



**Yuxing InfoTech Investment Holdings Limited**

**裕興科技投資控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

Stock Code: 8005



Annual Report  
**2015**

\* for identification purposes only

# Yuxing InfoTech Investment Holdings Limited

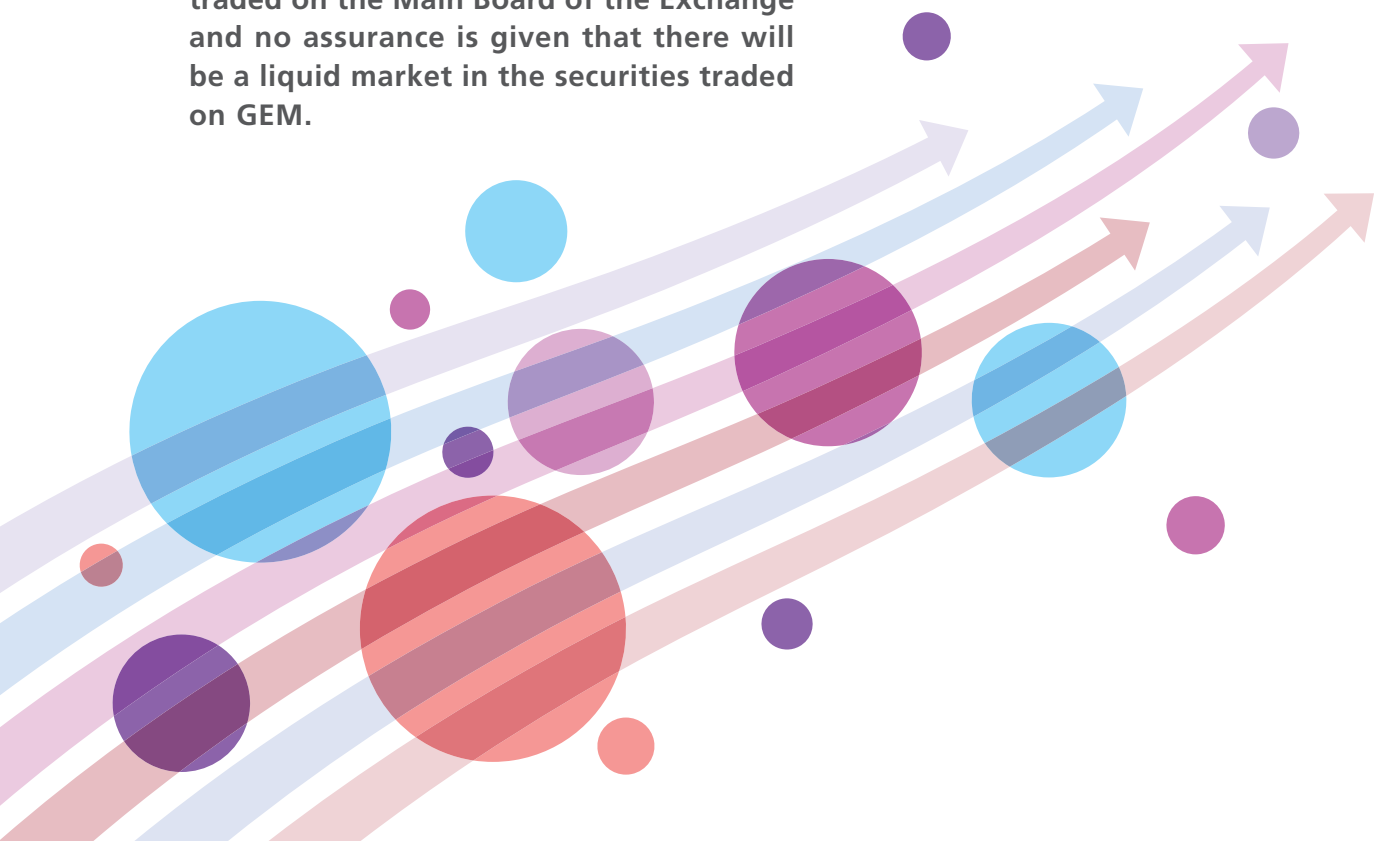
Annual Report 2015

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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

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

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





# Table of Contents

<b>2</b>	Corporate Profile
<b>3</b>	Corporate Information
<b>4</b>	Financial Highlights and Calendar
<b>5</b>	Chief Executive Officer's Statement
<b>6</b>	Group Financial Summary
<b>7</b>	Management Discussion and Analysis – Financial Review – Business Review and Business Prospect
<b>16</b>	Biographical Details of Directors and Senior Management
<b>18</b>	Directors' Report
<b>27</b>	Corporate Governance Report
<b>34</b>	Independent Auditor's Report
<b>36</b>	Consolidated Income Statement
<b>37</b>	Consolidated Statement of Comprehensive Income
<b>38</b>	Consolidated Statement of Financial Position
<b>39</b>	Consolidated Statement of Changes in Equity
<b>40</b>	Consolidated Cash Flow Statement
<b>42</b>	Notes to the Consolidated Financial Statements

## Corporate Profile

Yuxing InfoTech Investment Holdings Limited and its subsidiaries (collectively the “Group”) are currently mainly engaged in information home appliances (“IHA”), investing and trading. The Company was incorporated in Bermuda as an exempted company on 6th October 1999 and was listed on GEM on 31st January 2000.

The Group is a conglomerate which combines commercial enterprise with investments. In terms of commercial business, the Group places the broadband internet digital audio and video products as leading products and focuses on exploring markets for the three businesses of IHA, digital electronic

consumable products and original equipment manufacturer, while accommodating comprehensive capabilities, including software and hardware development, mass-scale production, marketing and customer service capabilities, etc. On a global stage, the Group is an outstanding solutions provider and customized product manufacturer in the field of broadband digital audio and video technological products. In terms of investment business, the Group follows the principle of value investment, and persists with the characteristics of sound investment and team work to achieve stable increase in asset value on the basis of retaining value through methods such as financial innovation.



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Zhu Wei Sha (*Chairman*)  
Chen Fu Rong (*Deputy Chairman*)  
Shi Guang Rong  
Wang An Zhong  
Zhu Jiang

### Independent Non-Executive Directors

Wu Jia Jun  
Zhong Peng Rong  
Shen Yan

## CHIEF EXECUTIVE OFFICER

Kevin Choo

## COMPANY SECRETARY

Liu Wei, Solicitor

## QUALIFIED ACCOUNTANT

Wu Wai Ting, Wendy  
*Member of Hong Kong Institute of Certified  
Public Accountants*  
*Certified Practising Accountant of CPA Australia*

## COMPLIANCE OFFICER

Shi Guang Rong

## AUTHORISED REPRESENTATIVES

Chen Fu Rong  
Shi Guang Rong

## AUDIT COMMITTEE

Shen Yan (*Chairman*)  
Zhong Peng Rong  
Wu Jia Jun

## REMUNERATION COMMITTEE

Shen Yan (*Chairman*)  
Wang An Zhong  
Wu Jia Jun  
Zhong Peng Rong  
Zhu Jiang

## NOMINATION COMMITTEE

Zhu Wei Sha (*Chairman*)  
Chen Fu Rong  
Shen Yan  
Zhong Peng Rong  
Wu Jia Jun

## AUDITOR

Mazars CPA Limited  
*Certified Public Accountants*

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited  
Industrial Bank Company Limited  
Shanghai Commercial Bank Limited  
UBS AG  
Xiamen International Bank Company Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11, Bermuda

## PLACES OF BUSINESS

*Hong Kong*  
Units 2107-8  
21/F, Exchange Tower  
33 Wang Chiu Road  
Kowloon

*The PRC*  
7th Floor, Block B, Tian Cheng Technology Building  
No. 2, Xinfeng Street, De Shen Men Wai  
Beijing

Yuxing Industrial Park  
Yanjiang Road East  
Torch Hi-Tech Industrial Development Zone  
Zhong Shan

## SHARE REGISTRARS AND TRANSFER OFFICES

*Principal*  
Codan Services Limited  
Clarendon House, 2 Church Street  
Hamilton HM11, Bermuda

*Branch*  
Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Hong Kong

## STOCK CODE

8005

## WEBSITE ADDRESS

[www.yuxing.com.cn](http://www.yuxing.com.cn)

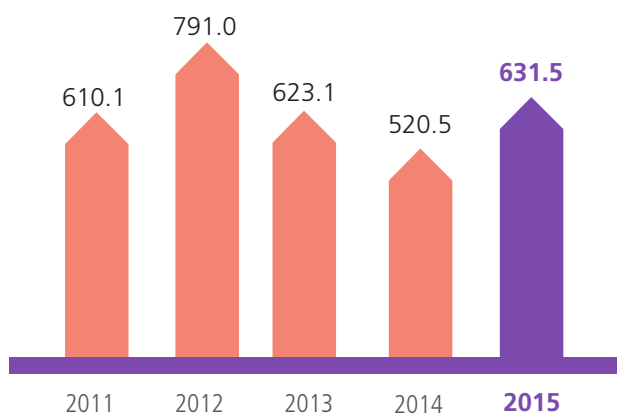
# Financial Highlights and Calendar

## FINANCIAL HIGHLIGHTS

	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>		
Revenue	<b>631,522</b>	520,541
<b>Profitability</b>		
(Loss)/Profit from operations	<b>(155,641)</b>	60,792
(Loss)/Profit attributable to owners of the Company	<b>(188,155)</b>	31,012
<b>Net worth</b>		
Total equity attributable to owners of the Company	<b>2,122,719</b>	2,315,908
	<b>HK\$</b>	<b>HK\$</b>
<b>Per share</b>		
(Loss)/Earnings per share – Basic	<b>(0.10)</b>	0.02
Net assets attributable to owners of the Company per share	<b>1.18</b>	1.29

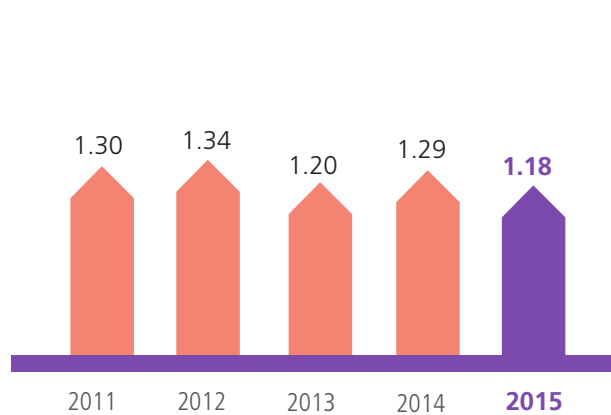
## REVENUE

HK\$ million



## NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

HK\$



## FINANCIAL CALENDAR

<b>Results for the year</b>	Announcement on 18th March 2016
<b>Annual report</b>	Despatched to shareholders in late March 2016
<b>Annual general meeting</b>	25th May 2016

# Chief Executive Officer's Statement

Dear shareholders,

Hello everyone!

Having reviewed 2015, the Group recorded increases in overall revenue and gross profit of 21% and 62% to approximately HK\$631.5 million and HK\$105.7 million respectively as compared with last year in our core business – IHA. This was attributable to our distancing from the red ocean and proactively abandoning the consignment business model, whose domestic profit margin is rapidly declining. In future, the Group will continue to explore the near-end of the industry chain, form direct connections to overseas customers and wade in the blue ocean of the industry.

In 2016, the Company will aim to attach greater importance to and further improvements on its asset allocations. During the first meeting of the board of Directors (the "Board") held at the beginning of this year, analysis and planning regarding future asset allocations of the Group were conducted in terms of location, nature and form. Management of the Company will, in accordance with the interim goals set by the Board, enhance our risk control and increase the investment proportion in relation to certainty revenue and core business while gradually reducing our high-risk and regional investments.

Lastly, we will continue constantly to improve the organisational structure of the Group, raise the internationalisation levels of our teams, provide new development opportunities for our employees and more diversified and sustainable products and services for the customers, and continue to create social values while maximising the best interests of our shareholders.

**Kevin Choo**

*Chief Executive Officer*

Hong Kong, 18th March 2016



# Group Financial Summary

## CONSOLIDATED RESULTS

For the year ended 31st December

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	<b>631,522</b>	520,541	623,136	790,983	610,144
(Loss)/Profit before tax	<b>(198,114)</b>	52,742	2,339,240	(496,621)	35,352
Income tax credit/(expenses)	<b>8,206</b>	(22,050)	(174,276)	(3,543)	(1,368)
(Loss)/Profit for the year	<b>(189,908)</b>	30,692	2,164,964	(500,164)	33,984
Non-controlling interests	<b>1,753</b>	320	2,448	210	–
(Loss)/Profit attributable to owners of the Company	<b>(188,155)</b>	31,012	2,167,412	(499,954)	33,984

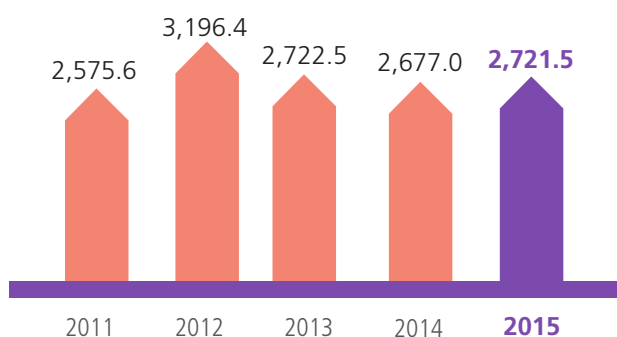
## CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	<b>2,721,454</b>	2,677,017	2,722,508	3,196,402	2,575,574
Total liabilities	<b>(597,662)</b>	(350,323)	(566,443)	(838,445)	(313,900)
Non-controlling interests	<b>(1,073)</b>	(10,786)	(11,106)	(12,441)	–
Total equity attributable to owners of the Company	<b>2,122,719</b>	2,315,908	2,144,959	2,345,516	2,261,674

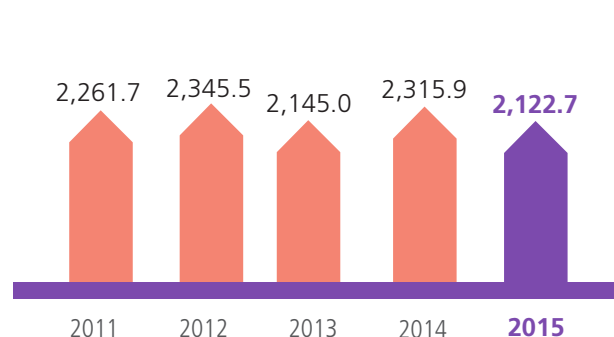
### TOTAL ASSETS

HK\$ million



### TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK\$ million





# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue and Gross Profit

During the year under review, the Group's overall revenue and gross profit amounted to approximately HK\$631.5 million and HK\$105.7 million respectively for the year ended 31st December 2015 (the "Year"), representing an increase of 21.3% and 62.3% respectively as compared with last year. Although the Group's revenue in the People's Republic of China (other than Hong Kong, Taiwan and Macau) (the "PRC") and Hong Kong markets for the Year decreased by 25.2% and 31.3% respectively to approximately HK\$233.7 million and HK\$33.7 million as compared with last year, the Group's revenue in overseas markets increased significantly by 129.1% to approximately HK\$364.1 million for the Year as compared with last year. This significant increase in the Group's revenue in overseas markets contributed a higher gross profit margin to the Group. Consequently, the Group's gross profit margin reached to 16.8% for the Year (2014: 12.5%).

### Operating Results

#### *Other Revenue and Net Income*

Other revenue and net income of the Group decreased significantly by 60.5% to approximately HK\$146.1 million for the Year (2014: approximately HK\$370.2 million). This decrease was mainly due to the poor performance of investments portfolio of the Group amid the adverse capital market conditions in the second half of 2015, which caused the Group only recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$96.4 million for Year (2014: approximately HK\$198.3 million). Moreover, there was no disposal of available-for-sale financial assets for the Year (2014: gains on disposal of available-for-sale financial assets of approximately HK\$136.6 million).

#### *Change in Fair Value of Investment Properties*

The Group recognised a net revaluation gain of approximately HK\$6,000 on its investment properties for the Year (2014: approximately HK\$0.4 million).

#### *Operating Expenses*

With the increase of the Group's overall revenue in 2015, the Group's overall selling expenses increased by 24.1% to approximately HK\$17.5 million for the Year as compared with last year. This was mainly due to the exploration of the overseas markets during the year under review. At the same time, the Group's general and administrative expenses increased significantly by 295.6% to approximately HK\$319.3 million for the Year as compared with last year. This increase was mainly due to (1) the non-cash expenses of totaling approximately HK\$137.4 million (2014: HK\$Nil) arising from the grant of share options and share awards by the Company to eligible participants; and (2) the adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group due to the well performance of the investment activities in the first half of this year of totaling approximately HK\$67.3 million (2014: HK\$Nil).

# Management Discussion and Analysis

## FINANCIAL REVIEW *(Continued)*

### Operating Results *(Continued)*

#### *Other Operating Expenses*

Other operating expenses increased significantly to approximately HK\$70.7 million for the Year (2014: approximately HK\$19.0 million). The main reason was that the depreciation in Renminbi (“RMB”) against Hong Kong dollars (“HKD”) during the year under review, which caused the Group recognised net exchange loss of approximately HK\$60.3 million (2014: approximately HK\$6.3 million) from the Company’s subsidiaries in Hong Kong translated those transactions and monetary assets denominated in RMB into HKD at the end of the year.

#### *Finance Costs*

Finance costs of the Group increased to approximately HK\$42.0 million for the Year (2014: approximately HK\$8.1 million). Such increase in finance costs was due to the imputed interest expenses of approximately HK\$31.3 million which was recorded for the Year (2014: HK\$Nil) in respect of the convertible bonds issued by the Company on 30th January 2015 and early redemption at the option of the Company on 1st December 2015 (further details regarding the convertible bonds are set out in note 28 to the consolidated financial statements).

#### *Loss for the Year*

Due to the above-mentioned reasons, the Group recorded a loss attributable to owners of the Company of approximately HK\$188.2 million for the Year (2014: profit attributable to owners of the Company of approximately HK\$31.0 million).

## Liquidity and Financial Resources

As at 31st December 2015, the Group had net current assets of approximately HK\$1,031.9 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$433.8 million and HK\$360.1 million respectively. The Group’s financial resources were funded mainly by bank loans and mortgage loans totaling approximately HK\$359.4 million and its shareholders’ funds. As at 31st December 2015, the Group’s current ratio, as calculated by dividing current assets by current liabilities, was 2.8 times and the gearing ratio, as measured by total liabilities divided by total equity, was 28.1%. Hence, as at 31st December 2015, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

# Management Discussion and Analysis

## FINANCIAL REVIEW *(Continued)*

### Charges on Group Assets

Details of charges on the Group assets are set out in note 32 to the consolidated financial statements.

### Fundraising Activities

#### *Issue of Convertible Bonds*

On 23rd December 2014, the Company entered into a subscription agreement with the Yue Xiu Great China Fixed Income Fund LP (“Yue Xiu”) as the subscriber in relation to the issue of convertible bonds in principal amount of approximately HK\$466.0 million (the “Convertible Bonds”). On 30th January 2015 (the “Bond Issue Date”), the Company issued Convertible Bonds to Yue Xiu. The Convertible Bonds bear interest at the rate of 6% per annum. Such interest accrued on the outstanding principal amount of the Convertible Bonds and is payable by the Company to the convertible bondholder within three business days after the bond maturity date on 30th January 2016 (the “Bond Maturity Date”) if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to the Bond Maturity Date.

The Convertible Bonds can be converted into ordinary shares of the Company at a conversion price of HK\$1.3 per share (subject to adjustments) for a maximum number of 358,423,360 conversion shares. The market price of the shares of the Company was HK\$1.45 and HK\$2.36 as at 23rd December 2014 and 30th January 2015 respectively. The conversion period commenced from the 91st day after the Bond Issue Date and ended on the Bond Maturity Date.

The net proceeds from the issue of the Convertible Bonds net of issue costs amounted to approximately HK\$465.6 million. The use of proceeds from the issue of the Convertible Bonds was used to invest in private investment funds and equity securities and to replenish the general working capital of the Group.

On 1st December 2015, the Company redeemed the entire outstanding principal amount of the Convertible Bonds of approximately HK\$466.0 million and settled all unpaid accrued interests thereon in the sum of approximately HK\$28.0 million by the exercise of its early redemption right pursuant to the terms and conditions of the Convertible Bonds (“Early Redemption”). Prior to the Early Redemption, there was no exercise of the conversion rights. Further details regarding the Convertible Bonds are set out in the Company’s announcements dated 23rd December 2014, 30th January 2015, 10th November 2015 and 1st December 2015 and note 28 to the consolidated financial statements.

# Management Discussion and Analysis

## FINANCIAL REVIEW *(Continued)*

### Capital Structure

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 29 to the consolidated financial statements.

### Significant Investments/Material Acquisitions and Disposals

Except for the investment in money market and private investment funds, equity and debt securities, the Group had no significant investment and no material acquisition or disposal during the year under review.

### Segment Information

The Group's core business segment is IHA. The total revenue of the IHA segment for the Year increased by 21.1% to approximately HK\$629.9 million as compared with last year. Due to the weakened order procurement sentiment of a PRC customer and further market competition in 2015, this led to a decrease in both the sales quantity and selling price of set-top boxes ("STB") in the PRC as compared with last year. Therefore, the revenue in the PRC market dropped by 25.6% to approximately HK\$232.1 million for the Year as compared with last year. In Hong Kong market, due to the reduction in purchase orders from a Hong Kong customer during the year under review, the Group's revenue in Hong Kong market decreased by 31.3% to approximately HK\$33.7 million for the Year as compared with last year. For the overseas markets, although there was a reduction in purchase orders from a few overseas customers during the year under review, sales in Australia for the Year increased significantly by 194.7% to approximately HK\$354.3 million as compared with last year. Consequently, overall overseas revenue for the Year increased significantly by 129.1% to approximately HK\$364.1 million as compared with last year, which contributed a higher gross profit margin to the Group. As a result of the foregoing, the Group recorded a significant improvement in the results of the IHA segment for the Year with a profit of approximately HK\$39.9 million, while the Group recorded a small profit of approximately HK\$3.1 million in this segment last year.

The Group's investing segment is principally engaged in trading of securities and investing in financial instruments. This segment recorded a profit of approximately HK\$42.9 million for the Year (2014: approximately HK\$67.5 million). The main reason for this profit was that the Group recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$96.4 million (2014: approximately HK\$198.3 million) for the Year. Details of the Group's investment portfolio are set out in note 25 to the consolidated financial statements.

In respect of the Group's trading segment, due to the lack of new breakthrough in recent years, the Group recorded a loss of approximately HK\$4.5 million for the Year (2014: approximately HK\$0.1 million). The other operations segment of the Group mainly comprises leasing out of properties. This segment recorded a profit of approximately HK\$2.7 million for the Year (2014: approximately HK\$0.8 million).

# Management Discussion and Analysis

## FINANCIAL REVIEW *(Continued)*

### Segment Information *(Continued)*

Geographical markets of the Group were mainly located in the overseas during the year under review. Although there has been a reduction in purchase orders from a few overseas customers during the year under review, sales in Australia for the Year significantly increased by 194.7% to approximately HK\$354.3 million as compared with last year. Consequently, the overall revenue generated from the overseas markets for the Year significantly increased by 129.1% to approximately HK\$364.1 million as compared with last year. As to the PRC markets, due to the weakened order procurement sentiment of a PRC customer and further market competition in 2015, the revenue in the PRC dropped by 25.2% to approximately HK\$233.7 million as compared with last year. In Hong Kong market, due to the reduction in purchase orders from a Hong Kong customer, the revenue in Hong Kong market decreased by 31.3% to approximately HK\$33.7 million for the Year as compared with last year. As such, the overall revenue of the Group increased by 21.3% to approximately HK\$631.5 million for the Year as compared with last year.

### Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in RMB and United States dollars (“USD”). The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in HKD and USD. The official exchange rates for USD and HKD have been relatively stable for the Year. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily with respect to the HKD. During the year, depreciation in RMB against HKD resulted in the significant net exchange loss of approximately HK\$60.3 million (2014: approximately HK\$6.3 million). As at 31st December 2015, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.

### Human Resources and Relations with the Employees

As at 31st December 2015, the Group had over 690 (2014: over 600) full time employees, of which 17 (2014: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$288.4 million for the Year (2014: approximately HK\$72.8 million). The increase in the staff costs for the Year was mainly attributable to (1) the non-cash expenses of totaling approximately HK\$132.5 million (2014: HK\$Nil) arising from the grant of share options and share awards by the Company to its employees; and (2) the adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group due to the well performance of the investment activities in the first half of this year of totaling approximately HK\$67.3 million (2014: HK\$Nil). The employees of the Company’s subsidiaries are employed and promoted based on their suitability for the position offered. The salary and benefit levels of the Group’s employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group’s remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits also include medical scheme, various insurance schemes, share option scheme and share award scheme. During the year under review, the Group maintained a good relationships with its employees and the turnover rate was relatively low.

# Management Discussion and Analysis

## BUSINESS REVIEW

After more than ten years of development and under the steady growth of the global Internet Protocol Television (“IPTV”) market, the Group’s IPTV STB business has entered into a period of market maturity. However, under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. With the accumulation of technological expertise over the years and its own intermediary software platform, the Group could meet needs of different customers, finish the work of integrating with termination systems and customising end products. Products launched by the Group in the markets include standard-definition STB, high digital STB, hybrid dual mode STB, Over-the-Top TV (“OTT”)/IPTV STB, as well as STB equipped with an Android system, etc. In 2015, due to the weakened order procurement sentiment of a PRC customer and a Hong Kong customer and fierce market competition, there was a significant decrease of revenue of the Group in the PRC, Hong Kong and a few overseas markets. However, sales in Australia for the Year increased remarkably by 194.7% to approximately 354.3 million as compared with last year, which contributed a higher gross profit margin to the Group. As such, during the year under review, the Group’s overall revenue increased by 21.3% to approximately HK\$631.5 million, and the overall gross profit increased by 62.3% to approximately HK\$105.7 million for the Year as compared with 2014.

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including Hubei Province, Sichuan Province, Liaoning Province, Anhui Province, Jilin Province, Jiangsu Province and Tianjin Municipalities, etc. Some operators cooperating with the Group started planning to deploy smart STB in large scale and the Group had deployed smart STB equipped with an Android system in many provinces across the PRC. However, due to the weakened order procurement sentiment of this PRC customer in 2015 and the further market competition, this led to a decrease in both the sales quantity and selling price of STB in the PRC as compared with last year. Therefore, the revenue of the Group under IHA segment in the PRC market for the Year decreased by 25.6% to approximately HK\$232.1 million as compared with last year.

In the overseas markets, the Group continues to maintain good cooperation relationships with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Russia and Czechoslovakia, etc. The Group has currently developed some new cooperation partners in Africa, United Kingdom, Germany and Denmark, etc. During the year under review, the Group had a cooperation with one of the largest telecommunication operators in Australia to develop the STB which incorporated a service of Internet Pay-Per-View (“IPPV”) television program, which provided enough motive power for the strong growth on the Australian business in 2015. Although purchase orders from a few overseas customers have significantly dropped during the year under review, sales in Australia for the Year significantly increased by 194.7% to approximately HK\$354.3 million as compared with last year. Consequently, overall overseas revenue increased significantly by 129.1% to approximately HK\$364.1 million for the Year as compared with last year.

# Management Discussion and Analysis

## **BUSINESS REVIEW** *(Continued)*

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintains great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. However, due to the significant reduction in purchase orders from this Hong Kong customer in 2015, it resulted in a significant decrease in the Group's revenue in Hong Kong market by 31.3% to approximately HK\$33.7 million as compared with last year.

As for the investment business, based on the principles of scientific analysis and prudent determination, the Group mainly focused on software, hardware companies and Internet companies which master the core and leading technology in the convergence of television, telecom and Internet fields. Meanwhile, the Group also focused on companies in the field of commercial STB and Online to Offline ("O2O") Electronic Commerce and deployed investment in preparation and integration of the industry ecosystem. During the year under review, the Group conducted some investments in the secondary market. Based on value investment, the Group selected the investment products in the secondary market by taking risk control and reasonable earning expectation as its investment strategy, maintenance and appreciation of asset value are the long-term investment commitment of the Group. As the adverse capital market conditions during the second half of 2015, resulting in the Group only recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$96.4 million for the Year (2014: approximately HK\$198.3 million).

## **Key Risks and Uncertainties**

During the year under review, the Group endeavoured to improve the risk management system on different aspects of company strategies, business operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA segment, fierce market competition in the PRC and overseas markets, the possible economic slowdown in the PRC, RMB exchange rate fluctuation and the increase of production cost and labor cost may bring uncertain impact on the Group's development of this segment. For investing segment, the frequent changes of market policies and regulations in relation to the PRC stock market and the unclear global economic environment would be two key risk factors. In future business operations, the Group will be highly aware of those risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

# Management Discussion and Analysis

## **BUSINESS REVIEW** *(Continued)*

### **Environmental Policies and Performance**

The Group is committed to building an environmental-friendly corporation and always considers the environmental protection issue during daily operation. The Group does not lead to produce material waste nor emit material quantities of air pollution materials during its production and manufacturing process. The Group also strives to minimise our environmental adverse impact by encouraging the employees to recycle office supplies and other materials and to save electricity.

### **Compliance with Laws and Regulations**

The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC and Hong Kong and the Company was listed on the Exchange in 2000. As such, the Group's asset and operations shall comply with relevant laws and regulations both in the PRC and Hong Kong accordingly. During the year, the Group has complied with all the relevant laws and regulations applicable to it in all material respects in the PRC and Hong Kong. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations both in the PRC and Hong Kong, and apply to it to ensure the compliance.

## **BUSINESS PROSPECT**

The global IPTV market has reached a mature stage, especially the PRC market is in a steadily growing status. The Group requires the continuous improvement of its products in order to obtain a stronger competitive advantage. Being one of the earliest companies developing in broadband STB in the world, the Group, with efforts in this field for over ten years and based on its accumulation of technological expertise over the years and its own research and development ("R&D") capability, will continue changing the traditional model by working hard on exploring the linkage of Internet, television and telecom. Meanwhile, in order to acquire more sophisticated competitive advantages to improve innovation capabilities and to meet the different needs of customers, the Group will put a high proportion of investment in R&D, continue upgrading its products and also actively develop new products to adopt to new market opportunities. The Group expects its STB business to achieve a better performance in the near future.



# Management Discussion and Analysis

## **BUSINESS PROSPECT** *(Continued)*

Regarding its investment business, the Group will focus on investing the IPTV related industries and the convergence of television, telecom and Internet fields. These fields are emerging the opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the IHA of the Group will help to efficiently complete the value evaluation, the resources integration and the value upgrade of the invested companies. Meanwhile, the Group will also focusing on home living Internet field and security cloud field based on the development of the convergence of computer, communication and consumer electrics, intelligent Internet and security technology. On the other hand, the Group's secondary market investment strategy will continue, based on the value investment, selecting lower risk investment products and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitments of the Group.

In 2016, the Group will continue to explore new investment opportunities in the global markets and consider to identify and review a wide range of suitable mergers and acquisitions to create value and bring profit to the Group.



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Zhu Wei Sha**, aged 60, is a co-founder of the Group. He has been the chairman of the Board and the president of the Group since 1996. He graduated from the Department of Automatic Control of Beijing University of Technology with a bachelor's degree in engineering. He had worked at Beijing Machinery Electronic Research Institute and the Industrial Economic Research Department of China Social Science Institute and as the legal representative and general manager of the Beijing Shanchuan Jinji Technology Company. Mr. Zhu has extensive experience and insights in corporate management and operation as well as solid technical background. He also has an in-depth understanding of the growth of a corporation by combining the concepts of capital investment and business operation. He has accumulated years of successful experience in this regard. Mr. Zhu is currently a director and a shareholder of Super Dragon Company Limited ("Super Dragon") which has a 36.36% interest in the share capital of the Company. He is also a director and legal representative of certain wholly-owned subsidiaries of the Company.

**Mr. Chen Fu Rong**, aged 55, is a co-founder of the Group. He has been a vice president of the Group since 1996 and the deputy chairman of the Group since 2004. He graduated from the Department of Automatic Control of Beijing University of Technology with a bachelor's degree in engineering. He worked at the Industrial Economic Research Department of the China Social Science Institute and Beijing Machinery Electronics Company and has extensive experience in computer hardware design and management of R&D activities. Mr. Chen possesses over 20 years' experience in R&D and engineering management. Mr. Chen is currently the deputy chairman of the Board, the executive president of a wholly-owned subsidiary of the Company and is also a director and legal representative of certain wholly-owned subsidiaries of the Company. Mr. Chen is also a director and a shareholder of Super Dragon.

**Mr. Wang An Zhong**, aged 59, is a vice president of the Group. He graduated with a master's degree in engineering from the Department of Computer Science of Beijing University of Technology. He was an associate professor and has extensive experience in lecturing and scientific research. He has managed and was involved in a number of the State's research projects and won several awards. Mr. Wang joined the Group in 1997 as the general manager of R&D department. He is currently the executive president of the platform management department of the Company and the director and the legal representative of a wholly-owned subsidiary of the Company. Mr. Wang is also a director of certain wholly-owned subsidiaries of the Company.

**Mr. Shi Guang Rong**, aged 55, graduated with a bachelor's degree in engineering from the Department of Automatic Control of the Beijing University of Technology. He has been a vice president of the Group since 1996 and was responsible for marketing and public relation matters of the Group for many years. Mr. Shi is currently the executive president of the listing platform of the Group and possesses over 10 years' relevant work experience. Mr. Shi is also the director and the chief executive officer of a wholly-owned subsidiary of the Company in Hong Kong. He is also a director of certain wholly-owned subsidiaries of the Company.

**Mr. Zhu Jiang**, aged 59, graduated from the Department of Wireless Communication of Beijing University of Technology. He has over 20 years of research experience in computer engineering, and has extensive experience in digital-to-analog circuits and high-level assembly languages programming as well as over 10 years of management experience. Mr. Zhu is the executive president of the risk control department of the Company. He is also a director and legal representative of certain wholly-owned subsidiaries of the Company.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wu Jia Jun**, aged 84, is currently an honorary academy member and researcher of China Social Science Academy as well as a tutor of doctoral students. He is also a honorary president of the China Industrial Economic Association. He served as the vice general manager of Chinese Industrial and Economic Research Institute from 1980 to 1993, and the vice president of the Young Entrepreneurs Association of China. Mr. Wu has extensive experience in conducting research in the economy and industries of the PRC and also in corporate management. He is a renowned scholar in Japanese corporate and industrial management of which he has in-depth knowledge. He has published several books and articles on corporate management and economic reform. Mr. Wu was appointed as an Independent Non-Executive Director in October 1999.

**Mr. Zhong Peng Rong**, aged 63, is a renowned Chinese economist. He worked with the central government of the PRC for many years as a chief researcher. He now serves as a professor of several famous universities and as an adviser to over 20 enterprises and local governments of the PRC. As the chairman and research fellow of Beijing Shiye Consultancy Centre, he has formulated development strategies for enterprises in different industries and for local governments. He has an in-depth understanding of the macroeconomic environment and government administration in the PRC. Mr. Zhong was appointed as an Independent Non-Executive Director in October 1999.

**Ms. Shen Yan**, aged 52, holds a bachelor's degree in Accounting and has over 20 years of experience in accounting and 17 years of experience in auditing. She is currently a tutor of Beijing University of Technology. Ms. Shen successively held important posts in a number of enterprises in the PRC and is well experienced in financial accounting, budget control and financial management. During that period, she took part in the research on the relevant financial management projects and has compiled and published a number of books on professional management. Before then, she worked in Beijing Zhong Gong Xin Certified Public Accountants (北京中公信會計師事務所), where she presided over audit works for the PRC and international renowned enterprises operating in various fields such as manufacturing, professional affairs and services, and has accumulated experiences in relation to corporate finance management and audit works. In April 2008, Ms. Shen was appointed as the chief accountant of the Beijing University of Technology Investment Company (北京工業大學投資公司). Ms. Shen was appointed as an Independent Non-Executive Director in January 2005.

## COMPANY SECRETARY

**Mr. Liu Wei**, aged 58, is qualified as a solicitor in the PRC, Hong Kong and England. He has extensive exposure in corporate finance and is a partner of DLA Piper Hong Kong. Mr. Liu graduated from Northwest University of China, Chinese University of Political Science and Law, University of Cambridge and University of Hong Kong, with a bachelor's degree in Chinese literature, a master's degree in law, and a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with University of Hong Kong. Mr. Liu was appointed as the Company Secretary in July 2007.

## SENIOR MANAGEMENT

**Mr. Kevin Choo**, aged 48, has been the chief executive officer of the Company ("CEO") since 18th November 2015. Mr. Choo graduated from a master of business administration from the Stanford Graduate School of Business in the United States of America ("America") and a clinical medicine degree from the Sun Yat-sen University in the PRC. He has over 20 years' management and investment experience in America, Europe, Asia and Latin America and many industries including new energy heat exchanger, testing and certification, telephony system and strategic consultancy, etc. Prior to joining the Group, he was a chief executive officer of a Sino-American joint venture company in the heat exchanger area and worked for a world leading company in testing and certification industry for many years. Mr. Choo is a dedicated member of American Chamber of Commerce in Shanghai and Hong Kong ("ACC") and also a guest speaker of ACC in Shanghai and FuDan University. Mr. Choo joined the Group in November 2014.

**Miss Wu Wai Ting**, Wendy, aged 43, is the chief financial officer of the Group. She graduated from Monash University in Australia with a master's degree in Practising Accounting and holds a bachelor's degree in Business (International Trade). Miss Wu is a Certified Practising Accountant of CPA Australia and a member of Hong Kong Institute of Certified Public Accountants. She has 18 years' experience in accounting and finance. Miss Wu joined the Group in March 2000.

# Directors' Report

The Directors have pleasure in submitting to all shareholders of the Company (the "Shareholders"), their report together with the audited consolidated financial statements of the Group for the year ended 31st December 2015.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 39 to the consolidated financial statements.

An analysis of the Group's performance for the Year by business and geographical segments is set out in note 8 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December 2015 are set out in the consolidated income statement on page 36.

The Board does not recommend the payment of any dividend for the year ended 31st December 2015.

## RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 39 and notes 30 and 31(a) to the consolidated financial statements.

## INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 17 and 18 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and there is no restriction against such rights under the laws of Bermuda.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6.

## BUSINESS REVIEW

Details of the Group's business review and business prospect during the year are set out in the "Management Discussion and Analysis" section in this annual report.

# Directors' Report

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the year under review, except the trustee of the share award scheme adopted by the Board on 6th October 2014 (the "Share Award Scheme"), pursuant to the rules and trust deed of the Share Award Scheme, purchased an aggregate of 300,000 Company's existing shares on the market at a total consideration of approximately HK\$436,000.

## SHARE OPTIONS

Details of the Company's share option scheme approved by the Shareholders on 14th January 2015 (the "Share Option Scheme") and the movement in the Company's share options held by the Directors during the year ended 31st December 2015 are set out in note 34 to the consolidated financial statements.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 16 and 17.

## CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transaction which is subject to the reporting requirements under Chapter 20 of the GEM Listing Rules.

The Company entered into a service agreement with Mr. Kevin Choo as the Vice-President of Global Operations of the Group with a fixed term of two years commencing from 1st April 2015 and ending at 31st March 2017 ("Term") on 4th November 2015 ("Service Agreement"). As Mr. Choo was appointed as the CEO on 18th November 2015, he is considered as a chief executive under Rule 1.01 of the GEM Listing Rules and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. The transaction conducted under the Service Agreement is continuing connected transaction as defined in Rule 20.58 of the GEM Listing Rules ("Continuing Connected Transaction").

Under the Service Agreement, Mr. Choo is entitled to a remuneration package in an annual amount of approximately HK\$6.2 million (including other allowances) ("Remuneration Package") plus, at the absolute discretion of the Company and subject always to compliance with the requirements of the GEM Listing Rules, a management discretionary bonus, which shall be determined with reference to his duties, responsibilities and experience, and to prevailing market conditions. He also participated a pension fund scheme which was funded by the Company. The Company may, at its sole discretion and determination of the Board and recommendation of the remuneration committee of the Company, grant options to Mr. Choo to subscribe for shares in the Company in accordance with the share option schemes adopted by the Company from time to time. Upon the expiration of the Term of the Service Agreement, Mr. Choo shall be entitled to have a package bonus of HK\$4.6 million ("Package Bonus") and a relocation allowance of up to HK\$0.1 million ("Relocation Allowance").

The Service Agreement may be terminated by either party thereto giving to the other party two months prior notice in writing and provided that if the Service Agreement is terminated by the Company before the end of the Term of the Service Agreement, Mr. Choo shall be entitled to the remaining unpaid portion of the Remuneration Package, the Package Bonus and the Relocation Allowance. The maximum amount which may be payable to Mr. Choo if the Company terminates in the first and second year of the Term of the Service Agreement is therefore approximately HK\$13.4 million and HK\$10.9 million respectively.

# Directors' Report

## CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The Independent Non-Executive Directors have reviewed the Continuing Connected Transaction conducted for the year ended 31st December 2015 and confirmed that the Continuing Connected Transaction was carried out in the ordinary and usual course of business of the Group, was on normal commercial terms and was in accordance with the Service Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions entered into by the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 *"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 *"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. Based on the results of the work performed, the auditor has issued a letter containing an unmodified conclusions in respect of the Continuing Connected Transactions in accordance with Chapter 20 of the GEM Listing Rules in confirming that:

- (a) Nothing has come to their attention that causes them to believe that the Continuing Connected Transaction has not been approved by the Board;
- (b) Nothing has come to their attention that causes them to believe that the Continuing Connected Transaction was not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
- (c) Nothing has come to their attention that causes them to believe that the aggregate amount of the Continuing Connected Transaction has exceeded the annual cap disclosed in the announcement dated 18th November 2015 in respect of the Continuing Connected Transaction.

The Company confirmed that the disclosure requirements for the Continuing Connected Transactions have been complied with in accordance with Chapter 20 of the GEM Listing Rules.

# Directors' Report

## DIRECTORS

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

### Executive Directors:

Mr. Zhu Wei Sha (*Chairman*)  
Mr. Chen Fu Rong (*Deputy Chairman*)  
Mr. Shi Guang Rong  
Mr. Wang An Zhong  
Mr. Zhu Jiang

### Independent Non-Executive Directors:

Mr. Wu Jia Jun  
Mr. Zhong Peng Rong  
Ms. Shen Yan

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors except Mr. Zhu Jiang has entered into a service contract with the Company for a term of three years from 1st June 2013. Mr. Zhu Jiang has entered into a service contract with the Company for a term of three years from 24th July 2013. Their respective service contracts (which are automatically renewed for successive terms of one year each upon expiry of the then current term) are subject to termination by either party giving not less than 6 months' notice in writing.

The Independent Non-Executive Directors, Messrs. Wu Jia Jun and Zhong Peng Rong, were appointed for a two-year term expiring on 24th October 2015 and have agreed to continue their appointment for another two-year term expiring on 24th October 2017. Ms. Shen Yan was appointed as Independent Non-Executive Director for a term of two years expiring on 11th January 2016 and has agreed to continue her appointment for another two-year term expiring on 11th January 2018.

Save as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting ("AGM") has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## CONTRACTS OF SIGNIFICANCE

Save for the Directors' service contracts as disclosed in this annual report and the granting of share options to the Directors, details of which is set out in note 34 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the year.

No contracts of significance (including those in relation to provision of services) between members of the Group and the controlling shareholder or any of its subsidiaries subsisted at the end of the Year or at any time during the year.

## EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

# Directors' Report

## SHARE AWARD SCHEME

Pursuant to a resolution of the Board meeting dated 6th October 2014 (the "Adoption Date"), the Board approved the adoption of the Share Award Scheme under which shares of the Company may be awarded to selected employees (excluding any director and any chief executive) (the "Selected Employees") in accordance with its provisions. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain employees to the business growth and development of the Group through an award of Shares. The Share Award Scheme will remain in force for a period of 3 years commencing on the Adoption Date. The total number of shares which may be granted to the Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time.

As at 31st December 2015, the Company paid approximately HK\$436,000 to the trustee of the Share Award Scheme pursuant to the Share Award Scheme. During the year, the Company was informed by the trustee that it had purchased an aggregate of 300,000 Company's existing shares on the market for the purpose of the Share Award Scheme.

During the year ended 31st December 2015, 22,596,000 shares held under the Share Award Scheme were granted and vested to the Selected Employees of the Group at nil consideration.

Further details in relation to the Share Award Scheme are set out in note 35 to the consolidated financial statements.

## CONVERTIBLE BONDS

Details of movements in the Convertible Bonds issued by the Company during the year ended 31st December 2015 are set out in note 28 to the consolidated financial statements.

## EMOLUMENT POLICY

The Directors are paid fees in line with market practice. The Group adopted the following main principles in determining the remuneration of the Directors and other employees:

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources; and
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing the value of the Company to its Shareholders.



# Directors' Report

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2015, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required pursuant to the minimum standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

### (1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note)	655,000,000	Interest of a controlled corporation	36.36%
	Personal	1,590,000	Beneficial owner	0.09%
Mr. Chen Fu Rong	Corporate (Note)	655,000,000	Interest of a controlled corporation	36.36%
Mr. Shi Guang Rong	Personal	23,260,000	Beneficial owner	1.29%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Mr. Wang An Zhong	Personal	6,736,756	Beneficial owner	0.37%
Mr. Zhong Peng Rong	Personal	1,046,000	Beneficial owner	0.06%
Mr. Wu Jia Jun	Personal	600,000	Beneficial owner	0.03%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%

Note:

Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon, a company in which Messrs. Zhu Wei Sha and Chen Fu Rong held 63.6% and 36.4% of the entire issued share capital respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon. Reference is made to the announcements of the Company dated 11th May 2015, 13th May 2015, 27th May 2015, 1st June 2015, 3rd June 2015, 10th July 2015, 21st September 2015 and 7th December 2015 in relation to a proposed disposal of shares in the Company by Super Dragon. Super Dragon has on 10th July 2015 entered into a formal sale and purchase agreement with a company as nominated by a purchaser ("Purchaser") in relation to the sale to such company of 448,029,200 ordinary shares of the Company (representing 25% of the total issued share capital of the Company as at 31st March 2015) at HK\$3.3 per share. The Company understood that Super Dragon has received a request of deferral from the Purchaser requesting that payment of the consideration for the transaction which is required to be paid under the formal sale and purchase agreement, be paid within 50 working days of 21st September 2015. On 7th December 2015, the Company has been informed by Super Dragon that the proposed disposal of its shares in the Company has not been completed and that there was no further information on the proposed disposal that can be disclosed to the Company at this stage. According to the disclosure forms filed by Super Dragon, Mr. Zhu Wei Sha and Mr. Chen Fu Rong on 7th December 2015, Super Dragon is interested in 655,000,000 shares of the Company.

# Directors' Report

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

### (2) Long positions in the underlying shares of the Company

Pursuant to the Share Option Scheme approved by the Shareholders on 14th January 2015, the Directors and chief executive of the Company in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for the shares of the Company, details of which as at 31st December 2015 were as follows:

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Number of shares issuable under the share options				Outstanding as at 31st December 2015
				Outstanding as at 1st January 2015	Granted during the period	Exercised during the period	Forfeited during the period	
<b>Directors</b>								
Mr. Zhu Wei Sha	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116
Mr. Chen Fu Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116
Mr. Shi Guang Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	6,500,000	-	-	6,500,000
Mr. Wang An Zhong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	3,000,000	-	-	3,000,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	7,000,000	-	-	7,000,000
Mr. Zhong Peng Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
Mr. Wu Jia Jun	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000
<b>Chief Executive Officer</b>								
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	8,000,000	-	-	8,000,000
				-	31,084,232	-	-	31,084,232

Further details regarding the Share Option Scheme are set out in note 34 to the consolidated financial statement.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2015, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to the minimum standards of dealing by the Directors as referred to in rule 5.46 of the GEM Listing Rules.

# Directors' Report

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 31st December 2015, the following is a list of the substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in the shares of the Company

Name of shareholder	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Super Dragon ( <i>Note</i> )	Corporate	655,000,000	Beneficial owner	36.36%

*Note:*

Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as to 63.6%, and Mr. Chen Fu Rong, as to 36.4% respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon. Reference is made to the announcements of the Company dated 11th May 2015, 13th May 2015, 27th May 2015, 1st June 2015, 3rd June 2015, 10th July 2015, 21st September 2015 and 7th December 2015 in relation to a proposed disposal of shares in the Company by Super Dragon. Super Dragon has on 10th July 2015 entered into a formal sale and purchase agreement with a company as nominated by a purchaser ("Purchaser") in relation to the sale to such company of 448,029,200 ordinary shares of the Company (representing 25% of the total issued share capital of the Company as at 31st March 2015) at HK\$3.3 per share. The Company understood that Super Dragon has received a request of deferral from the Purchaser requesting that payment of the consideration for the transaction which is required to be paid under the formal sale and purchase agreement, be paid within 50 working days of 21st September 2015. On 7th December 2015, the Company has been informed by Super Dragon that the proposed disposal of its shares in the Company has not been completed and that there was no further information on the proposed disposal that can be disclosed to the Company at this stage. According to the disclosure forms filed by Super Dragon, Mr. Zhu Wei Sha and Mr. Chen Fu Rong on 7th December 2015, Super Dragon is interested in 655,000,000 shares of the Company.

Save as disclosed above, as at 31st December 2015, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR SUPPLIERS AND CUSTOMERS

The Group has developed close and long-term cooperation relationships with major suppliers and customers. During the year, stable and good relationships between the Group and its major suppliers and customers have been maintained. The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

### Purchases

– the largest supplier	26.6%
– five largest suppliers combined	48.0%

# Directors' Report

## MAJOR SUPPLIERS AND CUSTOMERS *(Continued)*

### Sales

–	the largest customer	56.1%
–	five largest customers combined	97.0%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers and major customers noted above.

## RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year, which constitute exempted connected transactions or continuing connected transactions under the GEM Listing Rules, are set out in note 38 to the consolidated financial statements.

## COMPETING INTERESTS

None of the Directors or management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group during the year.

## PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float required under the GEM Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## AUDITOR

The consolidated financial statements of the Company for the year ended 31st December 2015 were audited by Mazars CPA Limited, Certified Public Accountants.

A resolution for the re-appointment of Mazars CPA Limited as the auditor of the Company will be proposed at the forthcoming AGM of the Company.

On behalf of the Board  
**Yuxing InfoTech Investment Holdings Limited**  
**Zhu Wei Sha**  
*Chairman*

Hong Kong, 18th March 2016

# Corporate Governance Report

## CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing shareholders' interests.

The Group has adopted a set of Code on Corporate Governance ("Company Code") which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by making reference to the principles, code provisions and recommended best practices set out in the Corporate Governance Code ("GEM Code") contained in Appendix 15 to the GEM Listing Rules. The Board will continue to monitor and revise the Company Code and assess the effectiveness of corporate governance practices in tandem with changes in the environment and requirements under the GEM Code, to ensure that the Company Code is in line with the expectations and interests of shareholders and will comply with the GEM Code and the GEM Listing Rules.

Subject to the deviations as disclosed hereof, the Company has complied with all the provisions of the GEM Code during the year under review:

Under provision E.1.2 of the GEM Code, the chairman of the Board should attend the AGM and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) to be available to answer questions at the AGM. Mr. Chen Fu Rong, the deputy chairman of the Company has been performing the above duties in lieu of Mr. Zhu Wei Sha, the chairman of the Board, who had other pre-arranged business commitments on the day of the AGM.

## SECURITIES TRANSACTIONS BY DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has in place internal operating procedures regarding the Directors' trading in securities. It has made specific enquiry with all Directors and all Directors have confirmed that they have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the year save as dealing in which Mr. Zhu Wei Sha and Mr. Chen Fu Rong (both executive directors of the Company) were interested, and in respect of which they did not comply with certain requirements of Rules 5.48 to 5.67 of the GEM Listing Rules relating to a proposed disposal of shares in the Company by Super Dragon during a "black out" period preceding the publication date of the Company's first quarterly report 2015. This breach has been notified to and resolved with the Exchange.

# Corporate Governance Report

## BOARD OF DIRECTORS

### Board composition

The Board is responsible for managing the Company on behalf of the Shareholders. The Board is of the view that it is the Directors' responsibility to create value for the Shareholders and safeguard the best interests of the Company and the Shareholders as a whole by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realizing the strategies and goals of the Group;
- being held accountable for the internal control system of the Group and responsible for reviewing its effectiveness;
- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Group in a balanced, clear and comprehensible manner. These responsibilities are applicable to quarterly, interim and annual reports of the Company, other price sensitive announcements published according to the GEM Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;
- whilst Executive Directors, who oversee the overall business of the Group, are responsible for the daily operations of the Group, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy. Implementation and execution of such decisions is delegated to the management; and
- regularly reviewing its own functions and the powers conferred upon Executive Directors to ensure appropriate arrangements are in place.

The management is well informed of its powers and duties with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company.

The Board comprises a total of eight directors, with five Executive Directors, namely, Mr. Zhu Wei Sha (Chairman), Mr. Chen Fu Rong (Deputy Chairman), Mr. Shi Guang Rong, Mr. Wang An Zhong and Mr. Zhu Jiang; and three Independent Non-Executive Directors, namely, Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. The biographies of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

To the knowledge of the Directors, the Board members have no financial, business, family or other material relationships with each other.

# Corporate Governance Report

## BOARD OF DIRECTORS *(Continued)*

### Independent Non-Executive Directors

During the year ended 31st December 2015, the Board at all times complied with the requirement of the GEM Listing Rules of having at least three Independent Non-Executive Directors sit on the Board (more than one third of the Board members) and at least one of them has appropriate professional accounting or related financial management expertise. All the Independent Non-Executive Directors are appointed for a two-year term, and subject to rotation and re-election pursuant to the Company's Bye-laws. Details of their appointment are referred to the section "Directors' Service Contracts" on page 21. Each of the Independent Non-Executive Director has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

### Board practice and conduct of meetings

The full Board meets at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person.

In 2015, there were four full Board meetings, one special general meeting ("SGM") and one AGM. The attendance record of each member of the Board is set out below:

Executive Directors	Attendance at Board meetings	Attendance at general meeting
Mr. Zhu Wei Sha ( <i>Chairman</i> )	3/4	1/2
Mr. Chen Fu Rong ( <i>Deputy Chairman</i> )	4/4	2/2
Mr. Wang An Zhong	4/4	2/2
Mr. Shi Guang Rong	4/4	2/2
Mr. Zhu Jiang	4/4	2/2

Independent Non-Executive Directors	Attendance at Board meetings	Attendance at general meeting
Mr. Wu Jia Jun	4/4	2/2
Mr. Zhong Peng Rong	3/4	2/2
Ms. Shen Yan	4/4	2/2

Information of material issues, due notice of meetings and minutes of each directors' meeting have been sent to each of the Directors for their information, comment and review.

### Appointment and Re-election of Directors

Each of the Executive Directors except Mr. Zhu Jiang has entered into a service contract with the Company for a term of three years from 1st June 2013. Mr. Zhu Jiang has entered into a service contract with the Company for a term of three years from 24th July 2013. Their respective service contracts (which are automatically renewed for successive terms of one year each upon expiry of the then current term) are subject to termination by either party giving not less than 6 months' notice in writing.

The Independent Non-Executive Directors, Messrs. Wu Jia Jun and Zhong Peng Rong, were appointed for a two-year term expiring on 24th October 2015 and have agreed to continue their appointment for another two-year term expiring on 24th October 2017. Ms. Shen Yan was appointed as Independent Non-Executive Director for a term of two years expiring on 11th January 2016 and has agreed to continue her appointment for another two-year term expiring on 11th January 2018.

# Corporate Governance Report

## **BOARD OF DIRECTORS** *(Continued)*

### **Appointment and Re-election of Directors** *(Continued)*

The Company has established formal, considered and transparent procedures for the appointment of new directors. The procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. Pursuant to Article 87(1) of the Bye-laws, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Shi Guang Rong, Mr. Zhu Jiang and Mr. Wu Jia Jun will be subject to retirement by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

### **Directors' Training**

Each newly appointed Director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operation of the Group and that he/she is aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

During the year, all existing Directors were provided with updates on the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time to develop and refresh the Directors' duties and responsibilities. Continuing briefings to Directors are arranged whenever necessary.

### **Board Diversity Policy**

The Board has continued adopting a board diversity policy in 2015 and discussed all measurable objectives set for implementing the policy.

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

### **Chairman and Chief Executive Officer**

According to provision A.2.1 of the GEM Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

On 18th November 2015, Mr. Zhu Wei Sha has stepped down as the CEO and remains as the chairman of the Board and Mr. Kevin Choo was appointed as the CEO on the same day. The role of the chairman of the Board and the CEO are separate and the Company has complied with provision A.2.1 of the GEM Code accordingly. Mr. Zhu Wei Sha is the chairman of the Board who focuses on management of the Board and Mr. Kevin Choo is the CEO who is responsible for day-to-day management of business of the Company.



# Corporate Governance Report

## BOARD OF COMMITTEES

The Board has established, with written terms of reference, three board committees, namely audit committee, remuneration committee and nomination committee, to oversee particular aspects of the Company's affairs. The board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each board committee are in compliance with the GEM Listing Rules and they are posted on the respective websites of the Exchange and the Company.

### Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established in March 2012. It comprises Mr. Zhu Wei Sha (Chairman), Mr. Chen Fu Rong, Ms. Shen Yan, Mr. Zhong Peng Rong and Mr. Wu Jia Jun. The responsibilities of the nomination committee include (1) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (2) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (3) assessing the independence of Independent Non-Executive Directors; and (4) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. Up to the date of this annual report, the nomination committee held one meeting to perform the aforesaid functions. All members have attended one meeting.

### Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established in October 2005. It comprises Ms. Shen Yan (Chairman), Mr. Wang An Zhong, Mr. Zhu Jiang, Mr. Wu Jia Jun and Mr. Zhong Peng Rong. The remuneration committee performs its functions, which primarily include assisting the Board in the overall management of the remuneration practices of the Group to ensure that effective policies, processes and practices are implemented in respect of the incentives for the Executive Directors and senior management, in accordance with provision B.1.2 of the GEM Code.

During the year ended 31st December 2015, the Remuneration Committee convened six meetings, in which the Remuneration Committee reviewed and approved the remuneration packages of the Executive Directors and senior management. All members have attended six meetings. During the year, the Remuneration Committee has adopted the model of making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements. In addition, pursuant to provision B.1.5 of the GEM Code, the annual remuneration of the member of the senior management by band for the year ended 31st December 2015 is set out below:

Remuneration band	Number of individuals
HK\$6,000,001 to HK\$7,000,000	1
HK\$10,000,001 to HK\$11,000,000	1

# Corporate Governance Report

## BOARD OF COMMITTEES *(Continued)*

### Audit Committee

The audit committee of the Company (the "Committee") was established on 20th November 1999 with written terms of reference in compliance with the GEM Listing Rules.

The Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the Committee are to review and supervise the financial reporting process, risk management and internal controls systems of the Group. It also reviews the effectiveness of both the internal and external audit and the internal controls and risk management system. The Committee comprises three Independent Non-Executive Directors of the Company, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Ms. Shen was appointed as the chairman of the Committee and she has appropriate professional qualifications in accounting and auditing experience. The Committee held four meetings during the current financial year. The Group's audited annual results for the year ended 31st December 2015 have been reviewed by the Committee.

The attendance record of each member of the Committee is set out below:

Members	Attendance
Ms. Shen Yan ( <i>Chairman</i> )	4/4
Mr. Zhong Peng Rong	3/4
Mr. Wu Jia Jun	4/4

The Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and internal control system of the Group and has made suggestions to improve them. The Committee also met the external auditor twice without the presence of the Executive Directors. During the year ended 31st December 2015, the Committee reviewed the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. Besides, there is no disagreement between the Board and the Committee regarding the re-appointment of external auditor. The Committee also carried out and discharged its duties set out in the GEM Code.

## AUDITOR'S REMUNERATION

The remuneration in respect of audit services provided by the auditor, Mazars CPA Limited, to the Group in the year 2015 amounted to HK\$1,240,000. Non-audit services (including review of interim report and financial information) provided by Mazars CPA Limited to the Group in the year 2015 amounted to HK\$128,000.

## COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is Mr. Liu Wei. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge in 2015.

# Corporate Governance Report

## DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31st December 2015, which give a true and fair view of the financial position of the Group on a going concern basis. Statements of Directors' responsibilities for preparing the consolidated financial statements and external auditor's reporting responsibilities are set out in the "Independent Auditor's Report".

## INTERNAL CONTROL

During the year ended 31st December 2015, the Directors reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions, to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of the Company and the Shareholders as a whole.

## SHAREHOLDERS' RIGHTS

The annual report, interim report and quarterly reports offer comprehensive information to the Shareholders on operational and financial performance whereas annual general meetings provide a forum for the Shareholders to exchange views directly with the Board. The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board.

According to the Bye-Laws, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the registered office of the Company.

As regards to proposing a person for election as a director, please refer to the procedures as set out in the Bye-laws on the website of the Company at [www.yuxing.com.cn](http://www.yuxing.com.cn) and the Exchange.

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong and for the attention of the Company Secretary.

## INVESTOR RELATIONS

The Company establishes different communication channels with investors to update the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information.

## CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its Bye-laws on the respective websites of the Exchange and the Company. During the year, no amendments were made to the constitutional documents of the Company.

# Independent Auditor's Report



## MAZARS CPA LIMITED

瑪澤會計師事務所有限公司  
42nd Floor, Central Plaza  
18 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道18號中環廣場42樓  
Tel 電話: (852) 2909 5555  
Fax 傳真: (852) 2810 0032  
Email 電郵: info@mazars.hk  
Website 網址: www.mazars.cn

### TO THE SHAREHOLDERS OF YUXING INFOTECH INVESTMENT HOLDINGS LIMITED *(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Yuxing InfoTech Investment Holdings Limited (the "Company") set out on pages 36 to 116, which comprise the consolidated statement of financial position as at 31st December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

# Independent Auditor's Report



## OPINION

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

### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 18th March 2016

### **Chan Chi Ming Andy**

*Practising Certificate number: P05132*

# Consolidated Income Statement

For the year ended 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	8	<b>631,522</b>	520,541
Cost of sales		<b>(525,773)</b>	(455,382)
Gross profit		<b>105,749</b>	65,159
Other revenue and net income	9	<b>146,097</b>	370,217
Distribution and selling expenses		<b>(17,461)</b>	(14,073)
General and administrative expenses		<b>(319,321)</b>	(80,721)
Other operating expenses		<b>(70,711)</b>	(18,973)
Fair value gains on investment properties	17	<b>6</b>	400
Change in fair value of derivative financial instruments		<b>–</b>	(261,217)
(Loss)/Profit from operations	10	<b>(155,641)</b>	60,792
Finance costs	13	<b>(41,953)</b>	(8,050)
Share of results of an associate		<b>(520)</b>	–
(Loss)/Profit before tax		<b>(198,114)</b>	52,742
Income tax credit/(expenses)	14	<b>8,206</b>	(22,050)
(Loss)/Profit for the year		<b>(189,908)</b>	30,692
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		<b>(188,155)</b>	31,012
Non-controlling interests		<b>(1,753)</b>	(320)
		<b>(189,908)</b>	30,692
(Loss)/Earnings per share	16	<b>HK\$</b>	HK\$
– Basic		<b>(0.10)</b>	0.02
– Diluted		<b>(0.10)</b>	0.02

# Consolidated Statement of Comprehensive Income

For the year ended 31st December 2015

	2015 HK\$'000	2014 HK\$'000
(Loss)/Profit for the year	<b>(189,908)</b>	30,692
Other comprehensive (loss)/income:		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	16,023
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Change in fair value during the year	<b>(52,909)</b>	346,201
Less: Reclassification of net change in fair value to profit or loss upon disposal	–	(103,251)
Exchange differences arising on translation of PRC subsidiaries	<b>(24,045)</b>	(971)
Other comprehensive (loss)/income for the year (net of tax)	<b>(76,954)</b>	258,002
Total comprehensive (loss)/income for the year	<b>(266,862)</b>	288,694
<b>Total comprehensive (loss)/income attributable to:</b>		
Owners of the Company	<b>(265,109)</b>	289,014
Non-controlling interests	<b>(1,753)</b>	(320)
	<b>(266,862)</b>	288,694

# Consolidated Statement of Financial Position

As at 31st December 2015

	Note	As at 31st December 2015 HK\$'000	As at 31st December 2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	17	114,109	117,976
Property, plant and equipment	18	45,683	50,309
Prepaid lease payments	19	11,603	12,714
Available-for-sale financial assets	20	562,795	477,704
Investment in an insurance contract	21	11,019	–
Other receivables	23	1,271	–
Pledged bank deposits		358,081	–
		<b>1,104,561</b>	658,703
<b>CURRENT ASSETS</b>			
Inventories	22	63,583	44,200
Trade and other receivables	23	300,313	227,100
Prepaid lease payments	19	369	392
Financial assets at fair value through profit or loss	24	816,151	1,394,399
Income tax recoverable		605	2,636
Pledged bank deposits		2,030	380
Cash and bank balances		433,842	349,207
		<b>1,616,893</b>	2,018,314
<b>CURRENT LIABILITIES</b>			
Trade and other payables	26	220,053	132,155
Dividend payables		31	17
Bank and other loans	27	359,442	181,803
Income tax payable		5,473	22,900
		<b>584,999</b>	336,875
<b>NET CURRENT ASSETS</b>			
		<b>1,031,894</b>	1,681,439
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>2,136,455</b>	2,340,142
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	14	12,663	13,448
<b>NET ASSETS</b>			
		<b>2,123,792</b>	2,326,694
<b>CAPITAL AND RESERVES</b>			
Share capital	29	45,036	44,803
Reserves	30	2,077,683	2,271,105
Equity attributable to owners of the Company		<b>2,122,719</b>	2,315,908
Non-controlling interests		1,073	10,786
<b>TOTAL EQUITY</b>			
		<b>2,123,792</b>	2,326,694

Approved and authorised for issue by the Board on 18th March 2016 and signed on its behalf by:

**Zhu Wei Sha**  
Chairman

**Shi Guang Rong**  
Vice President



# Consolidated Statement of Changes in Equity

For the year ended 31st December 2015

	Attributable to owners of the Company											Total equity HK\$'000																									
	Share capital		Shares held for share award scheme		Statutory reserves		Contributed surplus		Share-based compensation reserves		Share option reserves		Investment revaluation reserves		Convertible bond reserves		Property revaluation reserves		Translation reserves		Other reserves		Retained profits		Sub Total		Non-controlling interests										
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000							
As at 1st January 2014	44,803	57,265	-	-	8,668	234,621	-	-	-	-	-	-	-	-	-	-	-	-	79,364	(1,113)	1,721,351	2,144,959	31,012	31,012	11,106	2,156,065	-	30,692	2,186,757								
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
<b>Other comprehensive income:</b>																																					
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Reclassification of net change in fair value of available-for-sale financial assets to profit or loss upon disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(971)	-	-	-	-	-	-	-	-	-	-	-	-	-	(971)			
<b>Total other comprehensive income</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(971)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(971)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Transactions with owners:</b>																																					
<i>Contributions and distributions</i>																																					
Final dividend paid in respect of the financial year ended 31st December 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Shares purchased for share award scheme	-	-	-	(28,459)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total transactions with owners</b>	-	-	-	(28,459)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
As at 31st December 2014 and as at 1st January 2015	44,803	57,265	-	(28,459)	8,668	234,621	-	-	-	-	-	-	-	-	-	-	-	-	79,393	(1,113)	1,662,757	2,315,908	10,786	10,786	10,786	2,326,694	-	28,908	2,355,602								
<b>Loss for the year</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Other comprehensive loss:</b>																																					
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,045)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total other comprehensive loss</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,045)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,045)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Transactions with owners:</b>																																					
<i>Contributions and distributions</i>																																					
Final dividend paid in respect of the financial year ended 31st December 2014	233	26,978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Issue of shares upon exercise of share options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares purchased for share award scheme	-	-	-	(436)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity-settled share based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Vesting of shares of share award scheme	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Early redemption of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of reserves upon redemption of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in a subsidiary that does not result in a loss of control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	233	71,151	-	28,459	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31st December 2015</b>	<b>45,036</b>	<b>128,416</b>	-	-	<b>8,668</b>	<b>234,621</b>	-	-	-	-	-	-	-	-	-	-	-	-	<b>54,348</b>	<b>(1,113)</b>	<b>1,389,024</b>	<b>2,122,719</b>	<b>1,073</b>	<b>1,073</b>	<b>1,073</b>	<b>2,123,792</b>	-	<b>63,960</b>	<b>2,187,764</b>								

# Consolidated Cash Flow Statement

For the year ended 31st December 2015

	2015 HK\$'000	2014 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	<b>(198,114)</b>	52,742
Adjustments for:		
Exchange difference	<b>8,545</b>	(800)
Impairment loss on other receivables	<b>22,738</b>	–
Write-down/(Reversal of write-down) of inventories	<b>3,392</b>	(6,341)
Reversal of impairment loss on other receivables	<b>(18)</b>	(208)
Interest income from bank deposits	<b>(7,271)</b>	(5,262)
Interest income from investment in an insurance contract	<b>(37)</b>	–
Interest expenses	<b>41,953</b>	8,050
Dividend income from listed equity securities	<b>(6,396)</b>	(20,133)
Share-based compensation expenses		
– Share option scheme	<b>64,379</b>	–
– Share award scheme	<b>73,068</b>	–
Amortisation of prepaid lease payments	<b>385</b>	390
Depreciation of property, plant and equipment	<b>5,504</b>	8,697
Fair value gains on investment properties	<b>(6)</b>	(400)
Loss on disposal of property, plant and equipment	<b>5</b>	22
Gain on disposal of available-for-sale financial assets	–	(136,607)
Loss on early redemption of convertible bonds	<b>642</b>	–
Share of results of an associate	<b>520</b>	–
Gain on disposal of an associate	<b>(520)</b>	–
<b>OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL</b>	<b>8,769</b>	(99,850)
(Increase)/Decrease in inventories	<b>(25,215)</b>	41,663
Increase in trade and other receivables	<b>(111,830)</b>	(11,268)
Decrease/(Increase) in financial assets at fair value through profit or loss	<b>575,195</b>	(1,048,372)
Increase/(Decrease) in trade and other payables	<b>93,212</b>	(147,546)
<b>CASH GENERATED FROM/(USED IN) OPERATIONS</b>	<b>540,131</b>	(1,265,373)
Income taxes paid	<b>(7,756)</b>	(178,869)
Income taxes refund	<b>1,877</b>	634
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>534,252</b>	(1,443,608)

# Consolidated Cash Flow Statement

For the year ended 31st December 2015

	2015 HK\$'000	2014 HK\$'000
<b>INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(138,000)	(611,465)
Purchase of property, plant and equipment	(3,474)	(5,300)
Increase of investment in an insurance contract	(10,920)	–
Increase in pledged bank deposits with original maturities over three months	(359,754)	–
Proceeds from disposal of available-for-sale financial assets	–	506,851
Interest received	6,000	5,262
Dividend received from listed equity securities	6,396	20,133
Proceeds from disposal of property, plant and equipment	8	6
Cash consideration for disposal of a subsidiary	–	1,782,994
Investment in an associate	(5,968)	–
Proceeds from disposal of an associate	4,536	–
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(501,176)</b>	<b>1,698,481</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares upon exercise of share options	20,487	–
New bank and other loans raised	738,073	1,203,032
Repayment of bank loans	(558,991)	(1,105,122)
Payments for purchase of shares for share award scheme	(436)	(28,459)
Proceeds from issue of convertible bonds	465,576	–
Payments of early redemption of convertible bonds	(493,907)	–
Interest paid	(10,609)	(8,050)
Dividend paid	(89,219)	(89,599)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>70,974</b>	<b>(28,198)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>104,050</b>	<b>226,675</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>349,207</b>	<b>122,793</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(19,415)</b>	<b>(261)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>433,842</b>	<b>349,207</b>
Analysis of the balances of cash and cash equivalents:		
Funds held by securities brokers ( <i>Note (a)</i> )	114,128	274,205
Time deposits ( <i>Note (b)</i> )	–	25,871
Cash at bank and in hand ( <i>Note (b)</i> )	319,714	49,131
	<b>433,842</b>	<b>349,207</b>

Notes:

- (a) At the end of the reporting period, there were funds held by securities brokers of approximately HK\$114,128,000 (2014: approximately HK\$274,205,000) for trading of securities.
- (b) As at 31st December 2014, cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made between one month to three months depending on the immediate cash requirement of the Group and earn interest at a range of 2.07% and 4.35% per annum.
- (c) At the end of the reporting period, the pledged bank deposits comprised approximately HK\$2,030,000 and HK\$358,081,000 (2014: approximately HK\$380,000 and HK\$Nil) which had an original maturity of more than three months but within one year and more than one year respectively when acquired and therefore has not been classified as cash equivalents in the consolidated cash flow statement.

# Notes to the Consolidated Financial Statements

## 1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are detailed in note 39.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements. The adoption of the new/revised HKFRSs which are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

#### **Adoption of new/revised HKFRSs**

*Annual Improvements Project: 2010-2012 Cycle*

The amendments include the followings:

#### (1) *HKFRS 2: Share-based Payment*

The amendments add definitions for "performance condition" and "service condition" which were previously part of the definition of "vesting condition" and update the definitions of "vesting condition" and "market condition". It specifies in the definition of performance condition that a vesting condition requires specified performance target(s) to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (or activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period. The application of the amendments does not have an impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (a) Basis of preparation *(Continued)*

#### **Adoption of new/revised HKFRSs** *(Continued)*

*Annual Improvements Project: 2010-2012 Cycle (Continued)*

#### (2) *HKFRS 3: Business Combinations*

These amendments delete the reference to “other applicable HKFRSs” in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss. The Group did not involve in business combination for contingent consideration. The adoption of the amendments does not have an impact on the consolidated financial statements.

#### (3) *HKFRS 8: Operating Segments*

HKFRS 8 is updated as follows:

- (a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
- (b) It is clarified that the reconciliation of the total reportable segments’ assets to the entity’s assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

The Group has disclosed the necessary information in respect of its operating segments in accordance with updated HKFRS 8. Those disclosures are set out in note 8.

#### (4) *HKFRS 13: Fair Value Measurement*

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity’s ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. The application of the amendments does not have an impact on the consolidated financial statements as it is consistent with the accounting policies already adopted by the Group.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (a) Basis of preparation *(Continued)*

#### **Adoption of new/revised HKFRSs** *(Continued)*

##### *Annual Improvements Project: 2010-2012 Cycle (Continued)*

#### (5) *HKAS 16: Property, Plant and Equipment*

HKAS 16 originally required the revalued accumulated depreciation to be restated proportionately with the change in the gross carrying amount. However, it is noted that accumulated depreciation would not be restated proportionately to the gross carrying amount in situations in which both the gross carrying amount and the carrying amount are revalued non-proportionately to each other. Consequently, the Standard is amended such that (a) the gross carrying amount of the revalued asset should be adjusted in a manner that is consistent with the revaluation of its carrying amount; and (b) the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses. The property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment losses without revaluation. The amendment does not have an impact on the consolidated financial statements.

#### (6) *HKAS 24: Related Party Disclosures*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the “management entity”) to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. There are no key management personal services provided by an entity to the Company. The Group is not required to provide the disclosure required by the amendment.

##### *Annual Improvements Project – 2011-2013 Cycle*

#### *HKFRS 13: Fair Value Measurement*

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. The application of the amendments does not have an impact on the consolidated financial statements.

#### **Impact of the Hong Kong Companies Ordinance (Cap. 622)**

The financial-reporting requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance comes into operation for the preparation of these consolidated financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (b) Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. 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.

Non-controlling interests are presented separately from owners of the Company, in the consolidated income statement and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

#### *Allocation of total comprehensive income*

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

#### *Changes in ownership interest*

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

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 retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (d) Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

### (e) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long-term interests that, in substance, form part of the Group's net investment in the investee.

### (f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

As the Group's lease payments for its leasehold property located in Hong Kong cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold property as a finance lease in property, plant and equipment.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	3% or over the relevant lease term, whichever is shorter
Leasehold property	3% or over the relevant lease term, whichever is shorter
Leasehold improvements	5% – 33% or over the relevant lease term, whichever is shorter
Office equipment, furniture and fixtures	20% – 33%
Plant and machinery	10% – 20%
Motor vehicles	10% – 33%



# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus or deficit. The revaluation surplus is recognised in profits or loss to the extent that an impairment loss previously recognised in profit or loss with the remaining surplus recognised in other comprehensive income as property revaluation reserves within equity. The revaluation deficit is recognised in other comprehensive income to reduce the property revaluation reserves to the extent that the amount previously recognised in property revaluation reserves with the remaining deficit recognised in profit or loss.

The property revaluation reserves are derecognised upon the disposal of the investment property.

### (g) Investment properties

Investment properties are land and/or building that are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carry at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

### (h) Prepaid lease payments

Prepaid lease payments are up-front payments to acquire fixed-term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (i) Intangible assets

#### *Research and development costs*

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period which reflects the pattern in which the related economic benefits are recognised.

### (j) Financial instruments

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

#### *Classification and measurement*

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (j) Financial instruments *(Continued)*

#### *Financial assets or financial liabilities at fair value through profit or loss*

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on financial assets.

Financial assets or financial liabilities are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets or financial liabilities are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

#### *Loans and receivables*

Loans and receivables including trade and other receivables, non-current other receivable from investment in an insurance contract, pledged bank deposits and cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (j) Financial instruments *(Continued)*

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

#### *Financial liabilities*

The Group's financial liabilities include trade and other payables and bank and other loans. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

#### *Impairment of financial assets*

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (k) Convertible bond

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs. The corresponding dividends on those shares are charged as interest expense in profit or loss.

On the issuance of the convertible bond, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bond reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond reserve is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond reserve is transferred to retained profits/accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of proceeds.

When the convertible bonds with an equity component are extinguished before maturity through an early redemption or repurchase by the issuer in which the original conversion privileges are unchanged, the consideration and transaction costs paid for the redemption or repurchase is allocated to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received when the convertible instrument was issued. The difference between the carrying amount of the liability component and the liability component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in the consolidated income statement, whereas the difference between the carrying amount of the equity component and the equity component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in equity.

### (l) Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less 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 of 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.

### (n) Revenue recognition

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

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Rental income under operating lease is recognised when the properties are let out and on the straight line basis over the lease terms.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

### (o) Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (o) Foreign currency translation *(Continued)*

- (b) Income and expenses for each income statement are translated at average exchange rate;
- (c) All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- (d) On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- (e) On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- (f) On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

### (p) Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and prepaid lease payments may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (q) Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### (r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (s) Leases

Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases. Rentals payable and receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease.

### (t) Employee benefits

#### *Short-term employee benefits*

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees.

#### *Defined contribution plans*

The obligations for contributions to Mandatory Provident Fund Scheme (the "MPF") in Hong Kong are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the state-managed retirement benefit schemes in the People's Republic of China (other than Hong Kong, Taiwan and Macau) (the "PRC"), which are calculated on certain percentages of the applicable payroll costs, are charged as expense when employees have rendered services entitling them to the contributions.



# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (u) Share-based payment transactions

#### *Equity-settled transactions*

The Group operates two share-based compensation plans, including share option scheme and share award scheme, under which the Group receives services from employees including directors, and parties other than employees in exchange for the grant of rights over shares or shares of the Company as remuneration in form of equity-settled transactions. The cost of such transaction with employees is measured by reference to the fair value of the equity instruments at the grant date whereas the transactions with parties other than employees are measured at fair value of the goods or services received at the date the Group obtains the goods or the counterparty renders the services, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted.

The cost of equity-settled transactions are recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share option reserve under equity for grant of share options and share-based compensation reserve under equity for grant of awarded shares.

During the vesting period, the number of share options and awarded shares that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

#### *Share option scheme*

For share options granted to employees, the total amount to be expensed is determined by reference to the fair value of the share options at the grant date by using the Black-Scholes Option Model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company (the "Shares").

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital (nominal value) and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

#### *Share award scheme*

For grant of award shares, the total amount to be expensed is determined by reference to the market price of the Shares at the grant date. For shares held for share award scheme, where the Shares are acquired under the share award scheme from the market, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is recognised in shares held for share award scheme within equity and deducted from total equity.

Upon vesting and transfer shares to the selected employee, the related costs of the awarded shares purchased from the market and shares acquired from reinvesting dividends received on the awarded shares are credited to shares held for share award scheme within equity, with a corresponding decrease in share-based compensation reserve. The difference between the cost and the fair value of the Shares is credited to share premium if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (v) Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 in the consolidated financial statements. However, any deferred tax arising from initial recognition of other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

### (w) Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

# Notes to the Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (w) Related parties *(Continued)*

- (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. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

### (x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Board for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

# Notes to the Consolidated Financial Statements

## 3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

### Fair value of private investment funds and equity linked notes investments

In valuation of the fair value of private investment funds and equity linked notes investments, the Group obtains the valuation of the private investment funds provided by the investment managers and engages independent professional qualified valuers to perform the valuation of equity linked notes investments. As described in notes 20 and 24, the valuation techniques applied by the investment managers and external valuers for the private investment funds and equity linked notes investments respectively have been discussed with the Directors. The Directors review the valuations performed by the investment managers and external valuers and use their estimation to determine whether valuation techniques applied are appropriate to the circumstances of the Group.

# Notes to the Consolidated Financial Statements

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### Useful lives and impairment of property, plant and equipment and prepaid lease payments

The Directors review the useful lives and depreciation/amortisation method of property, plant and equipment and prepaid lease payments at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Directors have to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined by reference to value in use and fair value less costs to sell. Value in use is determined using the discounted cash flow method.

### Deferred tax liabilities

At the end of the reporting period, deferred tax liabilities of approximately HK\$13,273,000 (2014: approximately HK\$14,096,000), in relation to the land appreciation tax adjustment arising from revaluation of property, plant and equipment transferred to investment properties whereas no deferred tax liabilities have been provided for withholding tax on the distribution of retained profits of the PRC subsidiaries as those profits are not to be remitted out of the PRC in foreseeable future. Further details are set out in note 14.

### Fair value of the liability component of convertible bonds

The fair values of the liability component of convertible bonds in the principal amount of approximately HK\$465,950,000 (the "Convertible Bonds") that are not traded in an active market are estimated by the Group based on the valuation performed by an independent valuer. The fair values of the liability component of Convertible Bonds are valued using discounted cash flow model based on assumptions supported, where possible, by observable market prices or rates. A loss on early redemption of Convertible Bonds of approximately HK\$642,000 was recognised in the consolidated income statement for the year ended 31st December 2015. The carrying amount of the liability component of Convertible Bonds as at 31st December 2015 was HK\$Nil (2014: HK\$Nil). Further details are set out in note 28.

### Allowance for inventories

The Group's management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

# Notes to the Consolidated Financial Statements

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### Impairment in respect of trade and other receivables

The provisioning policy for impairment in respect of trade and other receivables of the Group is based on the evaluation by management of the collectability of the outstanding receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment will be required. At the end of the reporting period, the carrying amount of trade and other receivables after provision for impairment amounted to approximately HK\$301,584,000 (2014: approximately HK\$227,100,000).

### Impairment allowances on loan receivables

The Group reviews its loan receivables to assess impairment at least on monthly basis. In determining whether an impairment loss should be recognised in the consolidated income statement, the Group make judgements as to whether there is any observable data indicating that there is a measuring decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers. The Group uses estimates based on historical loss experience when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## 5. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders of the Company ("Shareholders"), issue new shares, return capital to Shareholders, raise new debt financing or sell assets to reduce debt.

Meanwhile, the Group monitors its capital structure using a gearing ratio which is calculated as total debts divided by the total equity. For this purpose the Group defines debt as total debt (which includes bank and other loans, trade and other payables, dividend payables, income tax payable and deferred tax liabilities).

# Notes to the Consolidated Financial Statements

## 5. CAPITAL MANAGEMENT *(Continued)*

The gearing ratio as at 31st December 2015 and 2014 was as follows:

	Note	2015 HK\$'000	2014 HK\$'000
<b>Current liabilities:</b>			
Trade and other payables	26	220,053	132,155
Dividend payables		31	17
Bank and other loans	27	359,442	181,803
Income tax payable		5,473	22,900
		<b>584,999</b>	336,875
<b>Non-current liabilities:</b>			
Deferred tax liabilities	14	12,663	13,448
<b>Total debt</b>		<b>597,662</b>	350,323
<b>Total equity</b>		<b>2,123,792</b>	2,326,694
<b>Gearing ratio</b>		<b>28.1%</b>	15.1%

The increase in gearing ratio of the Group during 2015 was primarily resulted from the increase of interest-bearing borrowings for financing the Group's business development of the information home appliances, the general working capital of the Group and possible strategic investments during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Some of the Group's banking facilities are subject to financial covenants requirements imposed by certain banks.

# Notes to the Consolidated Financial Statements

## 6. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to price risk arising from its equity investments in other entities and movements in its own equity share price.

These risks are mitigated by the Group's financial management policies and practices described below.

### (a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In respect of other receivables, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual receivable at least on monthly basis to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on receivables from securities broker for settlement of trading of dual currency investments is limited because the settlement terms were two business days after the transaction date and the counterparty was creditworthy global financial institution.

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 but to a lesser extent. At the end of the reporting period, the Group had a concentration of credit risk as 55.4% (2014: 57.3%) and 99.7% (2014: 99.6%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group also had a concentration of credit risk as 80.2% (2014: 79.2%) of total other receivables was due from two (2014: Two) independent third parties.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

The Group has limited credit risk with its money deposited in financial institutions and securities brokers, which are leading and reputable and are assessed as having low credit risk. The Group has not suffered any significant losses arising from the non-performance by these parties in the past and management does not expect this position to change in the future.



# Notes to the Consolidated Financial Statements

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group has unutilised bank borrowing facilities of approximately HK\$1,009,993,000 (2014: approximately HK\$286,616,000) at the end of the reporting period to meet the liquidity needs.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group are required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest period that the Group is required to repay regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Note	2015			2014		
		Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000
<b>Non-derivative financial liabilities</b>							
Trade and other payables	26	207,797	207,797	207,797	132,155	132,155	132,155
Dividend payables		31	31	31	17	17	17
Bank and other loans	27	359,442	379,405	379,405	181,803	185,581	185,581
		567,270	587,233	587,233	313,975	317,753	317,753

# Notes to the Consolidated Financial Statements

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Liquidity risk *(Continued)*

The amounts repayable under loan agreements that include a clause that gives lenders the unconditional right to call loans at any time are classified under the "within one year or on demand" bracket. In this regard, bank loans of approximately HK\$351,326,000 (2014: approximately HK\$9,575,000) (note 27) at the end of the reporting period have been so classified even though the Directors do not expect that lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreements:

	2015 HK\$'000	2014 HK\$'000
<b>Bank loans, including interest, with a repayment on demand clause</b>		
Within one year	<b>19,167</b>	1,472
More than one year but less than two years	<b>18,912</b>	1,472
More than two years but less than five years	<b>330,287</b>	4,416
Over five years	<b>2,891</b>	3,396
	<b>371,257</b>	10,756

### (c) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured interest-bearing borrowings, bank balances and pledged bank deposits. Bank balances and interest-bearing borrowings with floating interest rates and fixed interest rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group has not entered into significant hedging activities to hedge against the exposure to interest rate risk. The Group closely monitors its interest rate exposure and the level of interest-bearing borrowings, in consideration of economic atmosphere and the strategies of the Group.

At the end of the reporting period, if interest rates had been 100 basis points higher or lower (but on condition that interest rate would not fall below zero) and all other variables were held constant, the Group's net loss would be decreased by approximately HK\$4,343,000 or HK\$2,079,000 respectively (2014: net profit would be increased by approximately HK\$2,950,000 or HK\$1,087,000 respectively).

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 non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until at the end of next annual reporting period. The analysis is performed on the same basis for 2014.

# Notes to the Consolidated Financial Statements

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (d) Currency risk

The Group has transactional currency exposure. Such exposure arises from trading and investing transactions denominated in a currency other than the Functional Currency of an operating unit to which they relate. The Group's exposure to foreign currency risk principally arises from changes in exchange rate of United States dollars, Great British Pounds ("GBP") and Renminbi ("RMB") against HKD. Management considers that the Group has limited exposure to foreign currency risk of United States dollars against HKD since the relevant exchange rate has remained relatively stable.

The Group did not have significant exposure to foreign exchange risk and has not entered into significant hedging activities to hedge against the exposure to foreign exchange risk because the main operations of the subsidiaries of the Group are conducted in their functional currency.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currencies			
	2015		2014	
	GBP HK\$'000	RMB HK\$'000	GBP HK\$'000	RMB HK\$'000
Trade and other receivables	–	1,271	–	2,879
Financial assets at fair value through profit or loss	35,235	76,599	47,818	1,203,450
Cash and bank balances	–	432,285	–	253,819
Trade and other payables	–	(992)	–	(3,044)
Net exposure	35,235	509,163	47,818	1,457,104

At the end of the reporting period, if GBP and RMB had been 5% (2014: 6%) and 5% (2014: 1%) respectively strengthened/weakened against HKD while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK\$1,762,000 (2014: net profit would be increased/decreased by approximately HK\$2,869,000) and HK\$25,458,000 (2014: net profit would be increased/decreased by approximately HK\$9,187,000) respectively.

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 all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until at the end of next annual reporting period.

# Notes to the Consolidated Financial Statements

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (e) Price risk

The Group is exposed to price risk arising from investments in equity securities, money market funds and equity linked notes classified as financial assets at fair value through profit or loss (note 24) and available-for-sale financial assets (note 20). For the Group's equity securities investments and money market funds that are publicly traded, the fair value is determined with reference to quoted market prices. For the Group's equity linked notes investments with underlying listed securities, the fair value is determined with reference to quoted market prices of the underlying listed securities. The Group's private investment fund is held for long-term strategic purpose. Its performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

#### *Financial assets at fair value through profit or loss*

At the end of the reporting period, if the quoted market price of equity securities had been 9% (2014: 25%) higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK\$46,098,000 (2014: net profit would be increased/decreased by approximately HK\$85,414,000) due to change in the fair value of financial assets at fair value through profit or loss classified as equity securities.

At the end of the reporting period, if the quoted market price of money market funds had been 1% (2014: 1%) higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK\$5,000 (2014: net profit would be increased/decreased by approximately HK\$29,000) due to change in the fair value of financial assets at fair value through profit or loss classified as money market funds.

At the end of the reporting period, if the quoted market price of underlying securities in equity linked notes had been 7% (2014: Nil) higher/lower while all other variables were held constant, the Group's net loss would be decreased by approximately HK\$208,000 (2014: HK\$Nil) or increased by approximately HK\$805,000 (2014: HK\$Nil) due to change in the fair value of financial assets at fair value through profit or loss classified as equity-linked notes.

# Notes to the Consolidated Financial Statements

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (e) Price risk *(Continued)*

#### *Available-for-sale financial assets*

At the end of the reporting period, if the quoted market price of equity securities listed outside Hong Kong had been 10% (2014: 10%) higher/lower while all other variables were held constant, the Group's other comprehensive income would be increased/decreased by approximately HK\$43,351,000 (2014: approximately HK\$47,770,000) due to change in the fair value of available-for-sale financial assets classified as equity securities listed outside Hong Kong.

At the end of the reporting period, if the quoted market price of equity securities invested by private investment funds had been 1% (2014: Nil) higher/lower while all other variables were held constant, the Group's other comprehensive income would be increased/decreased by approximately HK\$520,000 (2014: HK\$Nil) due to change in the fair value of available-for-sale financial assets classified as private investment funds.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables. The analysis is performed on the same basis for 2014.

## 7. FAIR VALUE MEASUREMENTS

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values.

The following presents the assets measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31st December 2015 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the assets.

# Notes to the Consolidated Financial Statements

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

### Assets measured at fair value on a recurring basis

	Note	2015 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	17	114,109	–	114,109	–
Available-for-sale financial assets	20	562,795	433,506	52,005	77,284
Financial assets at fair value through profit or loss	24	816,151	798,454	17,697	–

	Note	2014 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	17	117,976	–	117,976	–
Available-for-sale financial assets	20	477,704	477,704	–	–
Financial assets at fair value through profit or loss	24	1,394,399	1,393,776	–	623

During the years ended 31st December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value measurements.

### Valuation techniques and inputs in level 2 fair value measurement

(a) *Investment properties*

At the end of the reporting period, the investment properties were revalued by Roma Appraisals limited (“Roma”), independent professional qualified valuers, on the market value basis using direct comparison approach. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size/age etc. were used to value the properties. The most significant input into this valuation approach is price per square foot.

(b) *Available-for-sale financial assets*

The fair value of a private investment fund invested in listed equity securities in Level 2 is valued based on the net asset value of each fund unit quoted by the investment manager based on quoted prices of underlying investments i.e. listed equity in an active market with insignificant adjustments.

(c) *Financial assets at fair value through profit or loss*

Included in the financial assets at fair value through profit or loss in Level 2 are investments in equity linked notes with listed securities as underlying assets. The fair value of which was valued by Vigers Appraisal & Consulting Limited (“Vigers”), an independent professional qualified valuer not connected with the Group and with appropriate qualification and recent experience in the valuation of similar financial instruments. The fair value is determined using Black Scholes Model with reference to quoted market price of underlying listed equity securities.

# Notes to the Consolidated Financial Statements

## 7. FAIR VALUE MEASUREMENTS (Continued)

### Financial instruments measured at fair value based on Level 3

The details of the movements of the recurring fair value measurements categorised as Level 3 are shown as follows:

	2015		2014	
	Private investment funds HK\$'000 (Note)	Derivative financial instruments HK\$'000	Private investment funds HK\$'000 (Note)	Derivative financial instruments HK\$'000
As at 1st January	–	623	–	323
Purchases	78,000	–	–	–
Net (losses)/gains on change in fair value recognised in:				
– profit or loss*	–	11,403	–	300
– other comprehensive income	(716)	–	–	–
Settled by other receivables	–	(12,026)	–	–
As at 31st December	77,284	–	–	623
Change in unrealised gains for the year included in profit or loss for financial instruments held at the end of the reporting period	–	–	–	300

\* Gains included in profit or loss are presented in other net income.

Note:

The fair value of the private investment fund in Level 3 is based on the fair value of the unlisted equity securities of a company invested by the fund. The fair values of unlisted equity securities which are valued by the investment managers are estimated by valuation techniques, using discounted cash flows model. In determining the fair value of unlisted equity securities, it includes assumptions that are not supported by observable market data. A discount rate of unquoted company invested by the fund of 12.5% is used.

As at 31st December 2015, if the expected discount rate of the investment fund had been 1% higher/lower while all other variables were held constant, the Group's other comprehensive income would be decreased by approximately HK\$10,776,000 or increased by approximately HK\$4,220,000 respectively.

# Notes to the Consolidated Financial Statements

## 8. SEGMENT INFORMATION

For management purposes, the current major operating segments of the Group are information home appliances, investing and trading.

The information home appliances segment is principally engaged in manufacture, sales and distribution of information home appliances and complementary products to consumer markets.

The investing segment comprises trading of securities and investing in financial instruments.

The trading segment is principally engaged in selling electronic components, plastic and miscellaneous products.

Other operations of the Group mainly comprise leasing out of properties.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the Executive Directors assess segment profit or loss before tax without allocation of share of results of an associate, finance costs, Directors' emoluments, head office staff salaries, legal and professional fees and other administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements.

All assets are allocated to reportable segments other than head office bank balances and other unallocated financial and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities which are managed on a group basis.

Inter-segment sales transactions are charged at prevailing market rates. The accounting policies of the reporting segments are the same as the Group's accounting policies as described in note 2.



# Notes to the Consolidated Financial Statements

## 8. SEGMENT INFORMATION *(Continued)*

### Business segments

Revenue represents net invoiced value of goods sold to customers less returns and allowance. An analysis of the Group's revenue, other revenue and net income, changes in fair value of investment properties, segment results and segment assets and liabilities by business segments is as follows:

#### For the year ended 31st December 2015

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	629,945	–	1,577	–	–	631,522
Inter-segment sales	–	–	3,413	–	(3,413)	–
<b>OTHER REVENUE AND NET INCOME</b>	<b>5,847</b>	<b>125,456</b>	<b>18</b>	<b>10,157</b>	<b>(2,692)</b>	<b>138,786</b>
<b>FAIR VALUE GAINS ON INVESTMENT PROPERTIES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>6</b>
Segment revenue	635,792	125,456	5,008	10,163	(6,105)	770,314
<b>RESULTS</b>						
Segment results	39,902	42,884	(4,467)	2,744	–	81,063
Share of results of an associate	–	(520)	–	–	–	(520)
Unallocated corporate income						40
Interest income from bank deposits						7,271
Other unallocated corporate expenses						(244,015)
Finance costs						(156,161)
						(41,953)
Loss before tax						(198,114)
Income tax credit						8,206
Loss for the year						(189,908)

# Notes to the Consolidated Financial Statements

## 8. SEGMENT INFORMATION *(Continued)*

### Business segments *(Continued)*

As at 31st December 2015

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	332,969	2,227,546	4,848	122,721	–	2,688,084
Unallocated corporate assets					33,370	33,370
Consolidated total assets						2,721,454
<b>LIABILITIES</b>						
Segment liabilities	189,039	349,498	2,372	21,698	–	562,607
Unallocated corporate liabilities					35,055	35,055
Consolidated total liabilities						597,662
<b>OTHER INFORMATION</b>						
Capital expenditures	1,298	–	64	–	2,112	3,474
Depreciation and amortisation	4,883	–	312	177	517	5,889
Write-down/(Reversal of write-down) of inventories	3,429	–	(37)	–	–	3,392
Impairment loss on other receivables	–	22,738	–	–	–	22,738
Reversal of impairment loss on other receivables	–	–	(18)	–	–	(18)

# Notes to the Consolidated Financial Statements

## 8. SEGMENT INFORMATION *(Continued)*

### Business segments *(Continued)*

For the year ended 31st December 2014

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	520,010	–	531	–	–	520,541
Inter-segment sales	–	–	4,910	–	(4,910)	–
<b>OTHER REVENUE AND NET INCOME</b>	3,463	354,702	208	9,151	(2,722)	364,802
<b>FAIR VALUE GAINS ON INVESTMENT PROPERTIES</b>						
	–	–	–	400	–	400
Segment revenue	523,473	354,702	5,649	9,551	(7,632)	885,743
<b>RESULTS</b>						
Segment results	3,097	67,490	(102)	786	–	71,271
Unallocated corporate income						153
Interest income from bank deposits						5,262
Other unallocated corporate expenses						(15,894)
Finance costs						60,792
						(8,050)
Profit before tax						52,742
Income tax expenses						(22,050)
Profit for the year						30,692

# Notes to the Consolidated Financial Statements

## 8. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

As at 31st December 2014

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	280,246	2,241,255	5,750	130,264	–	2,657,515
Unallocated corporate assets					19,502	19,502
Consolidated total assets						<u>2,677,017</u>
<b>LIABILITIES</b>						
Segment liabilities	141,372	175,554	1,972	24,307	–	343,205
Unallocated corporate liabilities					7,118	7,118
Consolidated total liabilities						<u>350,323</u>
<b>OTHER INFORMATION</b>						
Capital expenditures	5,204	–	–	–	96	5,300
Depreciation and amortisation	7,699	–	436	594	358	9,087
(Reversal of write-down)/Write-down of inventories	(6,388)	–	47	–	–	(6,341)
Reversal of impairment loss on other receivables	–	–	(208)	–	–	(208)
Change in fair value of derivative financial instruments	–	261,217	–	–	–	261,217

# Notes to the Consolidated Financial Statements

## 8. SEGMENT INFORMATION *(Continued)*

### Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong and Australia in both 2015 and 2014.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than available-for-sale financial assets, investment in an insurance contract, other receivables and pledged bank deposit. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
The PRC	<b>233,720</b>	312,482	<b>114,964</b>	128,462
Hong Kong	<b>33,738</b>	49,122	<b>56,431</b>	52,537
Australia	<b>354,269</b>	120,199	–	–
Other overseas markets	<b>9,795</b>	38,738	–	–
	<b>631,522</b>	520,541	<b>171,395</b>	180,999

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK\$5,847,000 (2014: *approximately HK\$3,463,000*) in the PRC, and the Group generated other revenue and net income from investing segment of approximately HK\$103,269,000 (2014: *approximately HK\$350,774,000*) and approximately HK\$22,187,000 (2014: *approximately HK\$3,928,000*) in the PRC and Hong Kong respectively.

The Group also generated other revenue and net income from trading segment of approximately HK\$18,000 (2014: *approximately HK\$208,000*) in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK\$5,665,000 (2014: *approximately HK\$4,867,000*) and approximately HK\$1,800,000 (2014: *approximately HK\$1,562,000*) in the PRC and Hong Kong respectively.

### Information about major customers

Revenues from external customers contributing over 10% of the total revenue from the Group's information home appliances segment are as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A	<b>354,269</b>	120,199
Customer B	<b>221,907</b>	312,103
	<b>576,176</b>	432,302

# Notes to the Consolidated Financial Statements

## 9. OTHER REVENUE AND NET INCOME

	2015 HK\$'000	2014 HK\$'000
<b>Other revenue</b>		
Dividend income from listed securities	6,396	20,133
Interest income from bank deposits	7,271	5,262
Imputed interest income from investment in an insurance contract	37	–
Rental income from investment properties	7,465	1,562
Rental income from leasehold buildings	–	4,867
Sundry income	5,556	3,325
	<b>26,725</b>	35,149
<b>Other net income</b>		
Net unrealised (loss)/gain on financial assets at fair value through profit or loss		
– held for trading	<b>(22,230)</b>	12,432
– designated upon initial recognition	5,141	3,727
Gain on disposal of financial assets at fair value through profit or loss		
– held for trading	102,551	180,322
– designated upon initial recognition	10,625	1,772
– derivative financial instrument	280	–
Gain on disposal of available-for-sale financial assets	–	136,607
Gain on disposal of an associate ( <i>Note (a)</i> )	520	–
Gain from the Buy-out Contract ( <i>Note (b)</i> )	11,064	–
Fair value change on derivative financial instrument	11,403	–
Reversal of impairment loss on other receivables	18	208
	<b>119,372</b>	335,068
	<b>146,097</b>	370,217

# Notes to the Consolidated Financial Statements

## 9. OTHER REVENUE AND NET INCOME *(Continued)*

Notes:

- (a) During the year, the Group disposed of its interest in an associate with net carrying amount of approximately RMB4,590,000 (equivalent to approximately HK\$5,820,000) at consideration of RMB5,000,000 (equivalent to approximately HK\$6,340,000). This resulted in recognition of a gain on disposal of approximately RMB410,000 (equivalent to approximately HK\$520,000) in the consolidated income statement for the year ended 31st December 2015.
- (b) As at 31st December 2014, a listed company in the PRC (the "Listed Company") was planning to acquire a very substantial equity interest in a target company (the "Target Company") by way of share exchange (the "Transaction"). The Group has transferred approximately 1% of the equity interest in the Target Company to an independent third party (the "Transferee") during the year ended 31st December 2014. If the Transaction realises, the shares of the Target Company will be exchanged to the shares of the Listed Company. Therefore, on 5th January 2015, the Group entered into another agreement (the "Gain Allocation and Conditional Repurchase Agreement") with the Transferee, to add the following two conditions: (1) to share the potential gains resulted from disposing the shares of the Listed Company if the Target Company becomes a public company; or (2) the Group will repurchase the whole or part of the shares of the Target Company held by the Transferee if the Target Company fails to go public. Details of the Gain Allocation and Conditional Repurchase Agreement has been disclosed in note 37 to the consolidated financial statements of the Company's annual report 2014.

On 9th April 2015, a supplementary agreement to the Gain Allocation and Conditional Repurchase Agreement (the "Buy-out Contract") was signed between the Group and the Transferee, pursuant to which the Transferee agreed to pay the Group RMB8,889,000 (equivalent to approximately HK\$11,064,000) (the "Consideration") to buy out the Group's right under the Gain Allocation and Conditional Repurchase Agreement. Upon the execution of the Buy-out Contract, the Group is not entitled to share any potential gains resulted from disposing the shares of the Listed Company anymore and the Group will no longer require to repurchase the whole or part of the shares of the Target Company held by the Transferee. The Consideration was received during the year with the respective gain of approximately HK\$11,064,000 was recognised in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 10. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations have been arrived at after charging/(crediting):

	2015 HK\$'000	2014 HK\$'000
Auditor's remuneration	1,240	1,155
Impairment loss on other receivables	22,738	–
Amortisation of prepaid lease payments	385	390
Depreciation of property, plant and equipment	5,504	8,697
Cost of inventories	482,793	419,659
Foreign exchange loss, net	60,343	6,266
Loss on disposal of property, plant and equipment	5	22
Reversal of impairment loss on other receivables	(18)	(208)
Write-down/(Reversal of write-down) of inventories*	3,392	(6,341)
Loss on early redemption of Convertible Bonds	642	–
Direct outgoings from leasing of investment properties	5	5
Operating lease charges on premises	5,474	5,061
Research and development costs	129	102
Share-based compensation expenses to suppliers and other eligible participants	4,971	–
Staff costs (including Directors' emoluments (note 11)):		
Salaries and allowances	149,788	67,469
Share-based compensation expenses		
– share award scheme	73,068	–
– share option scheme	59,408	–
Retirement benefits scheme contributions	6,124	5,371
Total staff costs	288,388	72,840

\* The reversal of write-down of inventories arose from disposal of inventories which had been written down in previous years.



# Notes to the Consolidated Financial Statements

## 11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2014: eight) Directors were as follows:

Name of Director	Qualifying services						Total HK\$'000
	Other services in connection with the management of the affairs						
	Directors' fee HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefits scheme contributions HK\$'000	Share option benefit HK\$'000		
<i>Executive Directors</i>							
Zhu Wei Sha	–	1,891	12,579	18	1,123	15,611	
Chen Fu Rong	–	1,002	3,615	64	1,123	5,804	
Shi Guang Rong	–	1,391	6,232	120	3,934	11,677	
Wang An Zhong	–	1,066	5,306	135	1,881	8,388	
Zhu Jiang	–	1,199	5,376	63	4,267	10,905	
<i>Independent Non-Executive Directors</i>							
Wu Jia Jun	100	–	–	–	627	727	
Zhong Peng Rong	100	–	–	–	627	727	
Shen Yan	100	–	–	–	627	727	
<b>Total for 2015</b>	<b>300</b>	<b>6,549</b>	<b>33,108</b>	<b>400</b>	<b>14,209</b>	<b>54,566</b>	
<i>Executive Directors</i>							
Zhu Wei Sha	–	1,180	–	17	–	1,197	
Chen Fu Rong	–	769	–	93	–	862	
Shi Guang Rong	–	1,059	–	111	–	1,170	
Wang An Zhong	–	692	–	123	–	815	
Zhu Jiang	–	865	–	60	–	925	
<i>Independent Non-Executive Directors</i>							
Wu Jia Jun	88	–	–	–	–	88	
Zhong Peng Rong	88	–	–	–	–	88	
Shen Yan	88	–	–	–	–	88	
<b>Total for 2014</b>	<b>264</b>	<b>4,565</b>	<b>–</b>	<b>404</b>	<b>–</b>	<b>5,233</b>	

During the years 2015 and 2014, no emolument was paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emolument during both years.

There are no loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the year (2014: Nil).

After consideration, the Directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except for the granting of share options to the Directors, details of which is disclosed in note 34 (2014: Nil).

# Notes to the Consolidated Financial Statements

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, three of the Directors (2014: three) are included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 11 above. The emoluments of the remaining two (2014: two) highest paid individual, who is employee of the Group, are as follows:

	2015 HK\$'000	2014 HK\$'000
Basic salaries, allowances and other benefits in kind	11,930	2,156
Retirement benefits scheme contributions	102	79
Share option benefits	7,494	–
	<b>19,526</b>	<b>2,235</b>

The emoluments of the above two (2014: two) highest paid individual fell within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK\$1,000,001 – HK\$2,000,000	–	2
HK\$9,000,001 – HK\$10,000,000	1	–
HK\$10,000,001 – HK\$11,000,000	1	–
	<b>2</b>	<b>2</b>

## 13. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Borrowing costs	10,609	8,050
Imputed interest expenses on Convertible Bonds	31,344	–
	<b>41,953</b>	<b>8,050</b>

# Notes to the Consolidated Financial Statements

## 14. INCOME TAX CREDIT/(EXPENSES)

The taxation (credited)/charged to profit or loss represents:

	2015 HK\$'000	2014 HK\$'000
Current tax		
PRC enterprise income tax		
Current year	3,230	22,050
Overprovision in prior year	(11,436)	–
	<b>(8,206)</b>	22,050
Deferred taxation		
Origination and reversal of temporary difference	–	–
Benefit of tax losses recognised	–	–
	–	–
(Credit)/charge for the year	<b>(8,206)</b>	22,050

For the years ended 31st December 2015 and 2014, Hong Kong Profits Tax has not been provided as the Group did not have any assessable profit from Hong Kong.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2015 and 2014 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (2014: two) of the Company have been officially designated by the local tax authority as “New and High Technology Enterprise” which is exempted for part of PRC enterprise income tax. As a result, the effective tax rate for these subsidiaries is 15% for 2015 (2014: 15%). Another operating subsidiary (2014: one) of the Company has been officially designated by the local tax authority as “Participant of Development in Western China” which is exempted for part of PRC enterprise income tax starting from 1st January 2015 to 31st December 2017. As a result, the effective tax rate for the subsidiary is 9% for 2015 (2014: 15%).

According to applicable PRC tax regulations, RMB Qualified Foreign Institutional Investors (“RQFII”) are temporarily exempt from the PRC enterprise income tax in respect of the PRC sourced gains derived from the transfer of shares on or after 17th November 2014. A subsidiary incorporated in Hong Kong is subject to the PRC enterprise income tax rate of 10% on the PRC sourced gains derived by RQFII from transfer of shares prior to 17th November 2014. PRC enterprise income tax on gains derived by RQFII prior to 17th November 2014 of approximately HK\$17,737,000 was provided for the year ended 31st December 2014. During the year ended 31st December 2015, an overprovision of PRC enterprise income tax on such gain was noted after verification from the local PRC tax bureau. A reversal of overprovision of PRC enterprise income tax on the PRC sourced gains derived by RQFII amounted to approximately HK\$11,436,000 was recognised in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 14. INCOME TAX CREDIT/(EXPENSES) (Continued)

### Reconciliation of tax (credit)/expenses

	2015 HK\$'000	2014 HK\$'000
(Loss)/Profit before tax	<b>(198,114)</b>	52,742
Tax at a weighted average rate of 16.31% (2014: 15.16%) applicable to the jurisdictions concerned	<b>(32,308)</b>	7,996
Tax effect of non-deductible expenses	<b>48,921</b>	46,897
Tax effect of non-taxable income	<b>(20,125)</b>	(55,498)
Tax effect of utilisation of tax losses not previously recognised	<b>(4,955)</b>	(499)
Tax effect of unrecognised tax losses and temporary differences	<b>11,086</b>	4,939
Tax effect of overprovision in prior year	<b>(11,436)</b>	–
Withholding tax on gains derived under RQFII programme	–	17,737
Others	<b>611</b>	478
Tax (credit)/expenses for the year	<b>(8,206)</b>	22,050

### Recognised deferred tax assets and liabilities

The movement for the year in the Group's net deferred tax liabilities is as follows:

	2015 HK\$'000	2014 HK\$'000
Charge to other comprehensive income	–	13,448

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Land appreciation tax adjustment	–	–	<b>(13,273)</b>	(14,096)
Depreciation allowances	–	–	<b>(583)</b>	(153)
Tax losses	<b>1,193</b>	801	–	–
Deferred tax assets/(liabilities)	<b>1,193</b>	801	<b>(13,856)</b>	(14,249)
Offsetting	<b>(1,193)</b>	(801)	<b>1,193</b>	801
Net deferred tax assets/(liabilities)	–	–	<b>(12,663)</b>	(13,448)

The balance represented deferred tax liabilities on the land appreciation tax adjustment arising from revaluation of property, plant and equipment upon transfer to investment properties.

# Notes to the Consolidated Financial Statements

## 14. INCOME TAX CREDIT/(EXPENSES) (Continued)

### Unrecognised deferred tax assets arising from

	2015 HK\$'000	2014 HK\$'000
Deductible temporary differences	15,001	21,806
Tax losses	200,184	141,726
	<b>215,185</b>	163,532

As at 31st December 2015, the Group had unrecognised deferred tax assets of approximately HK\$31,250,000 (2014: approximately HK\$28,209,000) in respect of the tax losses and other temporary differences. As it is not probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The expiry of unrecognised tax losses are as follows:

	2015 HK\$'000	2014 HK\$'000
Tax losses without expiry date	187,401	128,654
Tax losses expiring on 31st December 2020	11,824	–
Tax losses expiring on 31st December 2019	627	5,990
Tax losses expiring on 31st December 2018	4	4,497
Tax losses expiring on 31st December 2017	109	1,247
Tax losses expiring on 31st December 2016	219	227
Tax losses expiring on 31st December 2015	–	1,111
	<b>200,184</b>	141,726

The profits earned by PRC subsidiaries from 1st January 2008 onwards would be subject to withholding tax if they are distributed. The estimated withholding tax effects on the distribution of retained profits of these PRC subsidiaries were HK\$Nil (2014: HK\$Nil). In the opinion of the Directors, all undistributed profits are expected to be retained in the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future. Accordingly, no provision for deferred tax has been made.

## 15. DIVIDENDS

The Board does not recommend the payment of any dividend for the financial year ended 31st December 2015.

On 20th March 2015, the Board proposed the payment of a final dividend of HK\$0.05 per share in respect of the financial year ended 31st December 2014. The proposed final dividend of approximately HK\$89,233,000 was approved by the Shareholders at the Company's annual general meeting on 15th May 2015, after deducting the final dividend for Shares held for the share award scheme adopted by the Board on 6th October 2014 (the "Share Award Scheme") of approximately HK\$456,000 and was distributed on 12th June 2015.

# Notes to the Consolidated Financial Statements

## 16. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2015 HK\$'000	2014 HK\$'000
(Loss)/Profit attributable to owners of the Company	<b>(188,155)</b>	31,012

	2015 '000	2014 '000
Issued ordinary shares at 1st January	<b>1,792,117</b>	1,792,117
Effect of share options exercised	<b>5,141</b>	–
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share	<b>1,797,258</b>	1,792,117

	HK\$	HK\$
(Loss)/Earnings per share:		
– Basic	<b>(0.10)</b>	0.02
– Diluted ( <i>Note</i> )	<b>(0.10)</b>	0.02

*Note:* Diluted loss per share is the same as the basic loss per share for the year ended 31st December 2015 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme had an anti-dilutive effect on the basic loss per share during the year.

Diluted earnings per share is the same as the basic earnings per share for the year ended 31st December 2014 because there was no potential dilutive share outstanding during the year.

## 17. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
<b>At fair value</b>		
At beginning of year	<b>117,976</b>	49,600
Exchange realignment	<b>(3,873)</b>	–
Fair value gains	<b>6</b>	400
Transfer from property, plant and equipment	–	67,976
<b>At the end of the reporting period</b>	<b>114,109</b>	117,976

As at 31st December 2015, the carrying amounts of the investment properties held under medium-term leases and situated in the PRC and Hong Kong are approximately HK\$61,809,000 (2014: approximately HK\$67,976,000) and HK\$52,300,000 (2014: HK\$50,000,000) respectively.

The valuation techniques and input for the revaluation of investment properties are disclosed in note 7.

# Notes to the Consolidated Financial Statements

## 18. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use HK\$'000 <i>(Note (a))</i>	Leasehold property HK\$'000 <i>(Note (b))</i>	Leasehold improvements HK\$'000	Office equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Reconciliation of carrying amounts – year ended 31st December 2014							
At beginning of year	66,068	2,534	7,220	2,645	13,746	367	92,580
Additions	–	–	2,047	1,170	1,903	180	5,300
Disposals	–	–	–	(14)	(13)	–	(27)
Depreciation	(2,904)	(99)	(1,786)	(1,187)	(2,641)	(80)	(8,697)
Exchange realignment	(239)	–	(31)	(13)	(57)	(2)	(342)
Revaluation	29,471	–	–	–	–	–	29,471
Transfer to Investment Properties	(67,976)	–	–	–	–	–	(67,976)
<b>At the end of the reporting period</b>	<b>24,420</b>	<b>2,435</b>	<b>7,450</b>	<b>2,601</b>	<b>12,938</b>	<b>465</b>	<b>50,309</b>
Reconciliation of carrying amounts – year ended 31st December 2015							
At beginning of year	24,420	2,435	7,450	2,601	12,938	465	50,309
Additions	–	–	106	1,193	163	2,012	3,474
Disposals	–	–	–	(4)	–	(8)	(12)
Depreciation	(1,108)	(99)	(808)	(1,236)	(1,880)	(373)	(5,504)
Exchange realignment	(1,381)	–	(402)	(99)	(678)	(24)	(2,584)
<b>At the end of the reporting period</b>	<b>21,931</b>	<b>2,336</b>	<b>6,346</b>	<b>2,455</b>	<b>10,543</b>	<b>2,072</b>	<b>45,683</b>
As at 1st January 2015							
Cost	35,736	2,972	23,851	11,196	48,693	1,446	123,894
Accumulated depreciation and impairment losses	(11,316)	(537)	(16,401)	(8,595)	(35,755)	(981)	(73,585)
	24,420	2,435	7,450	2,601	12,938	465	50,309
As at 31st December 2015							
Cost	33,651	2,972	22,583	11,682	46,438	3,247	120,573
Accumulated depreciation and impairment losses	(11,720)	(636)	(16,237)	(9,227)	(35,895)	(1,175)	(74,890)
	<b>21,931</b>	<b>2,336</b>	<b>6,346</b>	<b>2,455</b>	<b>10,543</b>	<b>2,072</b>	<b>45,683</b>

*Notes:*

- (a) All buildings are held under medium-term leases and situated in the PRC.
- (b) The leasehold property is situated in Hong Kong and held under medium-term lease.

# Notes to the Consolidated Financial Statements

## 19. PREPAID LEASE PAYMENTS

Prepaid lease payments represent cost paid for medium-term leasehold land in the PRC. The cost is amortised over the leasehold period. The amount to be amortised more than twelve months after the end of the reporting period amounted to approximately HK\$11,603,000 (2014: approximately HK\$12,714,000). The amount to be amortised within the next twelve months after the end of the reporting period of approximately HK\$369,000 (2014: approximately HK\$392,000) is included in current assets.

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	2015 HK\$'000	2014 HK\$'000
At fair value			
Equity securities listed outside Hong Kong	(a)	433,506	477,704
Private investment funds	(b)	129,289	–
		<b>562,795</b>	477,704

Notes:

- (a) The fair values of the listed equity securities are determined based on the quoted market bid price available on the relevant stock exchanges as at the end of the reporting period.
- (b) Included in the private investment funds are two private investment funds, one of which invested in listed securities amounted to approximately HK\$52,005,000 (2014: HK\$Nil) with another invested in unlisted equity securities amounted to approximately HK\$77,284,000 (2014: HK\$Nil). The valuation techniques and inputs applied for fair value measurement of these private investment funds are disclosed in note 7.

## 21. INVESTMENT IN AN INSURANCE CONTRACT

	2015 HK\$'000	2014 HK\$'000
Other receivable	9,646	–
Derivative financial instrument	1,373	–
	<b>11,019</b>	–

On 4th November 2015, the Company entered into a service agreement with Mr. Kevin Choo as the Vice-President of Global Operations of the Group with a fixed term of two years commencing from 1st April 2015 (the "Service Agreement"). Mr. Choo was promoted to the chief executive officer of the Company ("CEO") on 18th November 2015 with terms and conditions of the Service Agreement remained unchanged. Details of the appointment of Mr. Choo and the Service Agreement were disclosed in the Company's announcement dated 18th November 2015.



# Notes to the Consolidated Financial Statements

## 21. INVESTMENT IN AN INSURANCE CONTRACT *(Continued)*

Under the Service Agreement, Mr. Choo's employment package, including salary, year-end payment, package bonus and other allowances, is secured by a pension scheme. If the Company fails to pay Mr. Choo's employment package in full upon expiration of the Service Agreement or termination of the Service Agreement initiated by the Company, Mr. Choo is entitled to the remaining portion from the redeemed funds from the pension scheme with the remaining amount returned to the Company. However, if the Company fulfills its payment obligation in accordance with the Service Agreement, the Company is entitled to the whole redeemed funds from the pension scheme.

The Company invested in an insurance contract with one-off premium of USD1,408,000 (equivalent to HK\$10,920,000) under the name of Mr. Choo, with Mr. Choo as the sole beneficiary and no expiry date during the year ended 31st December 2015 accordingly. Although Mr. Choo is the sole beneficiary of the insurance contract but in substance, the Company has the control of the redemption of the insurance contract except that the clause of unsettlement of Mr. Choo's employment package under the Service Agreement is triggered. As the insurance contract is decided by the management holding for long-term before redemption, the cost of insurance premium was recognised as financial asset under non-current assets.

According to the insurance contract, the redeemed fund comprises of an unguaranteed return based on the rate of return estimated by the insurance company and a guaranteed return upon the redemption of the insurance contract. Thus, the insurance premium is considered to have two components, the unguaranteed return (i.e. the derivative financial instrument) and the guaranteed return (loan and receivables) in accordance with HKAS 39 Financial Instruments Recognition and Measurement.

As a result, the guaranteed return was discounted at risk-free rate on the amortised cost basis until the expected redemption date of the insurance contract. Other receivable under the investment in an insurance contract with carrying amount of approximately HK\$9,646,000 was recognised in the consolidated statement of financial position as at 31st December 2015 with respective imputed interest income of approximately HK\$37,000 recognised in the consolidated income statement for the year then ended.

The difference between the insurance premium and the discounted guaranteed return at the date of the insurance contract approximately HK\$1,373,000 was considered as the cost of the derivative financial instrument embedded in the insurance contract for an unguaranteed return. Since the fair value of the derivative financial instrument could not be measured reliably due to limitation of information available from the insurance company, the derivative financial instrument was stated at cost under investment in an insurance contract as non-current asset as at 31st December 2015.

# Notes to the Consolidated Financial Statements

## 22. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	31,886	27,882
Work-in-progress	18,846	8,090
Finished goods	12,851	8,228
	<b>63,583</b>	44,200

## 23. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	165,669	124,680
Less: Impairment loss in respect of trade receivables	(2,458)	(2,540)
	<b>163,211</b>	122,140
Other receivables, net of impairment loss	122,096	100,282
Prepayments and deposits	16,277	4,678
Total trade and other receivables	<b>301,584</b>	227,100
Less: Balance due within one year included in current assets	<b>(300,313)</b>	(227,100)
Non-current portion	<b>1,271</b>	–

The amount of the Group's trade and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK\$2,051,000 (2014: approximately HK\$781,000). All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

# Notes to the Consolidated Financial Statements

## 23. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31st December 2015, included in other receivables are (i) receivables from securities broker for settlement of trading of dual currency investments designated as financial assets at fair value through profit or loss upon initial recognition amounted to approximately HK\$76,660,000 (2014: HK\$Nil) with settlement terms of two business days after the transaction date; and (ii) another receivable from an independent third party of approximately RMB27,930,000 (equivalent to approximately HK\$33,338,000) (2014: approximately RMB27,900,000 (equivalent to approximately HK\$35,400,000)) related to potential equity investment which has no repayment term.

As at 31st December 2014, other receivables also included consideration receivable from an independent third party for transfer of approximately 1% equity interest in a PRC company of approximately RMB37,600,000 (equivalent to approximately HK\$47,700,000) which was repayable within six months. The amount was fully settled during the year ended 31st December 2015.

The Group grants its trade customers an average credit period from 30 days to 18 months (2014: 30 days to 18 months). The ageing analysis of trade receivables (net of impairment loss) by invoice date at the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
0-30 days	86,952	66,549
31-60 days	57,282	35,439
61-90 days	16,781	16,464
Over 90 days	2,196	3,688
	<b>163,211</b>	122,140

Impairment losses in respect of trade 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 trade receivable directly.

The movements in the impairment loss in respect of trade receivables during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
As at 1st January	2,540	2,545
Exchange realignment	(82)	(5)
<b>As at 31st December</b>	<b>2,458</b>	2,540

# Notes to the Consolidated Financial Statements

## 23. TRADE AND OTHER RECEIVABLES (Continued)

The movements in the impairment loss on other receivables during the year are as follows:

	Note	2015 HK\$'000	2014 HK\$'000
As at 1st January		149	359
Reversal of impairment loss		(18)	(208)
Impairment loss	(a), (b)	22,737	–
Write-off	(b)	(4,066)	–
Exchange realignment		(775)	(2)
<b>As at 31st December</b>		<b>18,027</b>	149

Notes:

- (a) Impairment loss of RMB15,000,000 (equivalent to approximately HK\$18,671,000) was recognised in respect of a short-term loan to a third party with principal of RMB15,000,000 (equivalent to approximately HK\$18,671,000) and interest-bearing at 10% per annum. The recoverability of which is in doubt after careful assessment and consideration by the management.
- (b) Impairment loss of approximately HK\$4,066,000 was recognised in respect of other receivable of approximately HK\$12,026,000 from claim of cash payment upon expiry of the guaranteed minimum return contract as the recoverability of such amount was in doubt. With the net other receivable of approximately HK\$7,960,000 settled during the year ended 31st December 2015, the impairment loss of approximately HK\$4,066,000 was written off accordingly. Details of the guaranteed minimum contract and details of settlement of the net other receivables were disclosed in note 24(b).

The ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	160,723	105,677
Less than 3 months past due	2,169	16,130
3 months to 6 months past due	48	3
6 months to 9 months past due	–	77
Past due over 9 months	271	253
Past due but not impaired	2,488	16,463
	<b>163,211</b>	122,140

Receivables that were neither past due nor impaired or past due but not impaired relate to a wide range of customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

# Notes to the Consolidated Financial Statements

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

	Note	2015 HK\$'000	2014 HK\$'000
Held for trading investments:			
Equity securities listed in Hong Kong		<b>260,100</b>	105,628
Equity securities listed outside Hong Kong		<b>252,096</b>	236,028
Debt securities listed outside Hong Kong		<b>111,722</b>	–
	(a)	<b>623,918</b>	341,656
Designated upon initial recognition:			
Money market funds	(a),(d)	<b>174,536</b>	1,052,120
Equity linked notes	(c)	<b>17,697</b>	–
		<b>192,233</b>	1,052,120
Derivative financial instruments:			
Guaranteed minimum return contract	(b)	–	623
		–	623
At the end of the reporting period		<b>816,151</b>	1,394,399

*Notes:*

- (a) The fair values of listed equity securities, listed debt securities and money market funds are based on quoted market prices in active markets as at the end of the reporting period.

# Notes to the Consolidated Financial Statements

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

*Notes: (Continued)*

*(b) Guaranteed minimum return contract*

In 2012, Yuxing Technology Company Limited (“YXT”), a wholly-owned subsidiary of the Company, and a third party (the “Counterparty”) established a new legal entity namely Up Spacious Global Investment Limited (“Up Spacious”), a company incorporated in the British Virgin Islands (“BVI”). YXT holds 66.67% equity interest in Up Spacious with an initial investment cost of HK\$20,000,000 whereas the Counterparty holds the remaining shareholding of 33.33% in Up Spacious with an initial investment cost of HK\$10,000,000. The principal activity of Up Spacious is trading of securities. Thereafter, YXT entered into a contract with the Counterparty pursuant to which the Counterparty has the right to receive a variable amount of cash payment (i.e. based on various ranges of target returns as specified in the contract) from YXT (“Call Option”) if the profit to be shared by YXT from the investment portfolio of Up Spacious exceeds 16% per annum of YXT’s capital contribution at the expiration of the contract on 4th April 2015 (“Expiry Date”). In the meantime, YXT is entitled to exercise a right to terminate the investment and receive a variable amount of cash payment (limited to HK\$6,600,000, representing 33.33% of total capital contribution by YXT in Up Spacious) from the Counterparty if the net asset value of Up Spacious reduced to HK\$20,000,000 (that is 2/3 of the initial capital contribution of the investors) on or before the Expiry Date and to exercise a right to receive a variable amount of cash payment if the profit to be shared by YXT from the investment portfolio of Up Spacious is less than 16% per annum on YXT’s capital contribution at the Expiry Date (“Put Option”).

Upon the Expiry Date, net gain on change in fair value of the above Put Option and Call Option of approximately HK\$11,403,000 was recognised in the consolidated income statement for the year ended 31st December 2015 based on the return shared by YXT from the investment portfolio of Up Spacious in accordance with the contract entered into between YXT and the Counterparty. Upon the exercise of the Put Option on 4 April 2015, YXT claims a cash payment of approximately HK\$12,026,000 in accordance with the contract, the Put Option was derecognised and an other receivable due from the Counterparty of approximately HK\$12,026,000 is recognised accordingly.

On 23rd October 2015, YXT entered into a termination agreement with the Counterparty, in which the Counterparty agreed to transfer its 33.33% equity interest in Up Spacious to YXT at consideration of US\$1 (equivalent to approximately HK\$7.8) in lieu of settlement of the payable to YXT of approximately HK\$12,026,000.

The transfer of 33.33% equity interest in Up Spacious was completed on 23rd October 2015 and the fair value of 33.33% equity interest in Up Spacious as at 23rd October 2015 amounted to approximately HK\$7,960,000 was accounted for as settlement of the other receivable from the Counterparty of approximately HK\$12,026,000 with the remaining amount of approximately HK\$4,066,000 recognised as impairment loss on the other receivables in the consolidated income statement for the year ended 31st December 2015. This also results in acquisition of additional interest in Up Spacious that does not result in a loss of control. Relevant disclosures in accordance with HKFRS 12 *Disclosure of Interests in Other Entities* were disclosed in note 36.

*(c) Equity linked notes*

Investment in equity linked notes represents investments with listed securities as underlying assets. The fair value of equity linked notes was valued by Vigers. The fair value is determined using Black Scholes Model with reference to observable market data.

*(d) The investments in money market funds are designated as financial assets at fair value through profit or loss on initial recognition because they are managed together and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the investments are provided internally in that basis to the Board.*

# Notes to the Consolidated Financial Statements

## 25. INVESTMENT PORTFOLIO

The Group discloses its ten largest investments and all individual investments with value exceeding 5% of the Group's gross assets at the end of the reporting period with brief description of the investee companies as follows:

### Top ten investments

2015

Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HKD'000	Carrying amount as at 31st December HKD'000	Accumulated unrealised holding gain/(loss) arising on revaluation HKD'000	Dividend received/receivable during the year HKD'000	Classification of financial assets
<b>Listed equity securities</b>								
Ping An Insurance (Group) Company of China Ltd.	(i)	10,088,632	0.06%	234,754	433,506	198,752	4,842	Available-for-sale
China Trends Holdings Limited	(ii)	800,000,000	3.92%	29,706	56,000	26,294	-	Financial assets at fair value through profit or loss
Leyou Technologies Holdings Limited	(iii)	67,780,000	2.36%	83,079	50,835	(32,244)	-	Financial assets at fair value through profit or loss
China Water Industry Group Limited	(iv)	30,000,000	1.88%	56,400	48,900	(7,500)	-	Financial assets at fair value through profit or loss
China Nonferrous Gold Ltd	(v)	12,523,750	3.28%	49,470	35,235	(14,235)	-	Financial assets at fair value through profit or loss
Sichuan Golden Summit (Group) Joint-stock Co., Ltd.	(vi)	990,200	0.28%	20,290	32,727	12,437	-	Financial assets at fair value through profit or loss
<b>Listed debt securities</b>								
National debt reverse repurchase – GC001	(vii)	N/A	N/A	111,722	111,722	-	-	Financial assets at fair value through profit or loss
<b>Money market funds</b>								
CITIC-CP Cash Management Fund #4*	(viii)	N/A	N/A	164,717	169,715	4,998	-	Financial assets at fair value through profit or loss
<b>Private investment funds</b>								
Cicjiazi Holdings Limited	(ix)	N/A	4.97%	78,000	77,284	(716)	-	Available-for-sale
Yue Xiu Great China Fixed Income Fund II LP	(x)	N/A	7.72%	60,000	52,005	(7,995)	-	Available-for-sale

The above investments represent in aggregate over 77.5% in value of the Group's investment portfolio. Apart from the top ten investments listed above, the Group also held various other individual investments with value representing below or approximately 1% of the Group's gross assets at the end of the reporting period.

# Notes to the Consolidated Financial Statements

## 25. INVESTMENT PORTFOLIO (Continued)

### Top ten investments (Continued)

2014

Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost HKD'000	Carrying amount as at 31st December HKD'000	Accumulated unrealised holding gain/ (loss) arising on revaluation HKD'000	Dividend received/ receivable during the year HKD'000	Classification of financial assets
<b>Listed equity securities</b>							
Ping An Insurance (Group) Company of China Ltd.	5,044,316	0.06%	234,754	477,704	242,950	19,715	Available-for-sale
Hubei Energy Group Co., Ltd.	10,438,415	0.20%	73,550	85,079	11,529	-	Financial assets at fair value through profit or loss
China Water Industry Group Limited	45,144,000	3.39%	61,323	68,167	6,844	-	Financial assets at fair value through profit or loss
Nanning Department Store Co., Ltd.	9,793,950	1.80%	64,342	66,170	1,828	-	Financial assets at fair value through profit or loss
China Nonferrous Gold Ltd	13,234,838	3.47%	52,501	47,818	(4,683)	-	Financial assets at fair value through profit or loss
Ningbo Zhongbai Co., Ltd.	1,206,141	0.54%	26,002	21,450	(4,552)	-	Financial assets at fair value through profit or loss
CW Group Holdings Limited	9,204,000	1.49%	22,387	20,893	(1,494)	-	Financial assets at fair value through profit or loss
China Minsheng Drawin Technology Group Limited	66,000,000	1.78%	16,815	16,500	(315)	-	Financial assets at fair value through profit or loss
<b>Money market funds</b>							
China Southern Money Market Fund-Class B	N/A	N/A	760,553	763,337	2,784	-	Financial assets at fair value through profit or loss
China AMC Money Market Fund B	N/A	N/A	253,518	254,179	661	-	Financial assets at fair value through profit or loss

The above investments represent in aggregate over 97.3% in value of the Group's investment portfolio. Apart from the top ten investments listed above, the Group also held various other individual investments with value representing below 1% of the Group's gross assets as at 31st December 2014.



# Notes to the Consolidated Financial Statements

## 25. INVESTMENT PORTFOLIO *(Continued)*

### Top ten investments *(Continued)*

Notes:

- (i) Ping An Insurance (Group) Company of China Ltd. ("Ping An") was incorporated in the PRC with its shares listed on the Shanghai Stock Exchange in the PRC (stock code: 601318). Ping An offers a variety of financial products and services to customers through multi-channel distribution network with a unified brand. For the year ended 31st December 2015, the audited consolidated profit attributable to owners of Ping An was approximately RMB54,203,000,000 (equivalent to approximately HK\$67,467,000,000) with basic and diluted earnings per share of RMB2.98 (equivalent to HK\$3.71). As at 31st December 2015, the audited consolidated total equity attributable to owners of Ping An was approximately RMB334,248,000,000 (equivalent to approximately HK\$398,959,000,000).
- (ii) China Trends Holdings Limited ("China Trends") was incorporated in Cayman Islands with its shares listed on the GEM of the Exchange (stock code: 8171). China Trends is principally engaged in (i) trading of electronic technology and related products; and (ii) the low-carbon products applications, mainly develops business of low-carbon digital products solutions and applications and provides media and e-commerce platforms and media advertising services. For the year ended 31st December 2015, the audited consolidated loss attributable to owners of China Trends was approximately HK\$4,874,000 with basic and diluted loss per share of HK0.07 cents. As at 31st December 2015, the audited consolidated total equity attributable to owners of China Trends was approximately HK\$119,623,000.
- (iii) Leyou Technologies Holdings Limited ("Leyou Technologies") was incorporated in Cayman Islands with its shares listed on the Main Board of the Exchange (stock code: 1089). Leyou Technologies is principally engaged in selling chicken meat products under the "森寶 (Sumpo)" brand. The production process, which comprises the sales of chicken breeds, the production and sales of animal feeds, the breeding of broilers and slaughtering, processing and sales of broilers, is vertically integrated. For the six months ended 30th June 2015, the unaudited consolidated profit attributable to owners of Leyou Technologies was approximately RMB7,073,000 (equivalent to approximately HK\$8,804,000) with basic and diluted earnings per share of RMB0.28 cents (equivalent to HK0.35 cents). As at 30th June 2015, the unaudited consolidated total equity attributable to owners of Leyou Technologies was approximately RMB1,247,710,000 (equivalent to approximately HK\$1,489,270,000).
- (iv) China Water Industry Group Limited ("China Water") was incorporated in Cayman Islands with its shares listed on the Main Board of the Exchange (stock code: 1129). China Water is principally engaged in the provision of water supply, sewage treatment and construction services and exploitation and sale of renewable energy. For the six months ended 30th June 2015, the unaudited consolidated profit attributable to owners of China Water was approximately HK\$225,523,000 with basic and diluted earnings per share of HK\$0.16. As at 30th June 2015, the unaudited consolidated total equity attributable to owners of China Water was approximately HK\$1,697,035,000.
- (v) China Nonferrous Gold Ltd ("China Nonferrous Gold") was incorporated in Cayman Islands with its shares listed on the Alternative Investment Market of the London Stock Exchange (stock code: CNG). China Nonferrous Gold is principally engaged in mineral exploration and development. For the six months ended 30th June 2015, the unaudited consolidated loss attributable to owners of China Nonferrous Gold was approximately US\$1,203,000 (equivalent to approximately HK\$9,383,000) with basic and diluted loss per share of US0.31 cents (equivalent to HK2.42 cents). As at 30th June 2015, the unaudited consolidated total equity attributable to owners of China Nonferrous Gold was approximately US\$57,416,000 (equivalent to approximately HK\$447,845,000).
- (vi) Sichuan Golden Summit (Group) Joint-stock Co., Ltd. ("Sichuan Golden Summit") was incorporated in the PRC with its shares listed on the Shanghai Stock Exchange in the PRC (stock code: 600678). Sichuan Golden Summit is principally engaged in non-metallic mineral mining, processing and sale of products. For the six months ended 30th June 2015, the unaudited consolidated profit attributable to owners of Sichuan Golden Summit was approximately RMB1,967,000 (equivalent to approximately HK\$2,448,000) with basic and diluted earnings per share of RMB0.56 cents (equivalent to HK0.70 cents). As at 30th June 2015, the unaudited consolidated total equity attributable to owners of Sichuan Golden Summit was approximately RMB25,291,000 (equivalent to approximately HK\$30,188,000).

# Notes to the Consolidated Financial Statements

## 25. INVESTMENT PORTFOLIO (Continued)

### Top ten investments (Continued)

Notes: (Continued)

- (vii) National debt reverse repurchase-GC001 trades in the Shanghai Stock Exchange (code: 204001). As at 31st December 2015, there were three contracts of national debt reverse repurchase-GC001 with annualised interest rate of 4% – 5.19% per annum.
- (viii) CITIC-CP Cash Management Fund #4 principally invests in low risk and high liquidity financial instruments. The objective of the fund is pursuing superior return compared with similar products in the market and ensuring the stability of the investment capital. During the year ended 31st December 2015, the quoted annualised daily return rate was between approximately 2.7% and 7.2% per annum.
- (ix) A private investment fund administrated by Ciccjazi Holdings Limited solely invested in equity shares of an unlisted company in the PRC. As at 31st December 2015, the fair value of the private investment fund was approximately HK\$1,555,441,000 by reference to the valuation on the unlisted equity securities from the investment manager using discounted cash flows model.
- (x) Yue Xiu Great China Fixed Income Fund II LP is a newly formed Cayman Islands exempted limited partnership. The partnership is managed by the general partner, Yue Xiu Investment Management Limited, who holds the property of the partnership on behalf of the partnership. The partnership shall continue in existence for three years unless dissolution of the partnership. The objective of the partnership is to produce attractive returns on the capital from the partnership while managing investment risk. As at 31st December 2015, the fair value of the partnership is approximately HK\$673,779,000 by reference to the quoted prices of the underlying investments.

\* for identification purposes only

## 26. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables (Note)	141,541	93,149
Other payables	17,131	8,146
Accruals	61,381	30,860
	<b>220,053</b>	132,155

Note: The ageing analysis of trade payables by invoice date at the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
0-30 days	53,232	23,253
31-60 days	43,433	21,851
61-90 days	28,293	21,131
Over 90 days	16,583	26,914
	<b>141,541</b>	93,149

# Notes to the Consolidated Financial Statements

## 27. BANK AND OTHER LOANS

Bank and other loans comprise:

	Note	2015 HK\$'000	2014 HK\$'000
<b>Current and secured</b>			
Bank loans	(a)	<b>8,116</b>	44,728
Other loan	(b)	–	127,500
		<b>8,116</b>	172,228
Portion of term loans from banks due for repayment within one year	(a)	<b>9,961</b>	1,246
Portion of term loans from banks due for repayment after one year	(a)	<b>341,365</b>	8,329
Term loans with a repayment on demand clause		<b>351,326</b>	9,575
		<b>359,442</b>	181,803
Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:			
On demand or within one year		<b>18,077</b>	173,474
After one but within two years		<b>9,993</b>	1,277
After two but within five years		<b>328,782</b>	4,029
After five years		<b>2,590</b>	3,023
		<b>359,442</b>	181,803

Notes:

- (a) As at 31st December 2015, the bank loans carried variable interest rates ranging from 1.98%-2.65% (2014: 2.45%-5.88%) per annum. The bank loans are secured by the assets of the Group as set out in note 32.
- (b) The other loan from a financial institution amounted to HK\$127,500,000 was repaid during the year ended 31st December 2015 and the Company's obligation under the financial guarantee arrangement relating to the loan amounted to HK\$127,500,000 has been ceased (2014: HK\$127,500,000).

# Notes to the Consolidated Financial Statements

## 28. CONVERTIBLE BONDS

On 30th January 2015 (the "Bond Issue Date"), the Company issued Convertible Bonds in the principal amount of approximately HK\$465,950,000. The Convertible Bonds bear interest at the rate of 6% bear annum. Such interest accrued on the outstanding principal amount of the Convertible Bonds and is payable by the Company to the bondholder within three business days after the bond maturity date on 30th January 2016 (the "Bond Maturity Date") if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to the Bond Maturity Date.

The Convertible Bonds can be converted into ordinary shares at a conversion price of HK\$1.3 per share (subject to adjustments) for the maximum number of 358,423,360 conversion shares. The conversion period commencing from the 91st day after the Bond Issue Date and ending on the Bond Maturity Date (the "Conversion Period").

The use of proceeds from the issue of the Convertible Bonds was used to invest in private investment funds and equity securities and to replenish the general working capital of the Group.

### Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each Convertible Bond outstanding at a value equal to the aggregate principal amount with accrued interest on or before 3rd business day after the Bond Maturity Date in cash.

### Early redemption at the option of the Company and the Bondholder

The Company and the bondholder have the right to redeem the Convertible Bond early. During the Conversion Period, both parties may give at least 15th business days' advance notice to redeem all or part of the aggregate principal amount of the Convertible Bond. Upon receiving the notice of early redemption by the party who wishes to redeem ("Redeeming Party"), the other party shall enter into discussion with the Redeeming Party and confirm in writing the redemption date and the redemption amount. Unless otherwise confirmed by both parties, the redemption date shall be the 15th business day after the serving of the notice of early redemption.

The Convertible Bonds contains two components i.e. liability and equity elements. The equity element is presented in equity as convertible bond reserves. The effective interest rate of the liability component on initial recognition is 8.31% per annum. The redemption option of Convertible Bonds is included as a liability component and not separately recognised. The liability component is measured at amortised cost.

On 1st December 2015, the Company has early redeemed all of the 6% Convertible Bonds with principal amount of approximately HK\$465,950,000 at redemption amount of approximately HK\$493,907,000. The fair value of the liability component was remeasured at the date of redemption with the difference between the fair value of the liability component and the redemption cost allocated to equity component. As a result, a loss of approximately HK\$642,000 was recognised in the consolidated income statement and a residual amount of approximately HK\$5,903,000 was recognised in convertible bond reserves within the equity. Upon the redemption of all Convertible Bonds, the remaining value of the convertible bond reserves of approximately HK\$3,655,000 was released to retained profits.

# Notes to the Consolidated Financial Statements

## 28. CONVERTIBLE BONDS (Continued)

The movements of the liability component of the Convertible Bonds for the year is set out below:

	2015 HK\$'000
Nominal value of Convertible Bonds issued during the year	465,950
Equity component	(9,558)
Transaction costs attributable to the liability component	(374)
	<b>456,018</b>
Imputed interest expenses on Convertible Bonds	31,344
Fair value change upon redemption	642
Early redemption of Convertible Bonds	(488,004)
<b>As at 31st December</b>	<b>–</b>

## 29. SHARE CAPITAL

	Number of shares		Amount	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
<b>Authorised:</b>				
At beginning of year and at end of year				
Ordinary shares of HK\$0.025 each	8,000,000	8,000,000	200,000	200,000
<b>Issued and fully paid:</b>				
At beginning of year				
Ordinary shares of HK\$0.025 each	1,792,117	1,792,117	44,803	44,803
Exercise of share options (Note)	9,312	–	233	–
At end of year				
Ordinary shares of HK\$0.025 each	1,801,429	1,792,117	45,036	44,803

Note:

During the year ended 31st December 2015, 9,312,000 ordinary shares of HK\$0.025 each were issued at total amount of approximately HK\$20,487,000 as a result of the exercise of share options of the Company.

# Notes to the Consolidated Financial Statements

## 30. RESERVES

	Share premium HK\$'000 (Note (b)(i))	Shares held for share award scheme HK\$'000 (Note (b)(ii))	Statutory reserves HK\$'000 (Note (b)(iii))	Contributed surplus HK\$'000 (Note (b)(iv))	Share-based compensation reserves HK\$'000 (Note (b)(v))	Share option reserves HK\$'000 (Note (b)(vi))	Investment revaluation reserves HK\$'000 (Note (b)(vii))	Convertible bond reserves HK\$'000 (Note (b)(viii))	Property revaluation reserves HK\$'000 (Note (b)(ix))	Translation reserves HK\$'000 (Note (b)(x))	Other reserves HK\$'000 (Note (b)(xi))	Retained profits HK\$'000	Total HK\$'000
As at 1st January 2014	57,265	-	8,668	234,621	-	-	-	-	-	79,364	(1,113)	1,721,351	2,100,156
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	-	-	-	31,012	31,012
<b>Other comprehensive income:</b>													
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	-	-	-	-	-	-	-	-	16,023	-	-	-	16,023
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	346,201	-	-	-	-	-	346,201
Reclassification of net change in fair value of available-for-sale financial assets to profit or loss upon disposal	-	-	-	-	-	-	(103,251)	-	-	-	-	-	(103,251)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(971)	-	-	(971)
<b>Total other comprehensive income</b>	-	-	-	-	-	-	242,950	-	16,023	(971)	-	-	258,002
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	242,950	-	16,023	(971)	-	31,012	289,014
<b>Transactions with owners: Contributions and distributions</b>													
Final dividend paid in respect of the financial year ended 31st December 2013	-	-	-	-	-	-	-	-	-	-	-	(89,606)	(89,606)
Shares purchased for Share Award Scheme	-	(28,459)	-	-	-	-	-	-	-	-	-	-	(28,459)
<b>Total transactions with owners</b>	-	(28,459)	-	-	-	-	-	-	-	-	-	(89,606)	(118,065)
As at 31st December 2014 and as at 1st January 2015	57,265	(28,459)	8,668	234,621	-	-	242,950	-	16,023	78,393	(1,113)	1,662,757	2,271,105
<b>Loss for the year</b>	-	-	-	-	-	-	-	-	-	-	-	(188,155)	(188,155)
<b>Other comprehensive loss:</b>													
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(52,909)	-	-	-	-	-	(52,909)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(24,045)	-	-	(24,045)
<b>Total other comprehensive loss</b>	-	-	-	-	-	-	(52,909)	-	-	(24,045)	-	-	(76,954)
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	-	(52,909)	-	-	(24,045)	-	(188,155)	(265,109)
<b>Transactions with owners: Contributions and distributions</b>													
Final dividend paid in respect of the financial year ended 31st December 2014	26,978	-	-	-	-	-	-	-	-	-	-	(89,233)	(89,233)
Issue of shares upon exercise of share options (Note (a))	-	(436)	-	-	-	(6,724)	-	-	-	-	-	20,254	20,254
Shares purchased for Share Award Scheme	-	-	-	-	-	-	-	-	-	-	-	-	(436)
Equity-settled share based payment	-	-	-	-	73,068	64,379	-	-	-	-	-	-	137,447
Westing of shares of Share Award Scheme	44,173	-	-	-	(73,068)	-	-	-	-	-	-	-	-
Issue of Convertible Bonds	-	-	-	-	-	-	-	9,558	-	-	-	-	9,558
Early redemption of Convertible Bonds	-	-	-	-	-	-	-	(5,903)	-	-	-	-	(5,903)
Transfer of reserves upon redemption of Convertible Bonds	-	-	-	-	-	-	-	(3,655)	-	-	-	3,655	-
<b>Total transactions with owners</b>	71,151	28,459	-	-	-	57,655	-	-	-	-	-	(85,578)	71,687
As at 31st December 2015	128,416	-	8,668	234,621	-	57,655	190,041	-	16,023	54,348	(1,113)	1,389,024	2,077,883

# Notes to the Consolidated Financial Statements

## 30. RESERVES (Continued)

Notes:

(a) *Issue of shares upon exercise of share options*

During the year ended 31st December 2015, options were exercised to subscribe for 9,312,000 ordinary shares in the Company at a consideration of approximately HK\$20,487,000 of which approximately HK\$233,000 was credited to share capital and the balance of approximately HK\$20,254,000 was credited to the share premium account. Approximately HK\$6,724,000 has been transferred from the share option reserves to the share premium account in accordance with accounting policy set out in note 2(u).

(b) *Nature and purpose of reserves*

(i) Share premium

The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(ii) Shares held for share award scheme

Shares held for share award scheme comprised shares purchased and held which will be awarded to selected employees (excluding any director and any chief executive) ("Selected Employees") in accordance with the Share Award Scheme.

(iii) Statutory reserves

Statutory reserves comprise statutory surplus reserves fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to shareholders.

(iv) Contributed surplus

The contributed surplus represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of shares issued by the Company for each acquisition at the time of the Group reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

# Notes to the Consolidated Financial Statements

## 30. RESERVES (Continued)

Notes: (Continued)

(b) Nature and purpose of reserves (Continued)

(v) Share-based compensation reserves

Share-based compensation reserves represents the fair value of the vested award shares granted under the Share Award Scheme.

(vi) Share option reserves

The share option reserves comprise the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments.

(vii) Investment revaluation reserves

The investment revaluation reserves comprise the cumulative net changes in the fair value of available-for-sale financial assets.

(viii) Convertible bond reserves

Conversion bond reserves represents equity portion of Convertible Bonds.

(ix) Property revaluation reserves

The property revaluation reserves comprise the net changes in fair value arising on the revaluation of properties held for own use upon transfer to investment properties.

(x) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(xi) Other reserves

The other reserves have been set up and dealt with in accordance with the accounting policies adopted for the changes in ownership interests in subsidiaries that do not result in a loss of control.



# Notes to the Consolidated Financial Statements

## 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 HK\$'000	2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries		688,182	491,875
Investment in an insurance contract		11,019	–
		<b>699,201</b>	491,875
<b>CURRENT ASSETS</b>			
Trade and other receivables		391	345
Dividend receivable from a subsidiary		–	110,000
Cash and bank balances		693	282
		<b>1,084</b>	110,627
<b>CURRENT LIABILITIES</b>			
Trade and other payables		22,593	884
Dividend payables		31	17
Amounts due to subsidiaries		269,291	4,768
		<b>291,915</b>	5,669
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(290,831)</b>	104,958
<b>NET ASSETS</b>		<b>408,370</b>	596,833
<b>CAPITAL AND RESERVES</b>			
Share capital		45,036	44,803
Reserves	(a)	363,334	552,030
<b>TOTAL EQUITY</b>		<b>408,370</b>	596,833

Approved and authorised for issue by the Board on 18th March 2016 and signed on its behalf by:

**Zhu Wei Sha**  
Chairman

**Shi Guang Rong**  
Vice President

# Notes to the Consolidated Financial Statements

## 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

### (a) Reserves

	Share premium HK\$'000 <i>(note 30(b)(i))</i>	Shares held for share award scheme HK\$'000 <i>(note 30(b)(ii))</i>	Contributed Surplus HK\$'000 <i>(note 30(b)(iv))</i>	Share-based compensation reserves HK\$'000 <i>(note 30(b)(v))</i>	Share option reserves HK\$'000 <i>(note 30(b)(vi))</i>	Convertible bond reserves HK\$'000 <i>(note 30(b)(viii))</i>	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
As at 1st January 2014	57,265	-	380,621	-	-	-	118,589	556,475
<b>Profit for the year</b>	-	-	-	-	-	-	85,161	85,161
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	85,161	85,161
Final dividend paid in respect of the financial year ended 31st December 2013	-	-	-	-	-	-	(89,606)	(89,606)
As at 31st December 2014 and as at 1st January 2015	57,265	-	380,621	-	-	-	114,144	552,030
<b>Loss for the year</b>	-	-	-	-	-	-	(231,924)	(231,924)
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	-	(231,924)	(231,924)
Final dividend paid in respect of the financial year ended 31st December 2014	-	-	-	-	-	-	(89,233)	(89,233)
Issue of shares upon exercise of share options <i>(note 30(a))</i>	26,978	-	-	-	(6,724)	-	-	20,254
Share transferred from a subsidiary for Share Award Scheme								
– purchased in 2014	-	(28,459)	-	-	-	-	-	(28,459)
– purchased in 2015	-	(436)	-	-	-	-	-	(436)
Equity-settled share based payment	-	-	-	73,068	64,379	-	-	137,447
Vesting of shares of Share Award Scheme	44,173	28,895	-	(73,068)	-	-	-	-
Issue of Convertible Bonds	-	-	-	-	-	9,558	-	9,558
Early redemption of Convertible Bonds	-	-	-	-	-	(5,903)	-	(5,903)
Transfer of reserves upon redemption of Convertible Bonds	-	-	-	-	-	(3,655)	3,655	-
<b>Total transactions with owners</b>	71,151	-	-	-	57,655	-	(85,578)	43,228
<b>As at 31st December 2015</b>	<b>128,416</b>	<b>-</b>	<b>380,621</b>	<b>-</b>	<b>57,655</b>	<b>-</b>	<b>(203,358)</b>	<b>363,334</b>

# Notes to the Consolidated Financial Statements

## 32. PLEDGE OF ASSETS

As at 31st December 2015, the Group had pledged the following assets to secure the loan facilities:

- (a) Investment properties of the Group with carrying value of approximately HK\$62,037,000 (2014: approximately HK\$117,976,000);
- (b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK\$2,011,000 (2014: approximately HK\$13,106,000), approximately HK\$7,679,000 (2014: approximately HK\$24,420,000) and HK\$Nil (2014: approximately HK\$266,000) respectively;
- (c) The trade receivables from third parties of the Group with carrying value of HK\$Nil (2014: approximately HK\$160,000);
- (d) A leasehold property of the Group with carrying value of approximately HK\$2,336,000 (2014: approximately HK\$2,435,000); and
- (e) Bank deposits of the Group with carrying value of approximately HK\$360,111,000 (2014: approximately HK\$380,000).

# Notes to the Consolidated Financial Statements

## 33. OPERATING LEASE COMMITMENTS

### (a) The Group as lessee

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

	2015 HK\$'000	2014 HK\$'000
Within one year	4,706	4,397
In the second to fifth year inclusive	1,582	2,602
	<b>6,288</b>	6,999

Leases are negotiated for term ranging from one to three years with fixed rentals.

### (b) The Group as lessor

As at 31st December 2015, the Group had contracted with tenants for the following future minimum rental receivables:

	2015 HK\$'000	2014 HK\$'000
Within one year	4,330	5,765
In the second to fifth year inclusive	5,638	7,200
Later than fifth year	1,653	2,906
	<b>11,621</b>	15,871

# Notes to the Consolidated Financial Statements

## 34. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the ordinary resolutions passed by the Shareholders at the special general meeting ("SGM") on 14th January 2015 ("Option Adoption Date"). The Share Option Scheme is valid for 10 years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10th anniversary thereof unless terminated earlier by Shareholders in general meeting.

The purpose of the Share Option Scheme is to enable the Company to grant share options to the selected eligible participants as incentives or rewards for their contribution or potential contribution to the growth and development of the Group.

The Directors may, at their absolute discretion, invite any person belonging to any of the following categories of participants (the "Eligible Participants") to take up share options to subscribe for the Shares:

### Category A Eligible Participants

- (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder, or
- (b) any individual for the time being seconded to work for any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder.

### Category B Eligible Participants

Any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group and shall include any company controlled by one or more persons belonging to any of the above classes of participants.

Options granted to the Eligible Participants are subject to vesting conditions. For options granted to the eligible participant who has joined the Group for more than three years are subject to a vesting scale in tranches of 40%, 30% and 30% each per annum starting from the date of grant and will become fully vested on the third anniversary of the grant. For options granted to the eligible participant who has joined the Group less than three years are subject to a vesting scale in tranches of 10%, 20%, 35% and 35% each per annum from the second to the fifth year after the grant and will become fully vested on the fifth anniversary of the grant.

The total number of shares which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the "Scheme Mandate") unless the Company obtains a refresh approval from the Shareholders to renew the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time. At the SGM which was held on the Option Adoption Date, the Scheme Mandate was approved by the Shareholders and the total number of shares that may fall to be allotted and issued under the Share Option Scheme would be 179,211,680 shares, representing 10% of the total number of shares in issue as at the date of approval of the Scheme Mandate at the SGM.

# Notes to the Consolidated Financial Statements

## 34. SHARE OPTION SCHEME *(Continued)*

The maximum number of shares issued and to be issued upon the exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company to any eligible participant (including cancelled, exercised and outstanding share options), in any 12-month period up to the date of grant shall not exceed 1% of the number of shares in issue, without prior approval from the Shareholders. Any grant of a share option to a Director, chief executive of the Company or substantial shareholder (or any of their respective associates) must be approved by the Independent Non-Executive Directors. Where any grant of share options to a substantial shareholder or an Independent Non-Executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon the exercise of the share options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at each date of grant, in excess of HK\$5,000,000, such further grant of share options is required to be approved by the Shareholders in general meeting.

An offer for the grant of share options must be accepted within 30 days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK\$1.0. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the share option is granted as the Board may determine in granting the share options and expiring at the close of business on such date as the Board may determine in granting the share options but in any event shall not exceed ten years from the date of grant (which is the date of offer of grant if the offer for the grant of the share options is accepted). The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares on the date of offer of grant; and (ii) the average closing price of the Shares for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of the Shares.

On 16th January 2015, the Company offered to grant 186 Eligible Participants to subscribe for a total of 107,527,008 ordinary shares of HK\$0.025 each in the capital of the Company at an exercise price HK\$2.2 per share. These share options are exercisable up to 5 years from the date of grant.

# Notes to the Consolidated Financial Statements

## 34. SHARE OPTION SCHEME *(Continued)*

(a) Movements in share options:

	Number of options 2015
Granted during the year	107,527,008
Exercised during the year	(9,312,000)
<b>Outstanding as at 31st December</b>	<b>98,215,008</b>
<b>Options vested as at 31st December</b>	<b>39,792,803</b>

(b) Terms of unexpired and unexercised share options at the end of the reporting period:

Date of grant	Exercise period	Exercise price per share HK\$	Number of options 2015
16th January 2015	16th January 2015- 15th January 2020	2.2	98,215,008

# Notes to the Consolidated Financial Statements

## 34. SHARE OPTION SCHEME (Continued)

- (c) The following table discloses details of the granted options held by Directors, chief executive officer, employees, suppliers of goods or services and other eligible participants under the Share Option Scheme and movements during the year under review:

For the year ended 31st December 2015

Category	Date of grant	Exercise price per share HK\$	Exercisable period*	Number of shares issuable under the share options					
				As at 1st January 2015	Granted during the year	Exercised during the year	Forfeited during the year	As at 31st December 2015	
<b>Directors</b>									
Mr. Zhu Wei Sha	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116	
Mr. Chen Fu Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116	
Mr. Shi Guang Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	6,500,000	-	-	6,500,000	
Mr. Wang An Zhong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	3,000,000	-	-	3,000,000	
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	7,000,000	-	-	7,000,000	
Mr. Zhong Peng Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000	
Mr. Wu Jia Jun	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000	
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,000,000	-	-	1,000,000	
<b>Chief Executive Officer</b>									
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	8,000,000	-	-	8,000,000	
<b>Continuous contract employees</b>	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	68,242,776	(9,032,000)	-	59,210,776	
<b>Suppliers of goods or services</b>	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	2,200,000	(280,000)	-	1,920,000	
<b>Other eligible participants</b>	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	6,000,000	-	-	6,000,000	
				-	107,527,008	(9,312,000)	-	98,215,008	
<b>Outstanding as at 31st December 2015</b>								<u>98,215,008</u>	
<b>Weighted average exercise price (HK\$)</b>				-	2.2	2.2	-	2.2	

\* Options granted to the Directors, chief executive officer, employees, suppliers of goods or services and other eligible participants are subject to vesting conditions.



# Notes to the Consolidated Financial Statements

## 34. SHARE OPTION SCHEME *(Continued)*

- (d) The share-based payment in respect of the share options granted on 16th January 2015 for the year ended 31st December 2015 was HK\$64,379,000.

The cost of share options granted is estimated on the date of the grant using the Binomial Model with the following parameters:

Date of grant	16th January 2015
Number of shares issuable under options granted	107,527,008
Exercise price	HK\$2.2
Fair value at the date of grant	HK\$0.72 – HK\$0.75
5 years Exchange Fund Notes, risk-free rate interest	0.88%
Volatility <sup>#</sup>	46%
Expected dividend yield	2.27%
Expected life	3 years to 5 years

- <sup>#</sup> The volatility is based on statistical analysis of daily share prices annualised for one year immediately preceding the grant date.

## 35. SHARE AWARD SCHEME

Pursuant to a resolution of the Board meeting dated 6th October 2014 (the "Adoption Date of Share Award Scheme"), the Board approved the adoption of Share Award Scheme under which the Shares may be awarded to Selected Employees in accordance with its provisions. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain employees to the business growth and development of the Group through an award of the Shares. The Share Award Scheme will remain in force for a period of three years commencing on the Adoption Date of Share Award Scheme. The vesting period and vesting condition of the awarded shares are determined by the Board upon the grant of the awarded shares.

A trust has been set up and fully funded by the Company for the purpose of purchasing, administering and holding the Shares for the Share Award Scheme. The total number of shares which may be granted to the Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time. For details of the Share Award Scheme, please refer to the announcement of the Company dated 6th October 2014.

# Notes to the Consolidated Financial Statements

## 35. SHARE AWARD SCHEME (Continued)

Movement in the number of shares held under the Share Award Scheme is as follows:

	Number of shares held for the Share Award Scheme '000	Number of awarded shares '000	Total shares '000	Amount HK\$'000
As at 1st January 2015	22,296	–	22,296	28,459
Purchased	300	–	300	436
Granted	(22,596)	22,596	–	–
Vested and transferred	–	(22,596)	(22,596)	(28,895)
As at 31st December 2015	–	–	–	–
As at 1st January 2014	–	–	–	–
Purchased	22,296	–	22,296	28,459
Granted	–	–	–	–
Vested and transferred	–	–	–	–
As at 31st December 2014	22,296	–	22,296	28,459

Notes:

- (a) For the year ended 31st December 2015, 300,000 shares (2014: 22,296,000 shares) of the Company were purchased by the trustee on the market for the purpose of the Share Award Scheme, representing approximately 0.02% of the issued share capital of the Company as at 31st December 2015 and the aggregate consideration paid by the Company were approximately HK\$436,000 (2014: approximately HK\$28,459,000).
- (b) The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date over the vesting period. For the year ended 31st December 2015, the Group recognised the share-based compensation expenses of approximately HK\$73,068,000 (2014: HK\$Nil) with a corresponding credit to share-based compensation reserves.
- (c) For the year ended 31st December 2015, 22,596,000 shares (2014: Nil) held under the Share Award Scheme were granted and vested to the Selected Employees of the Group at nil consideration.

Upon transfer to the awardees, the related costs of the awarded shares finally transferred are credited to shares held for share award scheme within equity, and the amount that had been previously credited to employee share-based compensation reserves upon grant of the awarded shares is reversed. The difference between these two amounts is credited to share premium or debited against retained earnings. The related costs of the dividend shares are credited to shares held for share award scheme with a corresponding decrease in retained earnings for dividend shares.

# Notes to the Consolidated Financial Statements

## 36. CHANGES IN OWNERSHIP INTERESTS IN A SUBSIDIARY THAT DOES NOT RESULT IN A LOSS OF CONTROL

	2015 HK\$'000	2014 HK\$'000
Net consideration paid	<b>(7,960)</b>	–
Acquisition of additional interests in a subsidiary	<b>7,960</b>	–
Difference recognised in consolidated statement of changes in equity	–	–

As at 31st December 2014, the Group held 66.67% equity interest in Up Spacious. The Group has further increased its equity interest in Up Spacious from 66.67% to 100% from the Counterparty, at the consideration of releasing the liability of the Counterparty due to the Group, details of which is disclosed in note 24(b). The further acquisition was completed in October 2015.

## 37. RETIREMENT BENEFITS SCHEME

The Group operates a MPF for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to profit or loss of approximately HK\$6,124,000 (2014: approximately HK\$5,371,000) represents contributions paid and payable to these schemes by the Group in respect of the current year.

# Notes to the Consolidated Financial Statements

## 38. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

### Connected transactions

During the year, the Group had the following continuing connected transaction which is subject to the reporting requirements under Chapter 20 of the GEM Listing Rules.

The Company entered into a Service Agreement with Mr. Kevin Choo as the Vice-President of Global Operations of the Group with a fixed term of two years commencing from 1st April 2015 and ending at 31st March 2017 (“Term”) on 4th November 2015. As Mr. Choo was appointed as the CEO on 18th November 2015, he is considered as a chief executive under Rule 1.01 of the GEM Listing Rules and a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. The transaction conducted under the Service Agreement is continuing connected transaction as defined in Rule 20.58 of the GEM Listing Rules (“Continuing Connected Transaction”).

Under the Service Agreement, Mr. Choo is entitled to a remuneration package in an annual amount of approximately HK\$6.2 million (including other allowances) (“Remuneration Package”) plus, at the absolute discretion of the Company and subject always to compliance with the requirements of the GEM Listing Rules, a management discretionary bonus, which shall be determined with reference to his duties, responsibilities and experience, and to prevailing market conditions. He also participated into a pension fund scheme which was funded by the Company. The Company may, at its sole discretion and determination of the Board and recommendation of the remuneration committee of the Company, grant options to Mr. Choo to subscribe for shares in the Company in accordance with the Share Option Schemes adopted by the Company from time to time. Upon the expiration of the Term of the Service Agreement, Mr. Choo shall be entitled to have a package bonus of HK\$4.6 million (“Package Bonus”) and a relocation allowance of up to HK\$0.1 million (“Relocation Allowance”).

The Service Agreement may be terminated by either party thereto giving to the other party two months prior notice in writing and provided that if the Service Agreement is terminated by the Company before the end of the Term of the Service Agreement, Mr. Choo shall be entitled to the remaining unpaid portion of the Remuneration Package, the Package Bonus and the Relocation Allowance. The maximum amount which may be payable to Mr. Choo if the Company terminates in the first and second year of the Term of the Service Agreement is therefore approximately HK\$13.4 million and approximately HK\$10.9 million respectively.

Relevant disclosure about the above transaction which constitute a Continuing Connected Transaction have been made in the “Directors’ Report” section of this annual report.

### Key management compensation

The emoluments of the Directors and other members of key management during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries	45,140	5,442
Housing allowances	789	222
Retirement benefits scheme contributions	437	421
Share option benefit	17,684	–
	<b>64,050</b>	6,085

# Notes to the Consolidated Financial Statements

## 39. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December 2015 are as follows:

Name of subsidiary	Principal place of business and place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
<b>Direct subsidiaries:</b>				
Yuxing Group (International) Limited	BVI/limited liability company	Investment holding/the PRC and Hong Kong ("HK")	2,000 ordinary shares of US\$1 each	100%
HyBroad Vision Holdings Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK\$1	100%
Golden Rich Asia Investment Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK\$1	100%
Rich Universe International Limited	HK/limited liability company	Investment/HK	100 ordinary shares of HK\$1	100%
Billion State Limited	BVI/limited liability company	Trustee/HK	100 ordinary shares of US\$1 each	100%
China Hunter Limited	BVI/limited liability company	Investment/HK	100 ordinary shares of US\$1 each	100%

# Notes to the Consolidated Financial Statements

## 39. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Principal place of business and place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
<b>Indirect subsidiaries:</b>				
Beijing Yuxing Software Company Limited	The PRC/foreign wholly owned enterprise	Research and development ("R&D") and software design/the PRC	RMB10,610,850	100%
Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited	The PRC/foreign wholly owned enterprise	Manufacturing and sales of electronic components, plastic and miscellaneous products/the PRC	RMB123,000,000	100%
Guangdong HyBroad Vision Electronics Technology Company Limited	The PRC/domestic equity joint venture	Manufacturing, distribution and sales of information home appliances and R&D and software design/the PRC	RMB90,000,000	100%
HyBroad Vision (HK) Technology Company Limited	HK/limited liability company	Trading and distribution of information home appliances and electronic components/HK	10,000,000 ordinary shares of HK\$1 each	100%
YXT	HK/limited liability company	Trading and distribution of information home appliances and electronic components and investment holding/HK	2 ordinary shares of HK\$1 each	100%
Yield Lasting Investments Limited	BVI/limited liability company	Property holding/HK	1 ordinary share of US\$1	100%
Up Spacious	BVI/limited liability company	Trading of securities/HK	3 ordinary shares of US\$1 each	100%
Beijing E'rich Investment Management Co., Ltd	The PRC/domestic wholly owned enterprise	Investment consultancy/the PRC	RMB8,000,000	100%
Lasaruida Investment Consultation Management Company Limited*	The PRC/domestic wholly owned enterprise	Investment consultancy/the PRC	RMB10,000,000	100%

The above table contains only the particulars of subsidiaries of the Company which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would result in particulars of excessive length.