,057)
As at 31 December 2014	67,350	95,945	3,958	167,253

The revaluation surplus or deficit of buildings, plant, machinery and office equipment and motor vehicles are recognised in the "revaluation of items of property, plant and equipment, net of tax" of consolidated statement of comprehensive income.

The Group has determined that the highest and best use of the buildings, plant, machinery and office equipment and motor vehicles at the measurement date is held for own use purpose, which does not differ from their actual use.

14. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Carrying amount at beginning of the year/period	**–**	91,432
Fair value adjustment	**–**	(1,155)
Classified as held-for-sale (note 25(c))	**–**	(90,277)
Carrying amount at end of the year/period	**–**	–

As at 31 December 2014, the Group's investment properties under the discontinued operations were revalued by an independent professionally qualified valuer, Stirling, which has appropriate qualifications and recent experiences in the valuation of similar assets.

14. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of investment properties

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period, categorised into three-level fair value hierarchy as defined in HKFRS13 *Fair Value Measurement*.

	Fair value measurement as at 31 December 2014 categorised into		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Investment properties			
Apartments in Hong Kong	–	20,922	–
Shops in the PRC	–	–	69,355
	–	20,922	69,355

During the period ended 31 December 2014, there were no transfers of fair value measurements between Level 1 and Level 2, or no transfers into or out of Level 3. The Group's policy was to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Valuation techniques and inputs in Level 2 fair value measurement*

The fair value of apartments in Hong Kong as at 31 December 2014 was determined using comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

(iii) *Information about Level 3 fair value measurement*

The decrease in fair value of investment properties were recognised in the consolidated income statement under discontinued operations for the period ended 31 December 2014.

The following table gives information about how the fair value of the Group's investment properties carried at fair value as at 31 December 2014 is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurement were categorised based on the degree to which the inputs to the fair value measurement was unobservable.

14. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of investment properties *(Continued)*

(iii) Information about Level 3 fair value measurement (Continued)

Properties	Location	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops in the PRC	Fujian	Investment method of valuation	Monthly rent	RMB46 per square metre	The higher the rental value, the higher the fair value
			Market yield	4% to 6%	The higher the market yield, the lower the fair value

The fair value of the shops located in the PRC as at 31 December 2014 was determined using investment method of valuation, which is based on capitalisation of the net income and with due regards to the reversionary income potential of the property interests.

The following table analyses the fair value measurement of investment properties using significant unobservable inputs (Level 3):

	Shops in the PRC HK$'000
As at 1 October 2013	69,922
Net loss from fair value measurement	
– Included in "Fair value change of investment properties"	(567)
Classified as held-for-sale	(69,355)
As at 31 December 2014	–

The Group had determined that the highest and best use of the investment properties at the measurement date would be to lease out, which did not differ from their actual use.

For the year ended 31 December 2015

15. INTANGIBLE ASSET

	Computer software HK$'000
Cost	
As at 1 October 2013	–
Acquired upon business combination (note 38)	111
As at 31 December 2014 and 1 January 2015	111
Exchange realignment	(6)
As at 31 December 2015	105
Accumulated amortisation	
As at 1 October 2013	–
Amortisation during the period	(31)
As at 31 December 2014 and 1 January 2015	(31)
Amortisation during the year	(45)
Exchange realignment	4
As at 31 December 2015	(72)
Net carrying amount	
As at 31 December 2015	**33**
As at 31 December 2014	80

For the year ended 31 December 2015

16. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at beginning of the year/period	**34,954**	69,139
Acquired upon business combination (note 38)	**–**	35,535
Addition for the year/period	**–**	7,329
Amortisation during the year/period	**(861)**	(3,033)
Classified as held-for-sale (note 25(c))	**–**	(74,016)
Exchange realignment	**(1,498)**	–
Carrying amount at end of the year/period	**32,595**	34,954
Current portion included in prepayments, deposits and other receivables	**(698)**	(737)
Non-current portion	**31,897**	34,217

As at 31 December 2015, certain prepaid land lease payments of the Group with a carrying amount of HK$25,553,000 (2014: HK$34,954,000) were pledged to secure banking facilities granted to the Group (note 29).

As at 31 December 2015, certain prepaid land lease payments of the Group with a carrying amount of HK$4,439,000 were frozen in relation to the litigation proceedings as mentioned in notes 46(i) and (ii).

17. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to two CGUs, comprising a subsidiary in PC steel bars business and a subsidiary in PHC piles and others businesses. The carrying amount of goodwill as at 31 December 2015 and 2014 allocated to these units are` as follows:

	PC steel bar HK$'000	**PHC piles and others** HK$'000	**Total** HK$'000
Cost			
As at 1 October 2013	–	–	–
Arising on business combination (note 38)	42,902	84,421	127,323
As at 31 December 2014, 1 January 2015 and 31 December 2015	42,902	84,421	127,323
Impairment			
As at 1 October 2014	–	–	–
Provision for impairment during the period	(42,902)	–	(42,902)
As at 31 December 2014, 1 January 2015 and 31 December 2015	(42,902)	–	(42,902)
Net carrying amount			
As at 31 December 2015	**–**	**84,421**	**84,421**
As at 31 December 2014	–	84,421	84,421

17. GOODWILL *(Continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

PC steel bar business

As at 31 December 2014, goodwill relating to the PC steel bar business of HK$42,902,000 was fully impaired as the significant losses incurred by this business and all impairment loss on goodwill was charged to the consolidated income statement.

The recoverable amount of this unit had been determined to be minimum (including working capital) based on a fair-value-less-costs-of-disposal calculation with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projections based on financial budgets approved by management. Cash flow beyond the projection period was extrapolated using an estimated growth rate of 3%. The post-tax rate used to discount the forecast cash flows is 14.48%.

The key basis and assumption used to determine the value assigned to the unoptimistic in the growth of revenue and deteriorate budgeted gross margins was the management's expectation of market development and future performance of this CGU. The discount rate used reflects specific risks relating to industries in relation to the respective CGU.

As at 31 December 2014, the recoverable amount was based on the fair-value-less-costs-of-disposal calculation determined by income approach using discounted cash flow projections. The fair-value-less-costs-of-disposal was classified as a Level 3 measurement.

PHC piles and others

The recoverable amount of this CGU has been determined, including working capital, based on a value-in-use (2014: fair-value-less-costs-of-disposal) calculation determined by income approach using discount cash flow projections with reference to a professional valuation performed by Peak Vision. That calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a three year period. Cash flow beyond the projection period is extrapolated using an estimated growth rate of 3% (2014: 3%). The pre-tax rate used to discount the forecast cash flows is 15.08% (2014: post-tax rate of 14.48%).

The key basis and assumption used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the CGU and the discount rate used reflects specific risks relating to industries in relation to the CGU.

As at 31 December 2014, the recoverable amount was based on the fair-value-less-costs-of-disposal calculation determined by income approach using discounted cash flow projections. The fair-value-less-costs-of-disposal was classified as a Level 3 measurement.

18. INTEREST IN A JOINT VENTURE

	2015 **HK$'000**	2014 HK$'000
Share of net assets	**–**	–

Particulars of the joint venture were as follows:

Name of entity	Place of incorporation	Class of share held	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities and place of operation
Taiwan Communication (Fujian) Company Limited	PRC	Registered capital of USD10,000,000	40%	–	40%	Manufacture and trading of telecommunication products

As at 31 December 2014, interest in a joint venture was classified as held-for-sale.

The movement in provision for impairment of interest in a joint venture was as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Balance at beginning of the year/period	**–**	–
Impairment losses recognised	**–**	1,274
Classified as assets held-for-sale	**–**	(1,274)
Balance at end of the year/period	**–**	–

As at 31 December 2014, a joint venture incurred a loss continually for recent year. Management of the Group carried out review on impairment on the carrying amount of its interest in a joint venture individually as a single asset. In determining the value in use of the investments, the Group estimated the present value of the estimated future cash flows expected to arise from the operations of the investments and from the ultimate disposal, by using discount rate of 12.6% to the cash flow projections. Management considered that the recoverable amount was significantly lower than its carrying amount. Accordingly, impairment losses of HK$1,274,000 was charged to consolidated income statement.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
Listed equity securities in Hong Kong, at fair value	–	1,037
Contingent consideration	13,695	43,452
Less: Provision for impairment loss of contingent consideration	(13,695)	–
	–	44,489

On 3 October 2013, the Company entered into a sale and purchase agreement (the "SPA") with a vendor, Mr. Xiao Guang Kevin (the "Vendor") and a guarantor, Mr. Wang Zhining (collectively the "Guarantors"), and for the acquisition of 100% equity interest of Joint Expert Global Limited (the "Joint Expert") and its subsidiaries (collectively referred to as "Target Group") as disclosed in note 38. Pursuant to the SPA, the Guarantors guaranteed to the Company that the net profit of Target Group as shown in the audited consolidated financial statement of Target Group for the financial years ending 31 December 2014, 2015 and 2016 with the net profit shall not be less than RMB30 million (the "Guaranteed Profit"). If the Guaranteed Profit could not be achieved, the Company could receive the deficient amount, which is equal to the difference between the Guaranteed Profit and the audited after-tax net profit, in cash.

The convertible notes with a principal amount of HK$100 million as disclosed in note 35 were pledged by the Vendor to the Company as collateral for the performance of profit guarantee. In the event that the Guarantors default in paying the deficient amount, the Group has the right to deduct the deficient amount from the pledged convertible notes.

At the acquisition date, the fair value of the contingent consideration of HK$52,067,000 was estimated by applying the income approach. The fair value estimated are based on a discount rate of 17.17% and assumed probability-adjusted profit of Joint Expert of HK$9,515,000 to HK$19,041,000 for the three years ending of 2014, 2015 and 2016. This is a level 3 fair value measurement. The key unobservable assumptions in calculating this profit are:

Assumption	Input
Sales (HK$'000)	452,982
Growth rate (%)	20%

As at 31 December 2014, there was a decrease in fair value of contingent consideration of HK$8,615,000 recognised in the consolidated income statement as the assumed probability-adjusted profit of Joint Expert was recalculated to be HK$56,786,000 to HK$80,325,000 for the years ending 2015 and 2016. This is a level 3 fair value measurement. The key unobservable assumptions in calculating this profit are:

Assumption	Input
Sales (HK$'000)	554,563
Growth rate (%)	13%

For the period ended 31 December 2014, significant increase in sale and growth rate of Joint Expert would result in the lower fair value of the profit guarantee. Assuming all other variables are held constant, if increase in growth rate by 1.5% each year would decrease the asset by a further HK$237,000.

As at 31 December 2015, the fair value of the contingent consideration was HK$13,695,000. There was a decrease in fair value of contingent consideration of HK$29,757,000 recognised in the consolidated income statement as the assumed probability-adjusted profit of Joint Expert was recalculated to be HK$ Nil to HK$46,783,000 for the year ending 31 December 2016. This is a level 3 fair value measurement. The key unobservable assumptions in calculating this profit are:

Assumption	Input
Sales (HK$'000)	329,876
Growth rate (%)	3%

For the year ended 31 December 2015, significant decrease in sale and growth rate of Joint Expert and time factor from 2 years to 1 year would result in the lower fair value of the contingent consideration. Assuming all other variables are held constant, if increase in growth rate by 3% would decrease the asset by a further HK$684,000.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

The Target Group generated a net profit of HK$27,529,000 (equivalent to RMB21,831,000) and suffered a net loss of HK$89,753,000 (equivalent to RMB72,091,000) for the years ended 31 December 2014 and 2015 respectively. As at 31 December 2015, the Group is entitled to receive a compensation of an aggregate amount of HK$132,198,000 (equivalent to RMB110,260,000) (the "Compensation") from the Guarantors. However, the Guarantors have not honoured the obligation of profit guarantee. As disclosed in the note 46(iv), the Company had filed a legal proceeding against the Guarantors for rescinding the acquisition of the Target Group. Up to date of this report, no conclusion in relation to the litigation has been reached. Notwithstanding, the Group holds the convertible notes of the Company as disclosed in note 35 as collateral over the Compensation. The directors of the Company are of the opinion that the legal dispute with the Guarantors indicate there are uncertainties as to the recoverability of the Compensation and contingent consideration. Therefore, the Group did not recognise the Compensation. The contingent consideration was also fully impaired and the impairment loss of HK$13,695,000 was charged to consolidated income statement for the year ended 31 December 2015.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 **HK$'000**	2014 HK$'000
Listed securities – held for trading – Equity securities – Hong Kong	**571**	–
Market value of listed securities	**571**	–

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains and other losses, net" in the consolidated income statement.

21. INVENTORIES

	2015 **HK$'000**	2014 HK$'000
Raw materials	**2,588**	6,165
Packing materials	**–**	808
Finished goods	**8,403**	15,262
	10,991	22,235

As at 31 December 2015, no inventory of the Group was pledged to secure banking facilities granted to the Group and certain inventories of the Group with no carrying amount (before the write-down with a carrying amount of HK$2,366,000) were frozen in relation to the litigation proceedings as disclosed in note 46(ii).

As at 31 December 2014, certain inventories of the Group with a carrying amount of HK$10,122,000 were pledged to secure banking facilities granted to the Group (note 29).

22. TRADE AND BILL RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables, gross	**157,808**	193,874
Less: provision for impairment loss	**(32,878)**	(27,322)
Trade receivables, net	**124,930**	166,552
Bill receivables	**–**	5,044
	124,930	171,596

(a) Ageing analysis

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three (2014: one to three) months from the date of billing, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk. Trade receivables are non-interest bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**56,028**	111,978
4 to 6 months	**30,398**	26,053
Over 6 months	**38,504**	28,521
	124,930	166,552

(b) Impairment of trade receivables

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

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Balance at beginning of the year/period	**27,322**	20,818
Acquired upon business combination (note 38)	**–**	6,871
Impairment losses recognised	**15,500**	54,674
Impairment losses reversed	**(8,192)**	(12,320)
Classified as assets held-for-sale	**–**	(42,721)
Exchange realignment	**(1,752)**	–
Balance at end of the year/period	**32,878**	27,322

22. TRADE AND BILL RECEIVABLES *(Continued)*

(b) **Impairment of trade receivables** *(Continued)*

Included in the above provision for impairment losses was a provision for individually impaired trade receivables of HK$15,500,000 (period ended 31 December 2014: HK$25,160,000) with an aggregate balance before provision of HK$15,500,000 (2014: HK$27,322,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers' the ongoing relationship with the Group and the ageing of those receivables. The Group does not hold any collateral over these balances.

(c) **Trade and bill receivables that are not impaired**

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 **HK$'000**	2014 HK$'000
Neither past due nor impaired	**20,974**	50,212
Within 3 months past due	**45,420**	66,025
4 to 6 months past due	**22,911**	22,134
Over 6 months past due	**35,625**	26,019
	124,930	164,390

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

(d) **Transferred financial assets that are not derecognised in their entirety**

As at 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the PRC (the "endorsed bills") with a carrying amount of HK$5,044,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such endorsed bills, and accordingly, it continued to recognise the full carrying amounts of the endorsed bills and the associated trade payables settled. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. The aggregate carrying amount of the trade payables settled by the endorsed bills during the year to which the suppliers have recourse was HK$5,044,000 as at 31 December 2014.

22. TRADE AND BILL RECEIVABLES *(Continued)*

(d) Transferred financial assets that are derecognised in their entirety *(Continued)*

As at 31 December 2015, the Group, endorsed certain bill receivables accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK$3,627,000 (2014: HK$12,161,000). The derecognised bills had a maturity of one to five months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills have a right of recourse against the Group if the PRC banks default (the "continuing involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the derecognised bills and the associated trade payables. The maximum exposure to loss from the Group's continuing involvement in the derecognised bills and the undiscounted cash flows to repurchase these derecognised bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the derecognised bills are not significant.

During the year ended 31 December 2015 and period ended 31 December 2014, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills. No gains or losses were recognised from the continuing involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

(e) Trade and bill receivables that are pledged

As at 31 December 2015, no trade and bill receivable is pledged to secure banking facilities granted to the Group.

As at 31 December 2014, certain trade and bill receivables with a carrying amount in aggregate of HK$5,044,000 were pledged to secure banking facilities granted to the Group (note 29).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Prepayments	**86,997**	78,786
Deposits paid (note (a))	**2,222**	5,917
Other receivables	**20,349**	58,371
Less: Provision for impairment loss (note (b))	**(74,212)**	(10,402)
	35,356	132,672

Notes:

(a) As at 31 December 2015, no deposit of the Group was pledged to secure banking facilities granted to the Group.

As at 31 December 2014, certain deposits of the Group with a carrying amount of HK$5,424,000 were pledged to secure banking facilities granted to the Group (note 29).

(b) Provision for impairment loss of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly.

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

The movement in provision for impairment loss on prepayments, deposits and other receivables are as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Balance at beginning of the year/period	**10,402**	9,244
Addition upon business combination (note 38)	**–**	10,384
Impairment losses recognised	**68,170**	7,312
Impairment losses reversed	**(1,059)**	–
Classified as asset held-for-sale	**–**	(16,538)
Exchange realignment	**(3,301)**	–
Balance at end of the year/period	**74,212**	10,402

As at 31 December 2015, the Group's other receivables with a carrying amount before provision of HK$11,032,000 (2014: HK$7,312,000) were individually determined to be fully impaired. The individually impaired receivables related to debtors that were in financial difficulties and overdue for more than one year and management assessed that the recovery of these receivables is in doubt.

In addition, during the year ended 31 December 2015, the Group appointed an independent professional advisor to perform an investigation on certain prepayments, deposits and other receivables of a subsidiary of the Group. Based on the findings of the investigation, certain prepayments may involve the possible commercial crime committed by two former directors of a subsidiary of the Group. The management assessed the recovery of these receivables is in doubt. As disclosed in note 46(v), the Company had filed a report to Zhuhai Public Security Bureau against the two former directors of a subsidiary of the Group. As at 31 December 2015, certain prepayments, deposits and other receivables with a carrying amount before provision of HK$57,138,000 were individually determined to be fully impaired.

Prepayment, deposits and other receivables, net of allowance of doubtful debts, are expected to be recovered or recognised as expense within one year.

24. CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2015 HK$'000	2014 HK$'000
Cash and cash equivalents in the consolidated statement of financial position	**22,802**	20,529
Less: Non-pledged time deposits with original maturity of over three months and within one year when acquired	**–**	(12,610)
Cash and cash equivalents in the consolidated statement of cash flows	**22,802**	7,919

As at 31 December 2015, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$4,632,000 (2014: HK$15,091,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interests at floating rates based on daily bank deposits rates.

(b) Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group (note 29). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

(c) Restricted bank deposits

As at 31 December 2015, a bank balance with a carrying amount of HK$367,000 is frozen in relation to the litigation proceedings as disclosed in note 46(i).

The bank balances, pledged deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default.

25. DISCONTINUED OPERATIONS

On 17 November 2014, the Group entered into a sale and purchase agreement with Feng Hao Holdings Limited (the "Purchaser"), pursuant to which, the Group agrees to dispose of its 100% entire interests in Sunway International (BVI) Holdings Limited and Sunway International Investment Holdings Limited and its subsidiaries for a consideration of HK$180,000,000. On 15 December 2014, the Group and the Purchaser have agreed to enter into a supplemental agreement to increase the consideration to HK$300,000,000. The Disposal Group was engaged in the design, development, manufacture and sale of a wide range of electronics and related components and parts and consumer electronic products in the PRC. The disposal of the Disposal Group was completed on 30 January 2015. As at 31 December 2014, the Disposal Group was classified as a disposal group held-for-sale whereas the financial performance of the Disposal Group for the year ended 31 December 2015 and period ended 31 December 2014 were presented as discontinued operations.

(a) Analysis of the results of discontinued operations and net cash flows of the Disposal Group are as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Revenue	**56,287**	769,946
Expenses	**(73,719)**	(1,075,465)
Loss before tax	**(17,432)**	(305,519)
Income tax expense	**(756)**	(4,853)
Loss after tax of discontinued operations	**(18,188)**	(310,372)
Gain on disposal of subsidiaries	**502,261**	–
Profit/(loss) for the year/period from discontinued operations	**484,073**	(310,372)
Operating cash (outflows)/inflows	**(85,968)**	15,636
Investing cash inflows/(outflows)	**389**	(53,472)
Financing cash outflows	**(66,330)**	(23,482)
Net cash outflows	**(151,909)**	(61,318)

25. DISCONTINUED OPERATIONS *(Continued)*

(b) The following table is the analysis of assets and liabilities relating to the Disposal Group have been classified as discontinued operation as at the disposal date.

	HK$'000
Assets	
Property, plant and equipment	367,907
Investment properties	90,277
Prepaid land lease payments	73,843
Deposits paid for acquisition of property, plant and equipment	731
Inventories	149,403
Trade receivables	159,309
Prepayments, deposits and other receivables	115,292
Pledged bank deposits	30,003
Time deposits	3,245
Cash and bank balances	28,983
Trade payables	(155,405)
Other payables, accruals and deposit received	(131,190)
Amount due to a director	(72,050)
Amount due to the Group's companies	(363,973)
Interest-bearing borrowings	(522,804)
Tax payables	(26,437)
Deferred tax liabilities	(63,231)
Provision for long service payment	(424)
Net liabilities disposed of	(316,521)
Gain on disposal of subsidiaries:	
Total consideration satisfied by cash	300,000
Net liabilities disposal of	316,521
Waiver of receivables from the Disposal Group	(363,973)
Release of exchange fluctuation reserve	249,713
	502,261
Net cash inflow arising on disposal	
Cash consideration	300,000
Less: Bank balances and cash disposal of	(28,983)
	271,017

25. DISCONTINUED OPERATIONS *(Continued)*

(c) As at 31 December 2014, the following major classes of assets and liabilities relating to the Disposal Group had been classified as held-for-sale in the Group's consolidated statement of financial position.

	Notes	HK$'000
Assets		
Property, plant and equipment	13	367,792
Investment properties	14	90,277
Prepaid land lease payments	16	74,016
Inventories		163,144
Trade receivables		141,631
Prepayments, deposits and other receivables		37,153
Pledged bank deposits		31,556
Cash and bank balances		52,227
Other assets		729
Total assets classified as held-for-sale		958,525
Liabilities		
Trade and other payables		274,250
Interest-bearing borrowings		456,430
Deferred tax liabilities	30	62,118
Provision for income tax		26,561
Other current liabilities		72,776
Total liabilities classified as held-for-sale		892,135
Foreign exchange translation		249,710
Surplus on revaluation of items of property, plant and equipment		179,070
Cumulative income recognised in other comprehensive income relating to the Disposal Group as held-for-sale		428,780

26. TRADE AND BILL PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**37,517**	68,768
Bill payables	**6,548**	36,063
	44,065	104,831

26. TRADE AND BILL PAYABLES *(Continued)*

The ageing analysis of the trade payables (based on invoice date) at the reporting date is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**15,949**	43,461
4 to 6 months	**9,985**	7,993
7 to 12 months	**7,249**	9,044
Over 1 year	**4,334**	8,270
	37,517	68,768

The trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 days (2014: 30 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

27. OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED

	2015 HK$'000	2014 HK$'000
Other payables and accruals	**29,017**	19,976
Deposits received from customers	**9,760**	8,900
	38,777	28,876

28. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The balance is unsecured, interest-free and repayable on demand.

29. INTEREST-BEARING BORROWINGS

	2015		2014	
	Maturity	**HK$'000**	Maturity	HK$'000
Bank borrowings, secured	**2016–2018**	**45,671**	2015–2016	141,219

29. INTEREST-BEARING BORROWINGS *(Continued)*

The current and non-current bank borrowings were scheduled to repay as follows:

	2015 HK$'000	2014 HK$'000
Analysed into:		
On demand or within one year	**27,164**	112,216
More than one year, but not exceeding two years	**18,507**	29,003
	45,671	141,219

Included in the Group's interest-bearing borrowings as at 31 December 2015 were variable-rate bank borrowings of HK$45,671,000 (2014: HK$114,109,000), which carried interest at interest rate set by The People's Bank of China plus certain basis points and thus were subject to cash flow interest risk. As at 31 December 2014, the Group's fixed-rate bank borrowings of HK$27,110,000 carried interest at interest rates ranging from 7.56% to 18% per annum.

The range of interest rates per annum at the end of the reporting period on the interest-bearing borrowings of the Group was as follows:

	2015 %	2014 %
Banks borrowings		
Variable-rate borrowings	**4.79–8.40**	2.16–11.04
Fixed-rate borrowings	**–**	7.56–18

The amounts due are based on the scheduled repayment dates set out in the borrowing agreements and no repayment on demand clause contained.

The Group pledged certain assets to secure the banking facilities and bank borrowings. The carrying amounts of these pledged assets at the end of the reporting period were as follows:

	Notes	**2015 HK$'000**	2014 HK$'000
Leasehold land and building	13	**56,225**	67,350
Plant and machinery	13	**9,683**	18,471
Prepaid land lease payments	16	**25,553**	34,954
Inventories	21	**–**	10,122
Trade receivables	22	**–**	5,044
Other receivables	23	**–**	5,424
Bank deposits	24(b)	**1,313**	7,485

Certain of the Group's borrowings were also secured by corporate guarantee executed by a related company of a subsidiary of the Group; personal guarantee executed by the directors of a subsidiary of the Group; and guarantee executed by non-controlling shareholder of a subsidiary of the Group (note 41 (b)).

30. DEFERRED TAX

The movement in deferred income tax assets and liabilities during the year/period is as follows:

Deferred tax assets	Unrealised profit on intercompany transaction HK$'000	Provision for impairment of trade receivables HK$'000	Provision for impairment of inventories HK$'000	Provision for impairment of other receivables HK$'000	Provision for impairment of property, plant and equipment HK$'000	Total HK$'000
As at 1 October 2013	–	–	–	–	–	–
Addition upon business combination (note 38)	264	1,702	38	2,023	–	4,027
(Charged)/Credited to the consolidated income statement	(264)	452	–	5	–	193
As at 31 December 2014 and 1 January 2015	–	2,154	38	2,028	–	4,220
Credited/(Charged) to the consolidated income statement	–	832	–	(52)	1,411	2,191
Exchange realignment	–	(149)	(2)	(106)	(6)	(263)
As at 31 December 2015	**–**	**2,837**	**36**	**1,870**	**1,405**	**6,148**

Deferred tax liabilities	Fair value changes of investment property HK$'000	Revaluation of property, plant and equipment HK$'000	Total HK$'000
As at 1 October 2013	7,567	51,819	59,386
Addition upon business combination (note 38)	–	5,390	5,390
Credited to the consolidated income statement	(142)	(519)	(661)
Charged to consolidated other comprehensive income	–	4,219	4,219
Classified as liabilities held-for-sale (note 25(c))	(7,425)	(54,693)	(62,118)
As at 31 December 2014 and 1 January 2015	–	6,216	6,216
Credited to the consolidated income statement	–	(588)	(588)
Charged to consolidated other comprehensive income	–	993	993
As at 31 December 2015	**–**	**6,621**	**6,621**

30. DEFERRED TAX *(Continued)*

As at 31 December 2015, the Group had tax losses arising in Hong Kong of HK$39,828,000 (2014: HK$24,996,000) that are available indefinitely for offsetting against future taxable profits of companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

As at 31 December 2015, there was no significant unrecognised deferred tax liabilities (2014: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

31. PROVISION FOR LONG SERVICE PAYMENT

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Balance at beginning of the year/period	**210**	689
Reversal of provision	**(184)**	(88)
Classified as liabilities held-for-sale	**–**	(391)
Balance at end of the year/period	**26**	210

32. OTHER PAYABLE

On 2 May 2014, the Company issued HK$150,000,000 post-dated cheque in connection with the acquisition of Joint Expert as disclosed in note 38. The post-dated cheque would be matured on 2 November 2015. At the issued date, the fair value of post-dated cheque was HK$129,258,000 by applying the discounted cash flow at a discount rate of 10.40%. On 2 December 2014, the Company revised the maturity date of the post-dated cheque to 30 June 2016 and reassessed the fair value. Decrease in the fair value of HK$8,943,000 was recognised as other gains and losses, net in the consolidated income statement.

During the year ended 31 December 2015, the Company early settled the other payable of HK$150,000,000 and the loss on extinguishment of other payable of HK$19,575,000 was recognised as other gains and losses, net in the consolidated income statement.

The movement in the other payable during the year/period is as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Balance at beginning of the year/period	**129,089**	–
Arising on business combination (note 38)	**–**	129,258
Charged to consolidated income statement:		
– imputed interest expenses (note 7)	**1,336**	8,774
– fair value change (note 6)	**–**	(8,943)
– loss on extinguishment (note 6)	**19,575**	–
Repayment	**(150,000)**	–
Balance at end of the year/period	**–**	129,089

33. PROMISSORY NOTE

On 2 May 2014, the Company issued HK$100,000,000 promissory note in connection with the acquisition of Joint Expert as disclosed in note 38. The promissory note will be matured on 2 May 2017. The promissory note carried zero interest rate per annum. The Company may, at its option, make early repayment before the maturity date without penalty.

During the year ended 31 December 2015, the Company early settled the promissory note at a consideration of HK$77,000,000 and the gain on extinguishment of promissory note of HK$2,490,000 was recognised as other gains and losses, net in the consolidated income statement.

The movement in the promissory note during the year/period is as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Balance at beginning of the year/period	**78,559**	–
Arising on business combination (note 38)	**–**	73,325
Charged to consolidated income statement:		
– imputed interest expenses (note 7)	**931**	5,234
– gain on extinguishment (note 6)	**(2,490)**	–
Repayment	**(77,000)**	–
Balance at end of the year/period	**–**	78,559

34. SHARE CAPITAL

	2015 HK$'000	2014 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000

	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Issued and fully paid:		
As at 1 October 2013	1,016,001,301	101,600
Exercise of share options (note (a))	18,300,000	1,830
Conversion of convertible notes (note (c))	399,999,998	40,000
As at 31 December 2014 and 1 January 2015	1,434,301,299	143,430
Exercise of share options (note (a))	20,500,000	2,050
Issue of shares (note (b))	290,960,000	29,096
As at 31 December 2015	1,745,761,299	174,576

Notes:

(a) During the year ended 31 December 2015, exercise of share options resulted in 20,500,000 (2014: 18,300,000) shares being issued at a weighted average price of HK$0.19 per share. The related weighted average share price at the time of exercise was HK$0.6 (2014: HK$0.37) per share.

(b) Pursuant to the placing agreement entered into on 10 July 2015, the Company has issued 290,960,000 ordinary shares at a placing price of HK$0.335 per share on 28 July 2015.

(c) During the period ended 31 December 2014, the convertible notes of the Company with an aggregate principal amount of approximately HK$120,000,000 were converted into 399,999,998 shares of the Company of HK$0.1 per share at a conversion price of HK$0.3 per share (note 35).

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets. Details of the Company's share option scheme and the share options issued under the scheme are included in note 37.

35. CONVERTIBLE NOTES

On 2 May 2014, the Company issued the convertible notes with an aggregate amount of HK$300,000,000 in connection with the acquisition of Joint Expert as stated in note 38. The convertible notes are denominated in HK$. The convertible notes carried zero interest rate per annum and will be matured on 28 April 2017.

The convertible note holders are entitled to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK$0.3 per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible notes) at any time during the period commencing from the date of issuance of the convertible notes to the maturity date. On maturity date, any convertible notes not being redeemed or converted shall be automatically converted into conversion shares at the conversion price subject to compliance with the listing rules.

The Company has the right to early redeem the convertible notes before the maturity date.

As the convertible notes have no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition of financial liabilities under HKAS 32. As a result, the whole instrument was classified as equity.

As disclosed in note 34(c), during the period ended 31 December 2014, the convertible notes of the Company with an aggregate principal amount of HK$120,000,000 were converted into the shares.

During the year ended 31 December 2015, the Company redeemed the convertible notes with an aggregate principal amount of HK$50,000,000 at a consideration of HK$35,000,000.

As at 31 December 2015, the convertible notes of the Company with an aggregate principal amount of HK$130,000,000 (2014: HK$180,000,000) were still outstanding.

As at 31 December 2014 and 2015, the convertible notes of the Company with an aggregate principal amount of HK$100,000,000 (with a carrying amount of HK$41,998,000) were pledged by the Vendor of the Company as collateral for the performance of profit guarantee as disclosed in note 19.

The movement in the equity component of the convertible notes is as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Balance at beginning of the year/period	**75,595**	–
At date of issuance	**–**	125,992
Conversion of convertible notes into ordinary shares		
– Transfer to share capital (note 34 (c))	**–**	(40,000)
– Transfer to share premium	**–**	(10,397)
Redemption	**(20,998)**	
Balance at end of the year/period	**54,597**	75,595

36. RESERVES

(a) Share premium account and capital redemption reserve

The application of the share premium account and capital redemption reserve are governed by Section 40 of the Companies Act 1981 of Bermuda ("Companies Act").

(b) Contributed surplus

The contributed surplus of the Group represents the difference between the aggregate of the nominal values of the shares of the subsidiaries acquired at the date of acquisition, over the nominal value of the shares of the Company issued in exchange thereof and issued on incorporation.

In addition to the retained earning, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(c) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to participants recognised in accordance with accounting policy set out in note 2.

(d) Asset revaluation reserve

The asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property, plant and equipment in note 2.

(e) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.

(f) PRC statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the subsidiaries established in Mainland China, it is required to appropriate 10% of the profit arrived at in accordance with the PRC accounting standards for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the respective entity. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in-capital.

(g) Available-for-sale financial assets revaluation reserve

The available-for-sale financial assets revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2.

37. SHARE OPTION SCHEME

Share Option Scheme adopted on 25 February 2003 (the "Option Scheme")

The Option Scheme was adopted on 25 February 2003. The purpose of the Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the Group, and to enable the Group to recruit and retain high calibre professionals, executives and employees who are instrumental to the growth of the Group. Eligible participants of the Option Scheme include the directors (including executive directors and non-executive directors), employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, joint venture partner or business alliance of the Group and shareholders of the Group. The Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from the date of the offer for grant of the option.

The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be granted under the Option Scheme and other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Group in issue as at the date of adopting the Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted under the Option Scheme and other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

Share options granted under the Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also a grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

A share option may be accepted by a participant within 21 days from the date of the offer of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the Option Scheme, and commences from the date of acceptance of the offer of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the higher of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer, which must be a business day; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer, which must be a business day; and (3) the nominal value of the Company's shares. A nominal consideration of HK$1 is payable on acceptance of the offer of an option. Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

37. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 25 February 2003 (the "Option Scheme") *(Continued)*

Each option gives the holder the right to subscribe for one ordinary share in the Company.

On 2 November 2009, the Company granted options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK$0.1 per share each on or before 1 November 2019. As at 31 December 2014, the number of shares in respect of which options had been granted under the Option Scheme was 51,000,000, representing 3.7% of the shares of the Company in issue at that date. The options outstanding had a weighted average remaining contractual life of 5 years.

During the year ended 31 December 2015, all outstanding share options were lapsed.

The following table discloses movement of the Company's share options under the Option Scheme held by employees and directors during the year:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding as at 1 October 2013	Lapsed during the period	Exercised during the period	Outstanding as at 31 December 2014	Lapsed during the year	Exercised during the year	Outstanding as at 31 December 2015
Executive Directors	2.11.2009	Immediate	2.11.2009–1.11.2019	0.19	4,500,000	–	–	4,500,000	(4,000,000)	(500,000)	–
		2.11.2009–1.11.2010	2.11.2010–1.11.2019	0.19	4,500,000	–	–	4,500,000	(4,000,000)	(500,000)	–
		2.11.2010–1.11.2011	2.11.2011–1.11.2019	0.19	4,500,000	–	–	4,500,000	(4,000,000)	(500,000)	–
		2.11.2011–1.11.2012	2.11.2012–1.11.2019	0.19	4,500,000	–	–	4,500,000	(4,000,000)	(500,000)	–
		2.11.2012–1.11.2013	2.11.2013–1.11.2019	0.19	4,500,000	–	–	4,500,000	(4,000,000)	(500,000)	–
Non-Executive Director	2.11.2009	Immediate	2.11.2009–1.11.2019	0.19	2,000,000	–	–	2,000,000	–	(2,000,000)	–
		2.11.2009–1.11.2010	2.11.2010–1.11.2019	0.19	2,000,000	–	–	2,000,000	–	(2,000,000)	–
		2.11.2010–1.11.2011	2.11.2011–1.11.2019	0.19	2,000,000	–	–	2,000,000	–	(2,000,000)	–
		2.11.2011–1.11.2012	2.11.2012–1.11.2019	0.19	2,000,000	–	–	2,000,000	–	(2,000,000)	–
		2.11.2012–1.11.2013	2.11.2013–1.11.2019	0.19	2,000,000	–	–	2,000,000	–	(2,000,000)	–
Independent Non-Executive Director	2.11.2009	Immediate	2.11.2009–1.11.2019	0.19	1,500,000	–	–	1,500,000	–	(1,500,000)	–
		2.11.2009–1.11.2010	2.11.2010–1.11.2019	0.19	1,500,000	–	–	1,500,000	–	(1,500,000)	–
		2.11.2010–1.11.2011	2.11.2011–1.11.2019	0.19	1,500,000	–	–	1,500,000	–	(1,500,000)	–
		2.11.2011–1.11.2012	2.11.2012–1.11.2019	0.19	1,500,000	–	–	1,500,000	–	(1,500,000)	–
		2.11.2012–1.11.2013	2.11.2013–1.11.2019	0.19	500,000	–	–	500,000	–	(500,000)	–
Associate of a Director	2.11.2009	Immediate	2.11.2009–1.11.2019	0.19	2,000,000	–	–	2,000,000	(2,000,000)	–	–
		2.11.2009–1.11.2010	2.11.2010–1.11.2019	0.19	2,000,000	–	–	2,000,000	(2,000,000)	–	–
		2.11.2010–1.11.2011	2.11.2011–1.11.2019	0.19	2,000,000	–	–	2,000,000	(2,000,000)	–	–
		2.11.2011–1.11.2012	2.11.2012–1.11.2019	0.19	2,000,000	–	–	2,000,000	(2,000,000)	–	–
		2.11.2012–1.11.2013	2.11.2013–1.11.2019	0.19	2,000,000	–	–	2,000,000	(2,000,000)	–	–
Employees	2.11.2009	Immediate	2.11.2009–1.11.2019	0.19	5,460,000	(1,400,000)	(3,660,000)	400,000	(100,000)	(300,000)	–
		2.11.2009–1.11.2010	2.11.2010–1.11.2019	0.19	5,460,000	(1,400,000)	(3,660,000)	400,000	(100,000)	(300,000)	–
		2.11.2010–1.11.2011	2.11.2011–1.11.2019	0.19	5,460,000	(1,400,000)	(3,660,000)	400,000	(100,000)	(300,000)	–
		2.11.2011–1.11.2012	2.11.2012–1.11.2019	0.19	5,460,000	(1,400,000)	(3,660,000)	400,000	(100,000)	(300,000)	–
		2.11.2012–1.11.2013	2.11.2013–1.11.2019	0.19	5,460,000	(1,400,000)	(3,660,000)	400,000	(100,000)	(300,000)	–
					76,300,000	(7,000,000)	(18,300,000)	51,000,000	(30,500,000)	(20,500,000)	–

37. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 25 February 2003 (the "Option Scheme") *(Continued)*

The share options were granted on 2 November 2009. The closing price of the Company's shares immediately before the date of grant of the options was HK$0.19 and the estimated fair values of the shares under options at the date of grant ranged from HK$0.1114 to HK$0.1124 per share. These fair values were calculated using the Binomial Option Pricing Model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

Inputs into the model

Closing share price at date of grant	HK$0.19
Exercise price	HK$0.19
Expected volatility	85.93%
Expected option life	5 years
Expected dividend yield	3.3%
Risk-free interest rate	1.7%

The variables and assumptions used above are based on the best estimate of an independent firm of professional valuer, LCH (Asia-Pacific) Surveyors Limited. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

During the year ended 31 December 2015, the Group did not recognise any equity-settled share option expense (period ended 31 December 2014: HK$1,619,000) in relation to the share options granted by the Company.

38. BUSINESS COMBINATION

On 2 May 2014, the Group acquired 100% equity interest in Joint Expert and its subsidiaries from an independent third party at a consideration of HK$550,000,000 (the "Acquisition").

The subsidiaries of Joint Expert are as follows:

	Percentage of ownership interest acquired by the Company
Royal Asia International Limited	100%
Zhuhai Hoston Special Materials Co., Ltd. ("Zhuhai Hoston")	95%
Guangdong Hengjia Building Materials Co., Ltd. ("Guangdong Hengjia")	66.5%

Upon completion of the Acquisition, Joint Expert became indirectly wholly-owned by the Company and the sole director of Joint Expert is a director of the Company, as such the Company has a right to control Joint Expert. As a result, the Acquisition was treated as a business combination under HKFRS 3 (Revised) *Business Combinations*.

38. BUSINESS COMBINATION *(Continued)*

The principal activities of Joint Expert are Construction Material Businesses as defined in note 1. The acquisition was made with the aims to diversity the Group's business.

The fair value of identifiable assets and liabilities of Joint Expert at the date of acquisition were:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	13	177,137
Land use rights	16	35,535
Intangible assets	15	111
Deferred tax assets	30	4,027
Inventories		39,036
Trade and bill receivables (note (a))		142,374
Prepayment, deposit and other receivables (note (a))		150,026
Pledged bank deposit		5,773
Cash and bank balances		5,095
Interest-bearing borrowings		(123,176)
Trade and bill payables		(105,512)
Other payables, accruals and deposit received		(41,747)
Amount due to a non-controlling shareholder		(71,194)
Tax payable		(15,514)
Deferred tax liabilities	30	(5,390)
Non-controlling interests (note (b))		(47,396)
		149,185
Goodwill arising on acquisition	17	127,323
		276,508
Satisfied by:		
Other payable	32	129,258
Promissory note	33	73,325
Convertible notes	35	125,992
Contingent consideration		(52,067)
		276,508
Net cash inflow arising on acquisition:		
Cash consideration paid (note (c))		–
Cash and bank balances		5,095
		5,095

38. BUSINESS COMBINATION *(Continued)*

Notes:

(a) The fair value of trade and bill receivables and prepayment, deposit and other receivables are HK$142,374,000 and HK$150,026,000 respectively. The gross contractual amount of trade and bill receivables and prepayment, deposit and other receivables due in HK$149,245,000 and HK$160,410,000 respectively, of which HK$6,871,000 and HK$10,384,000 are expected to be uncollectible respectively.

(b) The measurement basis for that amount is at the non-controlling interest's proportionate share of the fair value of identifiable assets and liabilities of Joint Expert and its subsidiaries.

(c) None of the cash consideration was paid as at 31 December 2014. Originally, the cash consideration would be due on 1 November 2015. On 2 December 2014, the Company and the seller agreed to delay the settlement to 30 June 2016.

The above consideration transferred included a performance-based contingent consideration. Details of the valuation process and valuation technique are disclosed on note 19.

Since the acquisition date, the operation of Joint Expert has contributed HK$305,048,000 and HK$810,000 to Group's revenue and net loss. If the acquisition had occurred on 1 October 2013, the Group revenue and profit from continuing operations would have been HK$602,955,000 and HK$81,008,000 respectively for the period ended 31 December 2014.

The acquisition-related costs of HK$3,890,000 had been expensed and were included in administrative expenses in the consolidated income statements for the period ended 31 December 2014.

39. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for one to three (2014: one) years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**4,548**	101
In the second to fifth year, inclusive	**6,410**	–
	10,958	101

For the year ended 31 December 2015

40. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Acquisition of a subsidiary	**4,000**	–
Acquisition of property, plant and equipment	**–**	2,735
Acquisition of land use right	**–**	9,726
	4,000	12,461

41. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties, save as disclosed elsewhere in the consolidated financial statements, are as follows:

(a) Compensation of key management personnel of the Group

The directors of the Company are the key management personnel of the Group. Details of the directors' emoluments during the year/period are as follows:

	Year ended 31 December 2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
Fees	**934**	1,240
Salaries and allowances	**4,649**	7,634
Pension scheme contributions	**79**	71
Share-based payments	**–**	784
	5,662	9,729

(b) Guarantees provided by related parties

	2015 HK$'000	2014 HK$'000
Guarantees of interest-bearing borrowings provided by:		
Directors and shareholders of a subsidiary	**45,671**	103,389
A related company of a subsidiary	**45,671**	53,908
A non-controlling shareholder of a subsidiary	**45,671**	53,908

For the year ended 31 December 2015

42. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts (which include borrowings) and equity attributable to owners of the Company, comprising issued share capital and reserves. The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2015 and 2014 was as follows:

	2015 **HK$'000**	2014 HK$'000
Debt (note (a))	**143,226**	578,715
Equity (note (b))	**307,900**	187,893
Debt to equity ratio	**47%**	308%

Notes:

(a) Debt comprises the current liabilities and non-current liabilities from continuing operations.

(b) Equity includes all capital, reserves and accumulated losses of the Group.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**571**	–
Available-for-sale financial assets:		
Listed equity securities	**–**	1,037
Contingent consideration	**–**	43,452
Loans and receivables:		
Trade and bill receivables	**124,930**	171,596
Deposits and other receivables	**18,982**	61,941
Restricted bank deposits	**367**	–
Pledged bank deposits	**1,313**	7,485
Bank and cash equivalents	**22,802**	20,529
	168,965	306,040
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and bill payables	**44,065**	104,831
Other payables and accruals	**29,017**	149,065
Amount due to a non-controlling shareholder	**1,258**	80,399
Interest-bearing and other borrowings	**45,671**	141,219
Promissory note	**–**	78,559
Provision for long service payment	**26**	210
	120,037	554,283

The Group is exposed to a variety of financial risks including foreign currency risk, interest rate risk, other price risks, credit risk and liquidity risk, which result from both its operating and financing activities.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk

The Group's businesses are principally conducted in Hong Kong and the PRC. The majority of assets and liabilities are denominated in HK$ and RMB.

(i) Exposure to currency risk

Certain trade and bills receivables, other receivables and deposits, cash and cash equivalents, restricted bank deposits, pledged bank deposits, trade and bills payables, other payables and accruals and interest-bearing borrowings of the Group are denominated in currencies other than the functional currency of the group entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2015 **HK$'000**	2014 HK$'000
Net monetary assets/(liabilities)		
RMB	**28,737**	(86,061)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	Decrease in loss after tax and accumulated loss	
	2015 **HK$'000**	2014 HK$'000
Functional currency appreciated by 5% (2014: 5%)		
RMB	**1,086**	213

A 5% depreciation in the functional currencies of the Company and the respective group companies against respective foreign currencies would have the same magnitude on profit but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and also by way of forward currency contracts where necessary.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings.

(i) Interest rate profile

The following table details the interest rate profile of the Group's variable-rate borrowings at the end of the reporting period:

	2015		2014	
	Contractual interest rate (%)	**HK$'000**	Contractual interest rate (%)	HK$'000
Variable rate borrowings:				
Bank borrowings	**4.79–8.40**	**45,671**	2.16–11.04	114,109

The Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measure in future as may be necessary.

(ii) Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both bank deposits and borrowings at the end of the reporting period. For bank deposits and variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding and the bank deposits at the end of the reporting period were outstanding for the whole year. A 50 basis points increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	(Decrease)/increase in loss after tax and accumulated loss	
	2015 HK$'000	2014 HK$'000
Interest rate decreased by 0.5% (2014: 0.5%)	**(171)**	(478)
Interest rate increased by 0.5% (2014: 0.5%)	**171**	478

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis was performed on the same basis for the prior year.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Other price risks

The Group is exposed to equity price risk arising from available-for-sale financial assets and financial assets at fair value through profit or loss. Management manages this exposure by closely monitor with the price risk and will consider hedging the risk exposure should the need arise. Management's best estimate of the effect on the Group's loss after tax and other components of equity due to a reasonably possible change in the relevant underlying stock price, with all other variables held constant, at the end of the reporting period is as follows (the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2015		2014	
	Decrease/ (increase) in loss after tax and accumulated loss HK$'000	**Increase/ (decrease) in available-for-sale financial assets revaluation reserve HK$'000**	Decrease/ (increase) in loss after tax and accumulated loss HK$'000	Increase/ (decrease) in available-for-sale financial assets revaluation reserve HK$'000
Underlying stock price				
+10%	**57**	**–**	–	104
–10%	**(57)**	**–**	–	(104)

(d) Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2015, 8.7% (2014: 11%) of the total trade receivables was due from the Group's largest customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

	2015					2014				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bill payables	44,065	–	–	–	44,065	104,831	–	–	–	104,831
Other payables and accruals	29,017	–	–	–	29,017	29,087	–	–	–	29,087
Amount due to a non-controlling shareholder	1,258	–	–	–	1,258	80,399	–	–	–	80,399
Interest-bearing borrowings	29,459	20,760	–	–	50,219	116,560	29,848	–	–	146,408
Other payable	–	–	–	–	–	–	150,000	–	–	150,000
Promissory note	–	–	–	–	–	–	–	100,000	–	100,000
Provision for long service payment	–	–	–	26	26	–	–	–	210	210
	103,799	20,760	–	26	124,585	330,877	179,848	100,000	210	610,935

(f) Fair value measurement

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is unobservable.

– Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

– Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Fair value measurement *(Continued)*

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Financial assets at fair value through profit or loss, listed equity security	**571**	**–**	**–**	**571**

	2014			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Available-for-sale financial assets				
– Listed equity securities	1,037	–	–	1,037
– Contingent consideration	–	–	43,452	43,452
	1,037	–	43,452	44,489

There was no transfer between instruments in Level 1 and Level 2, any transfer in, out of level 3 during the current year and prior year.

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

Except for the available-for-sale financial assets and the financial assets at FVTPL, the Group classifies all its financial assets and financial liabilities as loans and receivables and financial liabilities at amortised cost respectively.

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

44. SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name	Country/Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
First Billion Global Limited	The BVI	1 ordinary share of US$1	100% (2014: 100%)	100% (2014: 100%)	–	Investment holding
Joint Expert Global Limited	The BVI	1 ordinary share of US$1	100% (2014: 100%)	–	100% (2014: 100%)	Investment holding
Royal Asia International Limited	Hong Kong	1,000,000 ordinary shares	100% (2014: 100%)	–	100% (2014: 100%)	Investment holding
Zhuhai Hoston*	PRC	HK$58,469,497	95% (2014: 95%)	–	95% (2014: 95%)	Manufacturing and sale of PC steel bars.
Guangdong Hengjia#	PRC	HK$58,665,800	66.5% (2014: 66.5%)	–	70% (2014: 70%)	Manufacturing and trading of PHC piles, ready-mixed concrete, sand lime bricks, aerated concrete products and eco-permeable concrete products.
Palestine Global Limited^	The BVI	1 ordinary share of US$1	100%	100%	–	Investment holding
Topping Gain International Limited^	Hong Kong	1 ordinary share	100%	–	100%	Not yet commenced
Grand Insight Global Limited^	The BVI	50,000 ordinary share of US$1	100%	100%	–	Investment holding
Sunway Financial Management Limited^	Hong Kong	2,000,000 ordinary shares	100%	–	100%	Money lending
Sunway International Group Limited^	The BVI	50,000 ordinary share of US$1	100%	100%	–	Investment holding
Sunway International Management Limited^	Hong Kong	2,000,000 ordinary shares	100%	–	100%	Providing management services
Top Margin Group Limited^	The BVI	1 ordinary share of US$1	100%	100%	–	Investment holding
Sunway New Energy Industry Group Limited^	The BVI	50,000 ordinary share of US$1	100%	100%	–	Investment holding
Sunway New Energy Industry Investment Limited^	Hong Kong	10,000,000 ordinary shares	100%	–	100%	Not yet commenced

* The company is registered as a wholly-foreign owned enterprise under the PRC law.

The Group's equity interest of Guangdong Hengjia was frozen in relation to the litigation proceedings as mentioned in note 46(i).

^ The companies are newly incorporated in 2015.

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

45. NON-CONTROLLING INTERESTS

The following table list out the information relating to Zhuhai Hoston and Guangdong Hengjia, the subsidiaries of the Group which has material non-controlling interests (the "NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	Zhuhai Hoston		Guangdong Hengjia	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
NCI percentage	**5%**	5%	**33.5%**	33.5%
Current assets	**2,580**	126,803	**220,803**	225,040
Non-current assets	**60,525**	75,608	**148,501**	185,300
Current liabilities	**(103,608)**	(132,788)	**(157,682)**	(201,693)
Non-current liabilities	**(312)**	(31)	**(24,816)**	(35,189)
Net assets	**(40,815)**	69,592	**186,806**	173,458
Carrying amount of NCI	**(2,028)**	1,456	**62,580**	52,030
Revenue	**17,185**	61,105	**329,876**	243,943
(Loss)/profit for the year/ period	**(112,815)**	(63,446)	**19,675**	20,973
Total comprehensive income	**(112,772)**	(20,912)	**22,774**	24,008
Profit allocated to NCI	**(3,497)**	(1,046)	**10,550**	8,043
Operating cash (outflows)/inflows	**(18,164)**	(8,204)	**13,091**	2,131
Investing cash inflows/(outflows)	**6,401**	(2,450)	**(942)**	497
Financing cash (outflows)/inflows	**(14,464)**	23,718	**(5,603)**	(5,675)
Net cash (outflows)/inflows	**(26,227)**	13,064	**6,546**	(3,047)

46. LEGAL PROCEEDINGS

During the year and up to the date of this report, the Group has been involved in the following legal proceedings.

The Company/its subsidiary as the defendant

(i) During the year ended 31 December 2015, certain vendors of the Group filed the lawauits in the courts in the PRC against Zhuhai Hoston to demand immediate repayment of overdue trading debts and late penalty charge. According to the courts judgements, Zhuhai Hoston was ordered to pay the trading debt with an aggregate amount of HK$3,989,000 (equivalent to RMB3,341,000) together with the late penalty charges with an aggregate amount of HK$3,055,000 (equivalent to RMB2,559,000) and legal cost with an aggregate amount of HK$433,000 (equivalent to RMB363,000).

Certain property, plant and machineries, land use right, inventories, bank deposit of Zhuhai Hoston and 70% of equity interest of its subsidiary, Guangdong Hengjia Building Material Co., Ltd ("Guangdong Hengjia") (for an aggregate amount up to the extent of HK$4,560,000 (equivalent to RMB3,819,000)) were frozen in this regards.

As a result of foregoing, the Group recorded late penalty charge of HK$3,055,000 (equivalent to RMB2,559,000) and legal cost HK$433,000 (equivalent to RMB363,000)in the consolidated income statement for the year ended 31 December 2015.

46. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(i) *(Continued)*

As at date of this report, the payable of the trading debts of HK$3,989,000 (equivalent to RMB3,341,000), late penalty charge of HK$3,055,000 (equivalent to RMB2,559,000) and legal cost of HK$220,890 (equivalent to RMB185,000)has not been settled.

(ii) On 19 November 2014, Zhuhai Small & Medium Enterprises Financing Guarantee Co. Ltd (the "Financing Guarantor") provided financing guarantee for Zhuhai Hoston, a subsidiary of the Group to obtain a bank borrowing of RMB10,000,000 from China Construction Bank, Zhuhai Branch (中國建設銀行股份有限公司珠海分行) ("CCB Zhuhai Branch"). As Zhuhai Hoston defaulted its repayment of the bank borrowing, the Financing Guarantor honored its obligation of repayment of bank borrowing on behalf of Zhuhai Hoston. On 7 November 2015 and 23 November 2015, the Financing Guarantor filed two lawsuits in Zhuhai Xiangzhou People's Court (珠海市香洲區人民法院) against Zhuhai Hoston to demand immediate repayment of the principal and interest charges of the bank borrowing with an aggregate amount of HK$10,929,000 (equivalent to RMB9,153,000) and late penalty charge calculated by using the rate of 2% per annum from 23 September 2015 to the date hereof and thereafter at judgement rate until payment after the deduction of secured cash deposit.

According to the judgment dated 27 November 2015, all properties and land use right held by Zhuhai Hoston were frozen for 3 years and all production lines, machinery and inventories held by Zhuhai Hoston were frozen for 2 years (for an aggregate amount up to the extent of HK$10,388,000 (equivalent to RMB8,700,000)).

According to the judgement dated 26 March 2016, Zhuhai Hoston was ordered to pay the abovesaid overdue amount, late penalty change and legal cost.

As a result of foregoing, the Group recorded the late penalty charges of HK$904,000 (equivalent to RMB757,000) and legal cost of HK$60,000 (equivalent to RMB50,000) in the consolidated income statement up to for the year ended 31 December 2015.

Up to date of this report, the payable to the Financing Guarantor amounting to HK$10,929,000 (equivalent to RMB9,153,000), late penalty charge of HK$904,000 (equivalent to RMB757,000) and legal cost of HK$14,000 (equivalent to RMB12,000) has not been settled.

The directors of the Company are of the opinion that the trade and other payables and provision for late penalty charges and corresponding legal fee are sufficiently made in the consolidated financial statements as at 31 December 2015.

46. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(iii) Reference is made to the announcement of the Company dated 5 February 2016 in which it was announced that Ms. Liu Qian ("Ms. Liu"), the holder of the convertible notes (the "Notes), had filed a legal proceeding against the Company for the claim of HK$25,000,000 being the difference between the market value of shares (after conversion) and conversion price for the Notes, and HK$15,000,000 being the value of the Notes beneficially owned by the Ms Liu or alternatively conversion of the Notes by way of specific performance and damages to be assessed, together with interest and costs.

As disclosed in note 38, on 2 May 2014 the Company issued convertible notes with a principal amount of HK$300,000,000 as part of the consideration of the Acquisition as defined in note 46(iv) as below to the Vendor. On 19 May 2014, convertible notes with a principal amount of HK$20,000,000 subsequently were transferred to Ms. Liu and HK$5,000,000 out of the aforesaid principal amount was held by Ms. Liu on behalf of the Vendor. The Notes are one of the subject matters in the litigation proceedings as disclosed in note 46(iv). Given that the litigation process (pleadings not yet closed) are still in a very early stage, it is not practical at this juncture to assess the potential impact on the Company. Based on the legal advice, the directors considered the Company has a good defence for refusing Ms. Liu's request for conversion pending the determination of the litigation proceedings as disclosed in note 46(iv) and the Group would not suffer material financial losses. As a result, no provision has been made in the consolidated income statement for the year ended 31 December 2015.

(iiia) Zhuhai Hoston was in default of the repayment on certain note payables of HK$8,756,000 (equivalent to RMB7,033,000), trading debts of HK$1,145,000 (equivalent to RMB920,000) and related interest charges of HK$4,579,000 (equivalent to RMB3,678,000) (collectively as the "Overdue Balance"). During the year ended 31 December 2015, the banks and creditors filed the lawsuits in the courts in the PRC against Zhuhai Hoston to demand immediate repayment of the Overdue Balance. In the same year, the litigation was resolved and the Overdue Balance was settled.

The Company/its subsidiary as the plaintiff

(iv) Reference is made to the announcement of the Company dated 23 June 2015 in which it was announced that First Billion Global Limited, a wholly owned subsidiary of the Company, as the 1st plaintiff and the Company as the 2nd plaintiff (collectively referred to as the "Plaintiffs") had commenced legal proceedings against Mr. Xiao Guang Kevin, the vendor of the Acquisition as the 1st defendant and Mr. Wang Zhining, the guarantor of the Acquisition as the 2nd defendant (collectively referred to as the "Defendants"), in the High Court of Hong Kong on 23 June 2015 claiming for loss and damages suffered by the Group as a result of Defendants' breach of the fundamental terms and condition of the sale and purchase agreement of the acquisition of Construction Materials Business (the "Acquisition").

The Plaintiffs claim against the Defendants for, inter alia, a declaration that the Acquisition be rescinded and all payments in relation to the Acquisition made be refunded. Up to the date of this report, no conclusion has been reached.

46. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the plaintiff *(Continued)*

(v) *Report filed to Zhuhai Public Security Bureau against the two former directors of Zhuhai Hoston*

Reference is made on the announcement of the Company dated 14 October 2015 in which the Company engaged an independent professional advisor to conduct an investigation regarding certain prepayment, deposits and other receivables balance of certain debtors of Zhuhai Hoston (the "Non-recoverable Prepayments"). Such Non-recoverable Prepayments may involve possible commercial crimes committed by the two former directors of Zhuhai Hoston (the "Former Directors") based on the findings of the investigation. The Company had filed a report to Zhuhai Public Bureau (the "Bureau") against the Former Directors, on 30 July 2015 in respect of the possible commercial crimes. Up to the date of this report, the case is still under investigation by the Bureau. As disclosed in note 23, a full provision for impairment on the Non-recoverable Prepayment was made during the year.

(vi) A subsidiary of the Group advanced an amount of RMB4,840,000 (equivalent to HK$5,779,000) (the "Prepayment C") to a supplier (the "Supplier") which was purported to be a prepayment for purchase of machineries. The amount was subsequently transferred to a company controlled by the Former Directors (the "Controlled Company") as instructed by the Former Directors. On 29 February 2016, the Group filed a lawsuit in Zhuhai Xiangzhou People's Court against the Former Directors, the Controlled Company and the Supplier to demand immediate repayment of the Prepayment C and the penalty charges of RMB672,000 (equivalent to HK$802,000) together with the late penalty charge calculated by using the rate of 6% per annum from 11 February 2016 to the date hereof and thereafter at the judgement rate until payment. Up to the date of this report, no conclusion has been reached.

(vii) On 20 February 2016, the Group filed a lawsuit in Zhuhai Xiangzhou People's Court against the Former Directors to demand immediate repayment of an amount of RMB11,500,000 (equivalent to HK$13,731,000) and the late penalty charges of RMB181,000 (equivalent to HK$216,000) together with the late penalty charge calculated by using the rate of 7.28% per annum from 21 February 2016 to the date hereof and thereafter at judgement rate until payment.

Pursuant to a writ of summons dated on 3 March 2016 issued by Zhuhai Xiangzhou People's Count that a hearing will be held on 25 April 2016.

Other than the disclosure of above, no other significant and material financial implication arising from the cases.

47. EVENTS AFTER THE REPORTING PERIOD

Proposed acquisition

On 10 December 2015, the Group entered into a sale and purchase agreement with Ark One (Cayman) Limited to acquire 100% equity share of Ark One Limited, a company incorporated in Hong Kong with limited liability, (the "Target Company A") at a consideration of HK$5,000,000 together with the bank balance of the Target Company A as at the acquisition date. During the year ended 31 December 2015, the Group paid an amount of HK$1,000,000 as the deposit for the acquisition and presented as the "Deposit paid for acquisition of a subsidiary" in the consolidated statement of financial position.

On 4 March 2016, the Group entered into a sale and purchase agreement with Lucky Digit Holdings Limited to acquire 100% equity share of Grand Silver Securities Limited, a company incorporated in Hong Kong with limited liability, (the "Target Company B") at a consideration of HK$6,800,000 together with the net asset value of the Target Company B as at the acquisition date. In March 2016, the Group paid an amount of HK$1,000,000 as the deposit for the acquisition.

Up to the date of this report, the abovesaid acquisitions have not been completed.

Money Lenders Licence

On 11 February 2016, the Group obtained a money lenders licence under the Money Lenders Ordinance. Up to the date of this report, the Group has not commenced the money lending business.

Capital Reorganisation and Open Offer

Subsequent to the year ended 31 December 2015, the Company issued a circular, in which the Company proposed (a) the reduction of the nominal value of each share in issue from HK$0.10 to HK$0.01 by the cancellation of HK$0.09 from the paid-up capital on each share; (b) immediately following the capital reduction, each of the authorised but unissued shares of HK$0.10 each will be sub-divided into ten new shares of HK$0.01 each; and (c) an open offer of three offer shares for every two new ordinary shares of HK$0.01 (each) in the share capital of the Company immediately following the capital reorganisation as mentioned in (a) and (b) becoming effective.

Up to the date of this report, the abovesaid capital reorganisation and open offer have not yet completed.

Temporary suspension of operation of Zhuhai Hoston

Reference is made on the announcement of the Company dated on 7 January 2016 in which the Company announced that the factory operated by Zhuhai Hoston was temporary suspended from 1 January 2016 until further notice because of the significant underutilization of the existing capacity as a result of the business interruption and contraction in customer orders.

Save as disclosed above, there are no other material events subsequent to year ended 31 December 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

48. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-current assets		
Interests in subsidiaries	**1,170**	395,085
Available-for-sale financial assets	**–**	44,489
Total non-current assets	**1,170**	439,574
Current assets		
Amounts due from subsidiaries	**86,720**	–
Prepayment and other receivables	**1,583**	345
Cash and cash equivalents	**14,167**	5,417
Total current assets	**102,470**	5,762
Current liabilities		
Other payables and accruals	**1,427**	4,237
Amounts due to subsidiaries	**1,163**	2
Total current liabilities	**2,590**	4,239
Net current assets	**99,880**	1,523
Total assets less current liabilities	**101,050**	441,097
Non-current liability		
Provision for long service payment	**26**	210
Other payable	**–**	129,089
Promissory note	**–**	78,559
	26	207,858
Net assets	**101,024**	233,239
Equity		
Share capital	**174,576**	143,430
Convertible notes	**54,597**	75,595
Reserves	**(128,149)**	14,214
Total equity	**101,024**	233,239

Li Chongyang
Director

Leung Chi Fai
Director

48. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY *(Continued)*

Details of movements in the Company's reserves are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
As at 1 October 2013	177,325	118,377	509	6,925	2,518	20,914	326,568
Loss for the period	–	–	–	–	–	(326,167)	(326,167)
Available-for-sale financial assets:							
Change in fair value	–	–	–	–	(106)	–	(106)
Reclassification adjustment for loss on disposal included in the income statement	–	–	–	–	255	–	255
Total comprehensive income for the period	–	–	–	–	149	(326,167)	(326,018)
Conversion of convertible notes	10,397	–	–	–	–	–	10,397
Exercise of share options	3,697	–	–	(2,049)	–	–	1,648
Equity-settled share option arrangement	–	–	–	1,619	–	–	1,619
Share options lapsed	–	–	–	(784)	–	784	–
As at 31 December 2014 and 1 January 2015	191,419	118,377	509	5,711	2,667	(304,469)	14,214
Loss for the year	–	–	–	–	–	(74,891)	(74,891)
Other comprehensive income:							
Available-for-sale financial assets:							
Change in fair value	–	–	–	–	18	–	18
Reclassification adjustment for loss on disposal included in the income statement	–	–	–	–	(2,685)	–	(2,685)
Total comprehensive income for the year	–	–	–	–	(2,667)	(74,891)	(77,558)
Issue of shares pursuant to placing agreement	68,376	–	–	–	–	–	68,376
Transaction cost attributable to issue of placing shares	(2,646)	–	–	–	–	–	(2,646)
Redemption of convertible notes	(14,002)	–	–	–	–	–	(14,002)
Exercise of share options	4,140	–	–	(2,296)	–	–	1,844
Share options lapsed	–	–	–	(3,415)	–	3,415	–
Release upon disposal of subsidiaries	–	(118,377)	–	–	–	–	(118,377)
As at 31 December 2015	**247,287**	**–**	**509**	**–**	**–**	**(375,945)**	**(128,149)**

The Company's reserve available for distribution comprise its contributed surplus and retained earnings.

49. DIVIDENDS

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

50. MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As disclosed in note 25, on 17 November 2014, the Group entered into a sale and purchase agreement with Feng Hao Holdings Limited ("Feng Hao"), pursuant to which, the Group agreed to dispose its 100% entire interests in Disposal Group. The disposal was completed on 30 January 2015. Feng Hao is beneficially owned as the former directors of the Company who resigned on 4 June 2015 and 10 June 2015 respectively.

51. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

		Effective for annual reporting periods beginning on or after
HKAS 1 Amendments	Disclosure Initiatives	1 January 2016
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (2011) Amendments	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10 and HKAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (2011) Amendments	Investment Entities: Applying the Consolidation Exception	To be determined*
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14**	Regulatory Deferral Accounts	1 January 2016
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle	1 January 2016
HKFRS 9 (2014)	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018

* On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28", following the international Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor or its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

** HKFRS 14 applies to first annual HKFRS financial statements for a period beginning on or after 1 January 2016 and therefore is not applicable to the group.

51. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the group except for the following:

HKFRS 9 *Financial Instruments*
In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

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

52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2016.