



無縫綠色中國(集團)有限公司
Seamless Green China (Holdings) Ltd.

(Incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)

Stock Code: 8150



ANNUAL REPORT
2015

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

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

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CORPORATION INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business	6/F, Pico Tower, 66 Gloucester Road, Wanchai Hong Kong
Executive Directors	Mr. Wong Kin Hong (<i>Chairman</i>) Mr. Huang Yonghua Mr. Wong Tat Wa Ms. Leung Po Yee
Independent Non-executive Directors	Mr. Yan Guoniu Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Company Secretary	Mr. Fung Nam Shan (<i>HKICPA, CPA (Aust)</i>)
Compliance Officer	Ms. Leung Po Yee
Authorised Representatives	Mr. Wong Tat Wa Mr. Fung Nam Shan
Audit Committee	Mr. Yan Guoniu (<i>Chairman</i>) Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Remuneration Committee	Mr. Yan Guoniu (<i>Chairman</i>) Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve

CORPORATION INFORMATION

Nomination Committee

Mr. Yan Guoniu (*Chairman*)
Mr. Tang Rong Gang
Mr. Ou Wei An
Mr. Ng Yu Ho, Steve

Legal Advisers as to Hong Kong Law

Slaughter and May

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Ltd.
Rosebank Centre
11 Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
31/F., 148 Electric Road
North Point Hong Kong

Independent Auditor

RSM Hong Kong (*Certified Public Accountants*)

Stock Code

8150

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2015 (the "Year").

RESULTS

During the Year, the Group recorded revenue of approximately HK\$17.6 million (2014: approximately HK\$20.8 million), representing a decrease of approximately 15% against the prior year. Loss attributable to the owners of the Company amounted to approximately HK\$30.3 million (2014: approximately HK\$200.5 million), representing a decrease of loss of approximately 85% as compared to 2014. Basic loss per share for the Year was HK3.08 cents (2014 (restated): HK31.32 cents).

BUSINESSES

The principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, manufacturing and trading of LED lighting products and property investment.

Synthetic Sapphire Watch Crystal

The revenue of the sapphire watch crystal division for the years ended 31 December 2015 and 2014 amounted to Nil and HK\$14.9 million, respectively, representing a decrease of 100% over 2014. The absence of revenue was mainly due to the weak the market demand and a change of the Group focus in LED lighting products in 2015.

Optoelectronic Product

The revenue of optoelectronic products division for the years ended 31 December 2015 and 2014 amounted to approximately HK\$3.7 million and approximately HK\$3.2 million, respectively, representing an increase of approximately 16% over 2014. The slightly increase in revenue is mainly due to the increase in the market demand.

LED Lighting Products

The revenue of the LED lighting products for the years ended 31 December 2015 and 2014 amounted to approximately HK\$14.0 million and approximately HK\$2.8 million respectively, representing an increase of approximately 402% over 2014. The increase in revenue is mainly due to the LED business was just commenced in 2014 and continuous to growth in 2015.

Liquor Product

No revenue for this business segment was generated for the Year (2014: Nil).

CHAIRMAN'S STATEMENT

PROSPECTS

The Company will conduct a review on the business operations and financial position of the Company for the purpose of formulating business plans and strategies for its future business development, which would enable the Group to diversify its business and broaden its income sources. In addition, the Company will divest in the business areas which did not perform well in past years and/or do not have good business prospects with a view to allocating the resources of the Company to and concentrating on the business areas which have better business prospects, and exploring other business and investment opportunities.

With the lead of the management team, the Company is actively exploring business opportunities in other sectors to diversify risks and broaden the sources of income of the Company. The Company has adequate resources to continue with its business operations, and will continue to focus on its corporate objective to develop current businesses in order to strengthen its competitiveness, integrate its capital resources and contribute a maximum wealth to our equity holders.

The Group will take possible opportunities in the financial markets to raise funds to facilitate future merger and acquisition activities and/or to increase the working capital of the Group.

The Group had commenced its LED lighting products trading business in late 2014. In 2015, the Group continued to increase its resources in the LED business by investing approximately HK\$2.0 million to acquire certain facilities, equipment and machineries for the production of LED lighting products. The Group will continuously focus on the LED lighting products business in 2016 and the Board and management believe that this can improve the Group's financial performance.

Finally, for and on behalf of the Group and the Board, I would like to express my heartfelt thanks to our shareholders and customers for their enduring support and to all my colleagues for their dedication and hard work throughout the Year. Your dedication and involvement will be the most valuable asset for the growth of the Company.

Wong Kin Hong

Chairman

24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Company was an investment holding company. The Group's principal activities were involved in the manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, manufacturing and trading of LED lighting products and property investment.

Total revenue of the Group for the Year amounted to approximately HK\$17.6 million, representing a 15% decrease from that of approximately HK\$20.8 million generated in 2014. Loss attributable to owners of the Company for the Year was approximately HK\$30.3 million while such loss was approximately HK\$200.5 million in 2014.

Sapphire watch crystals division

The revenue of the sapphire watch crystal division for the Year was Nil (2014: approximately HK\$14.9 million), representing a decrease of approximately HK\$14.9 million. The absence of revenue was mainly due to the weak market demand and a change of the Group's focus in LED lighting products in 2015.

Optoelectronics products division

The Group recorded a revenue of approximately HK\$3.7 million for the Year (2014: approximately HK\$3.2 million), representing an increase of approximately HK\$0.5 million.

LED lighting products division

The Group recorded a revenue of approximately HK\$14.0 million for the Year (2014: approximately HK\$2.8 million), representing an increase of approximately HK\$11.2 million.

Trading of liquor products division

The Group did not generate any revenue during the Year (2014: nil).

Other income and gains

Other income and gains for the Year amounted to approximately HK\$11.6 million, representing an increase of approximately HK\$11.6 million from that of HK\$20,000 generated in 2014. The significant increase in other income and gains mainly represented the reversal of allowances for other receivables of HK\$10.8 million during the year.

Selling and distribution costs for the Year amounted to approximately HK\$0.1 million. This represented a decrease of approximately HK\$0.9 million from that recorded for 2014.

Total administrative and other operating expenses were approximately HK\$34.7 million for the Year (2014: approximately HK\$35.2 million). There was no significant fluctuation in administrative and other operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure, financial resources and liquidity

The capital structure of the Group consists of promissory notes and equity reserves, which comprise issued share capital and various reserves attributable to owners of the Company.

Considering the uncertainties in the global financial market during the Year, in order to strengthen the financial position (in particular, the working capital and cash flow position) of the Group, the Company proposed an open offer and entered into a placing agreement during the Year, details of which are as follows:

Open offer

On 8 April 2015, the Company announced a proposal to raise not less than approximately HK\$71,829,000 and not more than approximately HK\$75,812,000 (before expenses) by way of an open offer involving the issue of not less than 353,835,348 offer shares and not more than 373,460,348 offer shares, respectively, at the subscription price of HK\$0.203 per offer share on the basis of one (1) offer share for every two (2) existing shares held on 28 April 2015 and payable in full on application (the "Open Offer"). The Open Offer was completed in June 2015 and 353,835,348 offer shares were issued accordingly and net proceeds of approximately HK\$70.6 million were received. The net proceeds were used to strengthen the Group's financial position and to increase the capital base of the Company for future investment purposes.

For further details of the Open Offer, please refer to the Company's announcements dated 2 April 2015, 17 April 2015, 13 May 2015 and 4 June 2015 respectively, and the Company's circular dated 13 May 2015.

Placing of new shares

On 9 September 2015, a placing agreement (the "Placing Agreement") was entered into between the Company and Convoy Investment Services Limited (the "Placing Agent"), pursuant to which the Company had appointed the Placing Agent to procure altogether not less than six placees for subscribing up to an aggregate of 212,300,000 new shares (the "Placing Shares") at HK\$0.128 per Placing Share (the "Placing"). The Placing was subject to the conditions set out in the Placing Agreement. On 11 September 2015, a supplemental agreement to the Placing Agreement (the "Supplemental Agreement") was entered into between the Company and the Placing Agent. A total of 212,300,000 Placing Shares were allotted and issued by the Company on 29 September 2015 pursuant to the Placing Agreement and the Supplemental Agreement.

The net proceeds arising from the Placing amounted to approximately HK\$26.9 million, which were used as general working capital of the Group and for the repayment of debts, borrowings or promissory notes.

For further details of the Placing, please refer to the Company's announcements dated 10 September 2015, 11 September 2015 and 29 September 2015.

The Directors review the capital structure on a timely basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of the capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue of new shares or sell assets to reduce debts.

MANAGEMENT DISCUSSION AND ANALYSIS

Although the Group incurred a loss attributable to owners of the Company of approximately HK\$30.3 million for the Year, as at 31 December 2015, the Group had net current assets and net assets of approximately HK\$33.9 million and approximately HK\$56.6 million respectively and the Group has sufficient working capital to carry on its business. In addition, the Directors are also considering to increase the capital base of the Group through various fund-raising exercise, including but not limited to issuing rights shares and/or placing of new shares. In the opinion of the Directors, it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Company's shareholders' funds turned from capital deficiencies of approximately HK\$14.8 million in 2014 to shareholders' funds of approximately HK\$56.6 million in 2015. Current assets amounted to approximately HK\$61.1 million as at 31 December 2015 (2014: approximately HK\$91.1 million), of which approximately HK\$39.3 million (2014: approximately HK\$73.4 million) were cash and cash equivalents and approximately HK\$17.8 million (2014: approximately HK\$15.3 million) were trade and other receivables.

As at 31 December 2015, the Group's total borrowings amounted to approximately HK\$15.0 million (2014: approximately HK\$124.3 million), which were all repayable within one year.

The Group's gearing ratio for the Year was -25.4% (2014: 123.9%). The significant decrease in gearing ratio in 2015 was due to the repayment of a majority of the promissory notes upon maturity, and the strengthen of the Group's capital structure through an Open Offer and the Placing executed during the Year. Gearing ratio is calculated by dividing the net debt with the aggregate of total capital and net debt. Net debt includes trade payables, other payables and accruals, and promissory notes, less cash and cash equivalents. Total capital represents equity attributable to owners of the Company.

Foreign currency risk

During the Year, the Group had transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars ("USD"), Chinese Renminbi ("RMB") and Hong Kong dollars ("HKD").

During the Year, the exchange rate of USD was quite stable and the exchange rate of RMB were comparatively volatile.

As at 31 December 2015, the Group had not hedged any foreign currency sales to reduce such foreign currency risk. The management will, however, monitor this risk and if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

At 31 December 2015, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and remuneration policies

As at 31 December 2015, the Group had 53 employees (2014: 46). Employees were remunerated according to their performance and work experience. In addition to the basic salaries and retirement scheme, staff benefits include free accommodation at the Group's staff quarters in the People's Republic of China (the "PRC"), performance bonus and share options. The total staff costs including Directors' remuneration for 2015 were approximately HK\$3.9 million (2014: approximately HK\$20.9 million (including equity-settled share-based payment expenses of approximately HK\$3.5 million)). The decrease in the staff costs was primarily due to the decrease of discretionary bonuses and equity-settled share-based payment expenses.

Litigation

- (i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited ("JMM") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (b) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant financial impact on the Company.
- (ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited ("Good Capital") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (b) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any financial impact on the financial statements of the Company.
- (iii) In a writ of summons dated 28 February 2014 issued by Long China Holdings Limited (the "Plaintiff"), Excel Energy Holdings Limited ("Excel Energy"), a wholly owned subsidiary of the Company, and the Company were named as the 1st defendant and 2nd defendant (collectively the "Defendants"), respectively.

The Plaintiff alleged that the Defendants failed and/or refused to honour their respective obligations under a sale and purchase agreement dated 3 December 2013 and entered into between the Plaintiff (as purchaser), Excel Energy (as vendor) and the Company (as guarantor) for the disposal of the entire equity interests in Fullway (China) Limited at a consideration of HK\$13,800,000 (the "S&P Agreement"), for which the Plaintiff paid HK\$7,900,000 as deposit to the Defendants. The Plaintiff now claims for the return of the said deposit.

On 6 March 2015, the Plaintiff and the Defendants executed a deed of settlement (the "Deed") for a full and final settlement of all claims arising out of or in connection with the S&P Agreement and the proceedings. Pursuant to the Deed, the Defendants have returned the initial deposits in the sum of HK\$7,900,000 to the Plaintiff and the Plaintiff has returned certain legal documents to the Company. The Company's legal representatives have arranged the signing of a consent summons by the Plaintiff to dismiss the claim and the High Court of Hong Kong granted an order for dismissal on 9 April 2015. As such, the Directors are of the view that the action will not result in any significant financial impact on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iv) On 27 March 2014, Good Return (BVI) Limited (“Good Return”), a wholly-owned subsidiary of the Company, issued writs of summons against Wickham Ventures Limited (“Wickham”) and Ms. Lee Hei Wun (“Ms. Lee”) for claiming, among others, the shortfall of a profit guarantee in a sum of HK\$3,000,000 as a result of the inability of Arnda Semiconductor Limited (“Arnda”) to make any profit during the year ended 31 December 2012 (the “Year 2012”). Reference is made to the Company’s announcements dated 6 April 2011, 19 March 2012 and 24 March 2014. Pursuant to the sale and purchase agreement under which Good Return acquired Arnda from Wickham in 2011, Wickham and Ms. Lee guaranteed to pay Good Return the difference between the actual amount of net profit after tax of Arnda and the guaranteed profit in a sum of HK\$3,000,000 for the Year. According to the audited financial statements of Arnda for the Year, Arnda made a loss of HK\$1,252,101 and thus the shortfall of the profit guarantee is HK\$3,000,000, which Wickham and Ms. Lee have failed to pay to Good Return despite the demand of Good Return. On 25 June 2014, the High Court of the Hong Kong Special Administrative Region, Court of First Instance issued a final judgement against Ms. Lee for the payment to Good Return the sum of HK\$3,000,000 together with interests, and a fixed cost of HK\$10,500. The Company has instructed its legal advisers to take legal action against Ms. Lee for the payment of the above sum of HK\$3,010,500 and the relevant interest of HK\$71,014 but no payment was received. Accordingly, the Group has filed an application of a bankruptcy petition against Ms. Lee.
- (v) On 11 February 2015, the Company and Silver Bonus Limited, a wholly-owned subsidiary of the Company and the purchaser to the acquisition of equity interests in Neo Partner Investments Ltd. (the “Target Company”), issued a writ of summons in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region against (i) Shinning Team Investment Limited (the second vendor) as the 1st defendant; (ii) Mr. Lau Hin Chung (the first vendor) as the 2nd defendant; (iii) the Target Company as the 3rd defendant; (iv) Harvest View (China) Limited as the 4th defendant; (v) Mr. Chen Zai as the 5th defendant; (vi) two former executive Directors of the Company, namely Mr. Ho Chun Kit, Gregory and Mr. Lee Tat Wing as the 6th and 7th defendants, claiming for, among other things, the following relief:
- (1) damages for breach of the sale and purchase agreement and its supplemental agreement (collectively, the “Agreements”) against the 1st and 2nd defendants;
 - (2) damages and/or rescission of the Agreements for misrepresentation against the 1st to 5th defendants;
 - (3) damages for negligence and breach of fiduciary duties as Directors against the 6th and 7th defendants;
 - (4) a declaration that the promissory notes issued under the Agreements are null and void and unenforceable;
 - (5) costs; and
 - (6) further and/or other relief.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation at 31 December 2015, the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments, material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no significant investments, material acquisitions and disposal of subsidiaries and affiliated companies during the Year.

Pledge of assets

As at 31 December 2015, the Group had no pledge of assets.

Segmental Information

An analysis of the Group's performance for the Year by the type of goods sold is set out in note 7 to the consolidated financial statements and is further elaborated under the "Business and Financial Review" of this section.

PROSPECTS

The Company will conduct a review on the business operations and financial position of the Company for the purpose of formulating business plans and strategies for its future business development, which would enable the Group to diversify its business and broaden its income sources. In addition, the Company will divest in the business areas which did not perform well in past years and/or do not have good business prospects with a view to allocating the resources of the Company to and concentrating on the business areas which have better business prospects, and exploring other business and investment opportunities.

With the lead of the management team, the Company is actively exploring business opportunities in other sectors to diversify risks and broaden the sources of income of the Company. The Company has adequate resources to continue with its business operations, and will continue to focus on its corporate objective to develop current businesses in order to strengthen its competitiveness, integrate its capital resources and contribute a maximum wealth to our equity holders.

The Group will take possible opportunities in the financial markets to raise funds to facilitate future merger and acquisition activities and/or to increase the working capital of the Group.

The Group had commenced its LED lighting products trading business in late 2014. In 2015, the Group continued to increase its resources in the LED lighting products business by investing approximately HK\$2.0 million to acquire certain facilities, equipment and machineries for the production of LED lighting products. The Group will continuously focus on the LED lighting products business in 2016 and the Board and the management believe that this can improve the Group's financial performance.

BIOGRAPHIES OF DIRECTORS AND COMPANY SECRETARY

Executive Directors

Mr. Wong Kin Hong (“Mr. KH Wong”), aged 44, was appointed as an executive Director and the chairman of the Board on 25 June 2014 and 28 June 2014, respectively. Mr. KH Wong graduated from the Shenzhen University. Mr. KH Wong has been the managing director of a trading and IT company in Macau since 2002. He is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa. Mr. KH Wong holds 25,500,000 shares of the Company.

Mr. Huang Yonghua, aged 28, was appointed as an executive Director on 25 June 2014. Mr. Huang graduated from the Lingnan College of Sun Yat-Sen University, majoring in international economics and trade (國際經濟與貿易). Mr. Huang has extensive working experience in financial and management aspects. He is a nephew of Mr. KH Wong.

Mr. Wong Tat Wa, aged 33, was appointed an executive Director on 25 June 2014 and an authorised representative of the Company on 1 July 2014. Mr. Wong graduated from the University of Macau with a bachelor’s degree in law. Mr. Wong is currently a trainee solicitor in a law firm in Macau. He also acts as a legal consultant of various companies in Macau. Mr. Wong has extensive working experience in legal aspects. He is a nephew of Mr. KH Wong.

Ms. Leung Po Yee, aged 47, was appointed an executive Director on 25 June 2014 and a compliance officer of the Company on 16 September 2014. Ms. Leung graduated from the University of Hong Kong, majoring in English. Ms. Leung has been specialising in the fields of financial translation, corporate communications and public relations in Hong Kong for more than 21 years. She started her career in financial translation and communications with Beauhorse Professional Translation Limited in 1994 and became a manager of the company to build its leading position in translation of H-share IPO documents. Ms. Leung joined Manulife (International) Limited in 2004 as the Corporate Communications Manager. During her service at Manulife (International) Limited, Ms. Leung supervised the in-house translation department which provided language service across the company. Ms. Leung was also responsible for public relations and has established close connection with the media. In 2011, Ms. Leung joined Lohas Global in China as a company secretary and has been responsible for the management and development of online business platform.

BIOGRAPHIES OF DIRECTORS AND COMPANY SECRETARY

Independent non-executive Director (“INEDs”)

Mr. Yan Guoniu, aged 61, was appointed as an INED on 25 June 2014 and was appointed as the chairman of each of the Board’s audit committee (the “Audit Committee”), the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”) on the same date. Mr. Yan graduated from the Chinese Department of Foshan University and the Faculty of Law of Sun Yat-Sen University. Mr. Yan is currently a partner of a law firm in the People’s Republic of China (the “PRC”). He is a member of the Legal Experts Panel of the Standing Committee of the People’s Congress of Sanshui District, Foshan, Guangdong Province (廣東省佛山市三水區人大常委會法律專家委員會委員) and a mediator of the Commercial Mediation Committee of Sanshui Chamber of Commerce in Foshan (佛山市三水區商會企業商事調解委員會調解員). Mr. Yan has comprehensive working experience in the legal affairs of architecture, real estate, economic contracts and corporate law.

Mr. Ou Wei An, aged 48, was appointed as an INED and a member of the Audit Committee, Remuneration Committee and Nomination Committee on 11 July 2014. Mr. Ou was awarded a master’s degree in law from the Xiangtan University (湘潭大學), Hunan in 1999 and a doctorate’s degree in law from the Sichuan University in 2008. Mr. Ou is an associate professor of the Law School of Guangzhou University and has been practising as a registered lawyer in China since 2001. Mr. Ou is currently a guest legal expert of the Guangzhou City Federation of Industry and Commerce.

Mr. Tang Rong Gang, aged 46, was appointed as an INED and a member of the Audit Committee, Remuneration Committee and Nomination Committee on 25 June 2014. Mr. Tang graduated from the Hainan Open University (海南廣播大學) and was qualified as an assistant accountant in Guangdong Province in 2004. He has over 22 years of working experience in the accounting field.

Mr. Ng Yu Ho, Steve, aged 38, was appointed as an INED on 13 November 2014. Mr. Ng is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ng graduated from the Hong Kong Polytechnic University with a bachelor’s degree in accountancy. He has worked in PricewaterhouseCoopers Hong Kong for 9 years. He has extensive experience in auditing and has in-depth knowledge in auditing and accounting standards. The clients he served included both private and public companies, across different industries such as construction and property development, manufacturing, retailing, pharmaceutical and other services industries.

BIOGRAPHIES OF DIRECTORS AND COMPANY SECRETARY

Company Secretary

Mr. Fung Nam Shan, aged 39, was appointed as the company secretary and an authorised representative of the Company on 1 July 2014. He is responsible for financial management and reporting, and overseeing the compliance with certain listing rules and regulations for the Company. Mr. Fung holds a bachelor's degree in accounting awarded by the University of Newcastle, Australia. Mr. Fung is a member of the Hong Kong Institute of Certified Public Accountants and a CPA member of the Australian Institute of Certified Public Accountants. Mr. Fung is currently an INED of Energy International Investments Holdings Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and "Main Board" respectively) (stock code: 0353)), the company secretary and authorised representative of Sky Forever Supply Chain Management Group Limited (listed on the GEM (stock code: 8047)), the joint company secretary of Future Bright Mining Holdings Limited (listed on the Main Board (stock code: 2212)), company secretary of Fittec International Group Limited (currently listed on the Main Board (stock code: 2662)), and the company secretary and authorised representative of Yat Sing Holdings Limited (listed on the Main Board (stock code: 3708)). Mr. Fung served Zhejiang Chang'an Renheng Technology Co., Ltd. (currently listed on the GEM of the Stock Exchange (stock code: 8139)) as financial controller and company secretary from April 2013 to March 2015. Mr. Fung was employed as financial controller and company secretary of South China Land Limited (currently listed on the GEM of the Stock Exchange (stock code: 8155)) from February 2010 to April 2013. He has worked for PricewaterhouseCoopers as an audit manager for several years which brought him strong experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels and also a member of its charity walk organising committee since 2012.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to implementing good corporate governance practices and emphasising transparency and accountability to its shareholders and stakeholders.

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules throughout the Year except for the following:

Code provision A.2.1 of the CG Code stipulates that roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. KH Wong serves as the chairman of the Board (the “Chairman”) and also acts as the chief executive officer of the Company. The Board believes that vesting the roles of both Chairman and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Directors (including executive Directors and INED) are not appointed for a specific term but they are all subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Mr. Yan Guoniu was not able to attend the annual general meeting of the Company held on 26 June 2015 (the “2015 AGM”) due to other business engagement. Other Board members who attended the 2015 AGM were already of sufficient calibre and number for answering questions raised by the Shareholders at the 2015 AGM.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group’s significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group’s corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group’s strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group’s senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

CORPORATE GOVERNANCE REPORT

Composition of the Board

At the date of this report, the Board comprises 4 executive Directors and 4 INEDs, the name and office of each of the members of the Board and the Board committees of the Company are as follows:

Board member	Office
Mr. Wong Kin Hong	Chairman/Executive Director
Mr. Huang Yonghua	Executive Director
Mr. Wong Tat Wa	Executive Director
Ms. Leung Po Yee	Executive Director
Mr. Yan Guoniu	INED
Mr. Tang Rong Gang	INED
Mr. Ou Wei An	INED
Mr. Ng Yu Ho, Steve	INED

Audit Committee member

Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

Remuneration Committee member

Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

Nomination Committee member

Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

There is no specific term of appointment of the Directors. The term of office of each of the Directors (including the INEDs) is the period up to his/her retirement by rotation or otherwise as required by the Bye-laws.

CORPORATE GOVERNANCE REPORT

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and INEDs is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules in having at least one of the INEDs with appropriate professional qualifications or accounting or related financial management expertise.

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

The daily operation and management of the business of the Group, among other matters, the implementation of strategies, are delegated to the executive Directors. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary of the Company (the “Company Secretary”).

With the assistance of the executive Directors and the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws of the Company (the “Bye-laws”). The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

The Company has received from each of the INEDs an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

Mr. Wong Kin Hong, an executive Director and the chairman of the Board, is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa, both executive Directors. Save as disclosed in the “Biographies of Directors” section of this annual report, there is no relationship (including financial, business, family and other material/relevant relationship) among the members of the Board (including between the chairman of the Board and the executive Directors).

CORPORATE GOVERNANCE REPORT

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) regular board meetings focusing on business strategy, operational issues and financial performance; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

Director's Responsibilities for the Consolidated Financial Statement

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Year, the Directors have, among other things:

- Selected suitable accounting policies and applied them consistently;
- Approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity with the International Financial Reporting Standards ("IFRSs"); and
- Made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 8 Directors. Four of the Directors are INEDs and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

CORPORATE GOVERNANCE REPORT

Delegation by the Board

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees are chaired by an INED. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

During the year, the Board held 18 meetings in total, and the individual attendance record of each Director at the meetings of the Board and the general meeting of the Company during the Year is set out below:

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meeting
<i>Executive Directors:</i>		
Mr. Wong Kin Hong (<i>Chairman</i>)	17/18	1/1
Mr. Huang Yonghua	17/18	1/1
Mr. Wong Tat Wa	17/18	1/1
Ms. Leung Po Yee	18/18	1/1
Mr. Thomas Ng Cheng Kiong (resigned on 3 March 2016)	18/18	1/1
Mr. Leung Hoi (resigned on 5 May 2015)	5/8	0/0
<i>INEDs</i>		
Mr. Yan Guoniu	17/18	0/1
Mr. Tang Rong Gang	17/18	1/1
Mr. Ou Wei An	17/18	1/1
Mr. Ng Yu Ho, Steve	17/18	1/1

Note:

1 The attendance figure represents the actual attendance/the number of meetings a Director was required to attend.

Apart from regular Board meetings, the chairman also had a meeting with the INEDs without the presence of executive Directors during the Year.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The primary responsibilities of the Audit Committee are to (i) review the financial reporting process of the Group and its internal control and risk management systems, the effectiveness of the Company's internal audit function, (ii) oversee the audit process, (iii) review the Company's compliance with the CG Code and (iv) perform other duties assigned by the Board. All committee members possess appropriate professional qualifications or accounting or related financial management expertise as required by the GEM Listing Rules.

As required by Rule 5.28 of the GEM Listing Rules, the Company has established the Audit Committee with written terms of reference (revised on 24 December 2015 to include the responsibility arising from the Stock Exchange's proposal on risk management and internal control under the CG Code applicable to accounting periods on or after 1 January 2016) which deal clearly with its authority and duties. The Audit Committee's principal duties are to review and supervise the Company's financial reporting process and internal control systems.

During the Year, the Audit Committee reviewed the financial results of the Group on a quarterly basis, audit plans and findings of the external auditor, the independence of external auditors, accounting principles and practices of the Group, the GEM Listing Rules and statutory compliance, internal controls, risk management, financial reporting matters and adequacy of resources, qualifications and experience of accounting and financial reporting staff and made recommendations to the Board to improve the quality of financial information to be disclosed and internal control. The Audit Committee has also reviewed and approved the engagement of external auditors to perform statutory audit and non-audit services and approved their fees. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors.

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the Year, the Audit Committee held 4 meetings and performed duties including reviewing the Group's annual, half-yearly and quarterly reports.

The individual attendance record of each member at the meetings of the Audit Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meetings
Mr. Yan Guoniu	4/4
Mr. Tang Rong Gang	4/4
Mr. Ou Wei An	4/4
Mr. Ng Yu Ho, Steve	4/4

Note:

1. The attendance figure represents the actual attendance/the number of meetings a member was required to attend.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing a policy on such remuneration, assess performance of executive directors and approve the terms of executive directors' service contracts.

The Remuneration Committee and the Board review the terms of reference of the Remuneration Committee at least annually. The terms of reference of the Remuneration Committee are in line with the requirements of the GEM Listing Rules.

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation, to the Board for its final determination of the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and make recommendations to the Board about the Directors' fee of non-executive Directors. The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, responsibilities and performance of the Directors and senior management.

The Remuneration Committee members held one meeting in the Year. During the Year, the Committee has discussed and reviewed the executive Directors' services contract and performance and the remuneration packages for the Directors and the senior management. The remuneration policy of the Company is to enable the Company to retain and motivate employees (including executive Directors) to meet corporate objectives. A Director is not allowed to approve his/her own remuneration. The remuneration package of an executive Director includes basic salary, allowance, discretionary bonus and share-based benefits, which are all covered by a service contract. The Director's fee of INEDs is subject to annual assessment. Remuneration surveys on companies operating in similar business, inflation rates, industry trends and performance of the Company are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

The individual attendance record of each member at the meetings of the Remuneration Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meetings
Mr. Yan Guoniu	1/1
Mr. Tang Rong Gang	1/1
Mr. Ou Wei An	1/1
Mr. Ng Yu Ho, Steve	1/1

Note:

1. The attendance figure represents actual attendance/the number of meeting a member was required to attend.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The Nomination Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The Nomination Committee is responsible for (i) reviewing the Board's structure, size, composition and diversity against factors including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of services, having regard to the Group's business activities, assets and management portfolio, (ii) selecting Board members and ensuring transparency of the selection process, (iii) reviewing and monitoring the training and continuous professional development of the Directors and senior management and (iv) assessing the independence of the INEDs, having regard to the requirements under the GEM Listing Rules. The Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into consideration criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals nomination for directorships.

The Nomination Committee and the Board review the terms of reference of the Nomination Committee at least annually. The terms of reference of the Nomination Committee are in line with the requirements of the GEM Listing Rules.

During the year, no meeting was held by the Nomination Committee and 3 sets of resolution-in-writing were passed for discussion and review on the Board's structure, size, composition and diversity, and the extension of term of service of the INEDs.

Corporate Governance functions

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the Audit Committee. During the Year, the Board and the Audit Committee have (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations to the Board, (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the code of conduct applicable to employees and Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. Apart from the updates on regulatory changes and governance developments provided by the Company, the Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training which the Directors have undertaken.

Up to date of this report, the current Board members participated in the following training programs:

Name of Directors	Types of training	
	Attending in-house training organised by professional organisations	Reading materials updating on new rules and regulations
Executive directors		
Mr. Wong Kin Hong (Chairman)	✓	✓
Mr. Huang Yonghua	✓	✓
Mr. Wong Tat Wa	✓	✓
Ms. Leung Po Yee	✓	✓
Mr. Leung Hoi (resigned on 5 May 2015)	N/A	N/A
Mr. Thomas Ng Cheng Kiong (resigned on 3 March 2016)	✓	✓
INEDs		
Mr. Yan Guoniu	✓	✓
Mr. Tang Rong Gang	✓	✓
Mr. Ou Wei An	✓	✓
Mr. Ng Yu Ho, Steve	✓	✓

Note:

N/A represents not applicable.

CORPORATE GOVERNANCE REPORT

Directors and Officers Insurance

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this report, the Directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

Company Secretary

The present company secretary of the Company (the "Company Secretary") is an external service provider, and his primary corporate contact person is Mr. KH Wong, an executive Director and the Chairman of the Board, for the purpose of code provision F.1.1 of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the GEM Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung Nam Shan, a Company Secretary of the Company, has provided his training records to the Company indicating his compliance with the 15-hour training requirement under Rule 5.15 of the GEM Listing Rules.

Internal controls

The Directors of the Company are responsible for maintaining and reviewing the effectiveness of the internal controls of the Company, including material financial, operational and compliance controls, risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting function. Effective for the accounting period beginning on January 1, 2016, the Directors of the Company are required to assess the effectiveness of the risk management and internal control systems on an ongoing basis. Appropriate policies and control procedures have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company performance are appropriately identified and managed. In the case of the Company, such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material misstatement or losses.

The Company has engaged an independent internal control review advisor to conduct the annual review of the effectiveness of the internal control system. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic rotational basis based on the risk assessments of the operations and controls. The scope of review for the year had been determined and approved by the Audit Committee. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

CORPORATE GOVERNANCE REPORT

Responsibility for the consolidated financial statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the Year is set out in the Independent Auditor's Report on pages 37 and 38 of this annual report.

Auditor's remuneration & responsibilities

The Company has appointed RSM Hong Kong (the "Auditor") as the Auditor of the Group. The Board was authorised by the Shareholders at the 2015 AGM to determine the remuneration of the Auditor.

For the Year, RSM Hong Kong received HK\$600,000 for audit services and no non-audit services was provided by RSM Hong Kong.

The Statement of the Auditor about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on page 37 to 38.

Communications with shareholders and investors

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group.

Our website at www.victoryhousefp.com/lchp/8150.html allows the Company's potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in this report, the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

CORPORATE GOVERNANCE REPORT

Procedures for shareholders to convene an extraordinary general meeting

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to bye-law 58 of the Bye-laws, any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so.

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

Company Secretary
Seamless Green China (Holdings) Limited
Address: 6/F, Pico Tower
66 Gloucester Road
Wanchai, Hong Kong
Fax No.: 852-37534617

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to bye-law 59 of the Bye-laws:

- (a) for an annual general meeting and any special general meeting at which the passing of a special resolution is to be considered, it shall be called by at least 21 clear days' notice in writing; and
- (b) for all other special general meetings, they may be called by not less than 14 clear days' notice in writing.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's address above-mentioned and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional documents

There are no significant changes in the Company's constitutional documents during the Year.

REPORT OF THE DIRECTORS

The directors of the Company (the “Directors”) submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 (the “Year”).

Principal activities

The principal activity of the Company is investment holding. The Company’s subsidiaries are principally engaged in the manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, manufacturing and trading of LED lighting products and property investment.

An analysis of the Group’s segment information for the Year by business is set out in note 7 to the consolidated financial statements.

Results and dividends

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 39 and 40 of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2014:Nil).

Business review

A fair review of the business of the Group as well as discussion and analysis of the Group’s performance during the Year and the material factors underlying its financial performance and financial position can be found in the “Chairman’s Statement” and “Management Discussion and Analysis” set out on pages 4 and 5 and pages 6 to 11 respectively. An analysis of the Group’s financial risk management is provided in note 32 to the consolidated financial statements. No important event affecting the Group has occurred since the end of the Year.

Looking ahead, the global economic environment remains challenging. The global economic downturn and US interest rate hikes have created uncertainties and risks. The Group will continue to combat rising operating costs by bolstering production efficiency and employing stringent cost control measures. The Group will focus on the LED lighting business in 2016, with more of the Group resources being allocated in this business line as an initiative to improve the Group’s financial performance.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group continues to upgrade equipment such as lighting systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

REPORT OF THE DIRECTORS

Compliance with law and regulation

The Group recognises the importance of compliance with regulatory requirements and that the risk of non-compliance with such requirements could lead to the termination of business operation. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

The Group also complies with the requirements under the Bermuda Companies Act, the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the GEM Listing Rules, respectively) and the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the “SFO”) for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest employees of the Group in Hong Kong.

Key relationships with employees, customers and suppliers

The Group’s success depends on, amongst other matters, the support from key stakeholders which comprise employees, shareholders, customers and suppliers.

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group’s human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for improving the Group’s financial performance and rewarding shareholders by stable dividend payouts in the foreseeable future when sustainable earnings growth can be achieved, taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group. The Group aimed to maintain good and sustainable relationship with its customers and suppliers in order to achieve stable growth in sales, as well as maintain a stable supplier chain.

Principal risks and uncertainties facing the Company

Risk relating to the business growth sustainability

The Group commenced the production and sales of LED lighting products in late of 2014. To a considerable degree, revenue during the Year was mainly attributable to the production and sale of LED lighting products. However, the Group only has a limited operating history for the production and sale of LED lighting products. Certain challenges are associated with companies that have relatively short operating histories on a business segment, including the ability to, among other things, effectively manage a rapidly growing business segment and respond effectively to the changes of market conditions.

REPORT OF THE DIRECTORS

Market risk on the existing LED lighting products

The competitiveness in the LED lighting industry is largely dependent on the Group's ability to improve the quality of the existing products and develop new products and techniques. As the Group has a limited history of operating the LED lighting business, no assurance could be given that such products will be well-accepted by the market.

Further, other competitors in the market may improve, develop and launch products which are superior to our products in terms of costs, production lead times and product quality, which would render our products non-competitive and obsolete. If the Group lags behind its competitors in improving existing products and/or launching new products in a timely manner, the Group may not be able to retain the existing customers, compete effectively for new business or maintain the position in the market, and the results of operations, profitability and prospects could be adversely affected as a result.

Risk relating to doing business in the People's Republic of China (the "PRC")

Substantially all of the Group's operations and assets are located in China. Accordingly, the Group's financial condition, results of operations and prospects are subject, to a significant degree, to the economic, political and social conditions and government policies in China. The PRC economy differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange.

While the PRC economy has grown significantly in the past 30 years, this growth has been geographically uneven among various sectors of the economy and during different periods. The Group cannot assure that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on the Group's business. For example, the PRC government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy, which the government believed to be overheating. The Group cannot assure that the various macroeconomic measures and monetary policies adopted by the PRC government to guide economic growth and the allocation of resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may materially and adversely affect us if they reduce demand for the products.

Subsidiaries

Details (including the principal activities) of the Company's subsidiaries as at 31 December 2015 are set out in note 35 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 42 of this annual report and note 27 to the consolidated financial statements, respectively.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

Distributable reserves

As at 31 December 2015, no reserve was available for distribution to the owners of the Company (2014: Nil).

REPORT OF THE DIRECTORS

Pre-emptive rights

No pre-emptive rights exist under the Company's bye-laws (the "Bye-laws") or under the laws in Bermuda.

Group financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 105 of this annual report.

Share capital

Details of the movements in share capital of the Company during the Year are set out in note 24 to the consolidated financial statements.

DIRECTORS

During the Year and thereafter up to the date of this report, the Directors are named as follows:

Executive Directors:

Mr. Wong Kin Hong (*Chairman*)

Mr. Huang Yonghua

Mr. Wong Tat Wa

Ms. Leung Po Yee

Mr. Leung Hoi (resigned on 5 March 2015)

Mr. Thomas Ng Cheng Kiong (resigned on 3 March 2016)

Independent Non-executive Directors (the "INEDs"):

Mr. Yan Guoni

Mr. Tang Rong Gang

Mr. Ou Wei An

Mr. Ng Yu Ho, Steve

Pursuant to bye-law 87(1) of the Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if this number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at an annual general meeting of the Company (the "AGM") at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. As such, Mr. Huang Yonghua, Ms. Leung Po Yee and Mr. Ng Yu Ho, Steve shall hold office until the forthcoming AGM (the "2016 AGM"). All of the above retiring directors, being eligible, will offer themselves for re-election at the 2016 AGM.

Confirmation of independence of INEDs

The Company has received an annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the INEDs, namely Mr. Yan Guoni, Mr. Ou Wei An, Mr. Tang Rong Gang and Mr. Ng Yu Ho, Steve as at the date of this report. The Company considers the INEDs to be independent.

REPORT OF THE DIRECTORS

Biographies of Directors

The biographical details of the Directors are set out on pages 12 to 13 of this annual report.

Directors' service contracts

None of the Directors who are proposed for re-election at the 2016 AGM has entered into a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

There is no specific term of appointment of the Directors. The term of office of each of the executive Directors and INEDs is the period up to his/her retirement by rotation or otherwise as required by the Bye-laws. Pursuant to bye-law 87(1) of the Bye-laws, at each AGM, one-third of the Directors for the time being shall retire from office by rotation.

Directors' and controlling shareholders' interests in transactions, arrangements or contracts of significance

No transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow 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, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries for the Year.

Management contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Year.

Directors' emoluments

Details of the remuneration of the Directors on a named basis during the Year are set out in note 11 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Company is reviewed regularly, making reference to the market conditions and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the remuneration committee and the Board, which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 21 of this annual report.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the job training, external seminars and programs organised by professional bodies and educational institutes.

Pension-defined contribution plans

Details of the pension-defined contribution plans of the Group are set out in note 9 to the consolidated financial statements.

Change of information of Directors and chief executive

There are no changes of the Directors' information since the disclosure made in the Company's 2015 third quarterly report for the nine months ended 30 September 2015 and up to the date of this report except the following:

- Mr. Thomas Ng Cheng Kiong has resigned as an executive Director on 3 March 2016

REPORT OF THE DIRECTORS

Share options scheme and outstanding share options

Details of the Company's share option scheme and the movement in the outstanding share options during the Year are set out in note 25 to the consolidated financial statements.

Permitted indemnity

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

Pursuant to the Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses, which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO, which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Ordinary shares in the Company (the "Shares")

Name of Director/ chief executive	Capacity/Nature of interest	No. of Shares	Underlying Shares	Long/Short position	Approximate percentage of the Company's issued Shares <i>(Note)</i>
Wong Kin Hong	Beneficial owner	25,500,000	–	Long Position	2.0%

Note: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2015.

As at 31 December 2015, save as disclosed above, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

Directors' right to acquire shares

Save as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme and Outstanding Share Options" above, at no time during the Year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial shareholders' interests and short positions in shares and underlying shares

As at 31 December 2015, so far as the Directors are aware, the persons (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Name of shareholders	Capacity/Nature of Interest	Number of Shares held	Underlying Shares	Long/Short position	Approximate percentage of the Company's issued Shares (Note)
Elisabeta Ling	Beneficial owner	118,500,000	–	Long Position	9.30%

Notes: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2015.

So far as is known to any Director, there was no person other than a Director or the chief executive of the Company who, as at 31 December 2015, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

Shareholders' Interests in Securities of Significance

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 December 2015, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent. or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

REPORT OF THE DIRECTORS

Major customers and suppliers

The percentage of sales for the Year generated from the Group's major customers is as follows:

– The largest customer	38%
– Five largest customers	87%

The percentage of purchases for the Year attributable to the Group's major suppliers is as follows:

– The largest supplier	20%
– Five largest suppliers	48%

None of the Directors, their close associates (as defined in the GEM Listing Rules) or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers and suppliers for the Year.

Purchase, sale or redemption of shares by the Company and/or subsidiaries

Open offer

On 5 June 2015, 353,835,348 offer Shares were allotted and issued by the Company pursuant to an open offer at the subscription price of HK\$0.203 per offer Share on the basis of one (1) offer Share for every two (2) existing Shares held on 28 April 2015 (the "Open Offer").

The net proceeds from the Open Offer (after deducting the costs and expenses in relation to the Open Offer and the underwriting commission fees) were approximately HK\$70.6 million, which has been used to strengthen the Group's financial position and to increase the capital base of the Company for future investment purposes.

Placing of new Shares

On 29 September 2015, 212,300,000 placing Shares were allotted and issued by the Company pursuant to a placing at the subscription price of HK\$0.128 per placing Share ("the Placing").

The net proceeds arising from the Placing amounted to approximately HK\$26.9 million which has been used as general working capital of the Group and for the repayment of debts, borrowings or promissory notes.

Save as aforesaid, the Company did not redeem any of its Shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

Competing interests

During the Year, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

REPORT OF THE DIRECTORS

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Securities Code") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Following a specific enquiry made by the Company with the Directors, all of them have confirmed that they had complied with the required standard of dealings of the Securities Code throughout the Year.

Review by audit committee

As required by Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") with written terms of reference (revised on 30 December 2015 in compliance with the GEM Listing Rules), which deals clearly with its authority and duties. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and its internal control and risk management systems. As at the date of this report, the Audit Committee comprises four INEDs, namely Mr. Yan Guoniu (chairman of the Audit Committee), Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The Company's audited consolidated financial statements for the Year and this annual report have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements had been prepared in compliance with the applicable accounting principles and requirements of the GEM Listing Rules.

Related parties transactions

Significant related party transactions entered into by the Group during the Year, which did not constitute connected transactions under the GEM Listing Rules, are disclosed in note 28 to the consolidated financial statements.

Public float

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the Year and thereafter up to the date of this report.

Compliance with corporate governance code

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 26 of this annual report.

REPORT OF THE DIRECTORS

Independent auditors

On 30 September 2014, Elite Partners CPA Limited, the preceding independent auditor of the Group, resigned and on 26 November 2014, RSM Nelson Wheeler was appointed by the Board as the independent auditor of the Group.

At the Company's last AGM, RSM was re-appointed as the independent auditor of the Company. On 26 October 2015, RSM changed its name under which it practised to RSM Hong Kong and accordingly, has been signing the relevant independent auditor's report under its new name.

The consolidated financial statements for the Year have been audited by RSM Hong Kong, who will retire and, being eligible, offer themselves for re-appointment. The Board has taken the Audit Committee's recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the 2016 AGM.

Save as disclosed above, there have been no other changes of independent auditors for the preceding three years.

Subsequent event

The Group had no material event subsequent to 31 December 2015, the end of the reporting period and up to the date of this report.

On behalf of the Board

Wong Kin Hong

Chairman

Hong Kong, 24 March 2016

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF SEAMLESS GREEN CHINA (HOLDINGS) LIMITED

(Incorporated in Cayman Islands with limited liability and re-domiciled to Bermuda on 22 January 2008)

We have audited the consolidated financial statements of Seamless Green China (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 103, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 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 31 December 2015, and 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.

RSM Hong Kong

Certified Public Accountants

Hong Kong

24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	6(a)	17,621	20,837
Cost of sales		(17,019)	(18,634)
Gross profit		602	2,203
Other income and gains	6(b)	11,572	20
Selling and distribution costs		(83)	(957)
Administrative and other operating expenses		(34,716)	(35,185)
Gain on disposal of subsidiaries		-	4,987
Change in fair value of investment property		(1,364)	2,201
Impairment loss on property, plant and equipment		-	(9,000)
Impairment losses on interests in associates	16	-	(65,924)
Impairment losses on other receivables	19(a)	(1,900)	(3,100)
Impairment losses on available-for-sale financial assets	17	-	(80,834)
Loss from operations		(25,889)	(185,589)
Share of profits of associates	16	91	338
Finance costs	8	(4,875)	(14,545)
Loss before tax	9	(30,673)	(199,796)
Income tax credit/(expense)	10	378	(691)
Loss for the year		(30,295)	(200,487)
Other comprehensive income after tax			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign subsidiaries		(3,793)	(509)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		-	(3,646)
Change in fair value of available-for-sale financial assets		(540)	(80,834)
Impairment losses on available-for-sale financial assets		-	80,834
Other comprehensive income for the year, net of tax		(4,333)	(4,155)
Total comprehensive income for the year		(34,628)	(204,642)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Loss for the year attributable to:			
Owners of the Company		(30,295)	(200,487)
Non-controlling interests		-	-
		(30,295)	(200,487)
Total comprehensive income attributable to:			
Owners of the Company		(34,628)	(204,642)
Non-controlling interests		-	-
		(34,628)	(204,642)
			(Restated)
Loss per share attributable to the owners of the Company			
Basic	13	HK(3.08) cents	HK(31.32) cents
Diluted	13	HK(3.08) cents	HK(31.32) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Hong Kong dollars)

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	14	2,363	13,951
Investment property	15	14,756	17,010
Interests in associates	16	4,730	4,639
Available-for-sale financial assets	17	1,809	2,349
		23,658	37,949
Current assets			
Inventories	18	3,936	2,379
Trade and other receivables	19	17,846	15,318
Cash and cash equivalents	20	39,316	73,389
		61,098	91,086
Current liabilities			
Trade and other payables	21	12,190	18,043
Current tax liabilities		4	4
Promissory notes	23	15,000	124,336
		27,194	142,383
Net current assets/(liabilities)		33,904	(51,297)
Total assets less current liabilities		57,562	(13,348)
Non-current liabilities			
Deferred tax liabilities	22	1,005	1,459
NET ASSETS/(LIABILITIES)		56,557	(14,807)
CAPITAL AND RESERVES			
Share capital	24	63,690	35,384
Reserves	27	(5,655)	(48,713)
Equity attributable to the owners of the Company		58,035	(13,329)
Non-controlling interests		(1,478)	(1,478)
TOTAL EQUITY/(CAPITAL DEFICIENCIES)		56,557	(14,807)

Approved and authorised for issue by the Board of Directors on 24 March 2016 and signed on behalf of the Board by:

Wong Tat Wa
Director

Leung Po Yee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Exchange reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	24,256	248,705	535	-	240	4,319	34,532	(284,137)	(1,478)	26,972
Loss for the year	-	-	-	-	-	-	-	(200,487)	-	(200,487)
Other comprehensive income for the year:										
Exchange difference on translating foreign subsidiaries	-	-	-	-	-	(509)	-	-	-	(509)
Exchange difference reclassified to profit or loss on disposal of subsidiaries	-	-	-	-	-	(3,646)	-	-	-	(3,646)
Change in fair value of available-for-sale financial assets	-	-	-	(80,834)	-	-	-	-	-	(80,834)
Impairment losses on available-for-sale financial assets	-	-	-	80,834	-	-	-	-	-	80,834
Total comprehensive income for the year	-	-	-	-	-	(4,155)	-	(200,487)	-	(204,642)
Transfer upon disposal of subsidiaries	-	-	(535)	-	-	-	-	535	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	7,031	-	-	7,031
Issue of shares upon:										
- warrant exercised	550	5,390	-	-	(110)	-	-	-	-	5,830
- shares	10,578	139,424	-	-	-	-	-	-	-	150,002
Lapse of options	-	-	-	-	-	-	(19,264)	19,264	-	-
At 31 December 2014	35,384	393,519	-	-	130	164	22,299	(464,825)	(1,478)	(14,807)
Loss for the year	-	-	-	-	-	-	-	(30,295)	-	(30,295)
Other comprehensive income for the year:										
Exchange difference on translating foreign subsidiaries	-	-	-	-	-	(3,793)	-	-	-	(3,793)
Change in fair value of available-for-sale financial assets	-	-	-	(540)	-	-	-	-	-	(540)
Total comprehensive income for the year	-	-	-	(540)	-	(3,793)	-	(30,295)	-	(34,628)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	8,492	-	-	8,492
Issue of shares	28,306	69,194	-	-	-	-	-	-	-	97,500
Lapse of options	-	-	-	-	-	-	(16,557)	16,557	-	-
At 31 December 2015	63,690	462,713	-	(540)	130	(3,629)	14,234	(478,563)	(1,478)	56,557

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	2015 HK\$'000	2014 HK\$'000
Operating activities		
Loss before tax	(30,673)	(199,796)
Adjustments for:		
Depreciation of property, plant and equipment	13,604	1,292
Share of profits of associates	(91)	(338)
Change in fair value of investment property	1,364	(2,201)
Impairment loss on property plant and equipment	-	9,000
Impairment losses on interests in associates	-	65,924
Impairment losses on available-for-sale financial assets	-	80,834
Impairment losses on other receivables	1,900	3,100
Reversal of allowance for other receivables	(10,800)	-
Allowance for inventories	2,110	367
Reversal of allowance for inventories	(1,156)	-
Written off of property, plant and equipment	-	50
Finance costs	-	132
Imputed interest on promissory notes	4,875	14,413
Interest income	(471)	(13)
Gain on disposal of subsidiaries	-	(4,987)
Equity-settled share-based payments	8,492	7,031
Operating loss before changes in working capital	(10,846)	(25,192)
– inventories	(2,511)	(857)
– trade and other receivables	(4,428)	19,219
– trade and other payables	2,047	8,332
Cash (used in)/generated from operations	(15,738)	1,502
Interest paid	-	(132)
Income tax paid	(10)	(430)
Net cash (used in)/generated from operating activities	(15,748)	940

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Investing activities			
Interest received		471	13
Purchases of property, plant and equipment		(2,099)	(85)
Settlement of deposits for potential investment		7,000	–
Settlement of loan receivables		3,800	–
Refund of deposit received for disposal of subsidiaries		(7,900)	–
Net cash inflow arising for disposals of subsidiaries		–	1,995
Net cash generated from investing activities		1,272	1,923
Financing activities			
Redemption of promissory notes		(114,211)	–
Placement of shares		97,500	66,819
Proceeds from exercise of warrants		–	5,830
Repayments of bank loans		–	(2,829)
Net cash (used in)/generated from financing activities		(16,711)	69,820
Net (decrease)/increase in cash and cash equivalents		(31,187)	72,683
Cash and cash equivalents at 1 January		73,389	936
Effect of foreign exchange rate changes		(2,886)	(230)
Cash and cash equivalents at 31 December		39,316	73,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

1. Corporate information

Seamless Green China (Holdings) Limited (the “Company”) was a limited liability company incorporated in the Cayman Islands on 18 January 2001 as an exempted company. The issued shares of the Company have been listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the “GEM”) since 10 August 2001. Pursuant to a special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008. The change of domicile has no impact on the continuity and the listing status of the Company. The addresses of its registered office and principal place of business are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) (rounded to the nearest thousand except for per share data), which is the same as the functional and presentation currency of the Company.

The Company is an investment holding company. The Group’s principal activities were involved in the manufacture and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, manufacturing and trading of LED lighting products and property investment.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

Going concern basis

The Group incurred a loss attributable to owners of the Company for both the years ended 31 December 2014 and 2015, of HK\$200,487,000 and HK\$30,295,000 respectively. Notwithstanding this fact, the Directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months based on its projected cash flow forecasts. The Group’s management has reviewed the financial position of the Group as at 31 December 2015, including its working capital and cash and bank balances, together with the projected cash flow forecasts for the next twelve months and the management considers that the Group is financially viable to continue as a going concern.

In addition, if necessary, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

- (a) the management can increase the capital base of the Group through various fund-raising exercise, including but not limited to, issuing right shares to the qualifying shareholders and/or placing of new shares;
- (b) the Group will focus on the profitable businesses with good prospect in 2016 which the Directors believe can improve the Group overall financial performance and liquidity; and
- (c) the Directors will take action to reduce cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

2. Basis of preparation *(continued)*

Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. Adoption of new and revised Hong Kong Financial Reporting Standards and requirements

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior years.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The Directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²

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

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

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation in 2014. Although the Company is not incorporated in Hong Kong, the GEM Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622) during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Adoption of new and revised Hong Kong Financial Reporting Standards and requirements *(continued)*

(d) Amendments to the GEM Listing Rules

The Stock Exchange in April 2015 released revised Chapter 18 of the GEM Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ended/ending on or after 31 December 2015. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. Significant accounting policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instrument that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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 has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any related accumulated exchange reserve relating to that subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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4. Significant accounting policies *(continued)*

(a) Consolidation *(continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). 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.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

4. Significant accounting policies *(continued)*

(b) Business combination and goodwill *(continued)*

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

4. Significant accounting policies *(continued)*

(c) **Associates** *(continued)*

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) **Foreign currency translation**

(i) **Functional and presentation currency**

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(ii) **Transactions and balances in each entity's financial statements**

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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4. Significant accounting policies *(continued)*

(d) Foreign currency translation *(continued)*

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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4. Significant accounting policies *(continued)*

(e) Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The useful lives are as follows:

Leasehold improvements	Over the shorter of lease terms or 4 years
Plant and machinery	3 years to 10 years
Furniture, fixtures and equipment	4 years
Motor vehicles	4 years

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(g) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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4. Significant accounting policies *(continued)*

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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4. Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. Significant accounting policies *(continued)*

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

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

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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4. Significant accounting policies *(continued)*

(r) Employee benefits *(continued)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(s) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. Significant accounting policies *(continued)*

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. Significant accounting policies *(continued)*

(u) Taxation *(continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

(v) 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 Company or of a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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4. Significant accounting policies *(continued)*

(v) Related parties *(continued)*

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. 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).

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

4. Significant accounting policies *(continued)*

(x) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade and other receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(y) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. Significant accounting policies *(continued)*

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Critical judgments and key estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements

(a) *Going concern basis*

These financial statements have been prepared on a going concern basis, the validity of which depends upon certain measures taken by the Directors to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations as explained in Note 2 to the consolidated financial statements.

(b) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

(c) *Available-for-sale financial assets with 20% equity interest*

Although the Group holds 20% of the voting power of Central Tech Asia Limited ("Central Tech"), the Directors considered that the Group has no representation on the board of directors of Central Tech and has no participates in its financial and operating policy-making processes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. Critical judgments and key estimates *(continued)*

Key sources of estimation uncertainty

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

(a) Impairment on interests in associates and available-for-sale financial assets

The Group carried out review on impairment on interests in associates and available-for-sale financial assets individually as a single asset by comparing their recoverable amounts (higher of value-in-use and fair value less cost of disposal) with their respective carrying amounts. The review led to the recognition of accumulated impairment losses on interests in associates and available-for-sale financial assets of HK\$127,473,000 (2014: HK\$127,473,000) and HK\$80,834,000 (2014: HK\$80,834,000) as at 31 December 2015 respectively.

(b) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 December 2015 was HK\$14,756,000 (2014: HK\$17,010,000).

(c) Property, plant and equipment, depreciation and impairment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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5. Critical judgments and key estimates *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) **Property, plant and equipment, depreciation and impairment** *(continued)*

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

The carrying amount of property, plant and equipment as at 31 December 2015 was HK\$2,363,000 (2014: HK\$13,951,000) after an impairment loss of HK\$Nil (2014: HK\$9,000,000) was recognised during 2015..

(d) **Income taxes**

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK\$378,000 (2014: HK\$691,000) of income tax was credited (2014: charged) to profit or loss.

(e) **Impairment loss for bad and doubtful debts**

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2015, accumulated impairment loss for bad and doubtful debts amounted to HK\$6,424,000 (2014: HK\$15,517,000).

(f) **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Hong Kong dollars)

6. Revenue and other income and gains

(a) Revenue

The Group's revenue represents the sales of goods supplied to customers, net of discounts and sales related tax during the year.

(b) Other income and gains

An analysis of the Group's other income and gains for the year is as follows:

	2015 HK\$'000	2014 HK\$'000
Bank interest income	471	13
Reversal of allowance for other receivables	10,800	–
Others	301	7
	11,572	20

7. Segment information

Segment information reported by the Group's operating division to the chief operating decision maker ("CODM"), i.e. the Directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The Group's operating and reportable segments under HKFRS 8 are as follows:

- (a) The synthetic sapphire watch crystals segment ("Sapphire") is a supplier of watch crystals mainly for use in the manufacture of watch products;
- (b) The optoelectronic products segment ("Optoelectronic") is a supplier of optoelectronic products for use in internet cable;
- (c) The liquor products segment ("Liquor") is in trading of wine; and
- (d) LED lighting products segment ("LED") is in manufacturing and trading of LED lighting products.

For the purposes of assessing segment performance and resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales in the year (2014: HK\$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

7. Segment information (continued)

The accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. Segment result represents the loss resulted by each segment without allocation of central administration costs, including directors' remuneration, interest income, gain on disposal of subsidiaries, change in fair value of investment property, impairment losses on other receivables, impairment losses on available-for-sale financial assets, impairment losses on interests in associates, reversal of allowance for other receivables, share of profits of associates and interest on promissory notes.

Segment assets do not include unallocated corporate assets, including cash and bank balances, investment property, interests in associates and available-for-sale financial assets. Segment liabilities do not include promissory notes, unallocated corporate liabilities and current and deferred tax liabilities.

(a) Segment revenue and results:

	Sapphire HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	LED HK\$'000	Total for reportable segments HK\$'000
Year ended 31 December 2015					
Revenue from external customers	-	3,657	-	13,964	17,621
Segment results	(2,448)	(550)	(32)	(12,443)	(15,473)
Year ended 31 December 2014					
Revenue from external customers	14,900	3,153	-	2,784	20,837
Segment results	(4,248)	(1,391)	(3)	(10,313)	(15,955)
				2015 HK\$'000	2014 HK\$'000
Reconciliation:					
Total profit or loss of reportable segments				(15,473)	(15,955)
Unallocated corporate income				502	7
Bank interest income				6	13
Gain on disposal of subsidiaries				-	4,987
Change in fair value of investment property				(1,364)	2,201
Impairment losses on interests in associates				-	(65,924)
Impairment losses on other receivables				(1,900)	(3,100)
Impairment losses on available-for-sale financial assets				-	(80,834)
Reversal of allowance for other receivables				10,800	-
Share of profits of associates				91	338
Interest on promissory notes				(4,875)	(14,413)
Unallocated corporate expenses					
- staff costs				(11,055)	(20,685)
- others				(7,405)	(6,431)
Consolidated loss before tax				(30,673)	(199,796)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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7. Segment information (continued)

(b) Segment assets and liabilities:

	Sapphire	Optoelectronic	Liquor	LED	Total for reportable segments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2015					
Segment assets	538	1,785	3,273	53,573	59,169
Segment liabilities	(5,197)	(1,494)	-	(4,414)	(11,105)
At 31 December 2014					
Segment assets	2,895	2,184	3,295	62,825	71,199
Segment liabilities	(7,255)	(872)	(4)	(766)	(8,897)
				2015	2014
				HK\$'000	HK\$'000
Reconciliation:					
Total assets of reportable segments				59,169	71,199
Unallocated assets					
– Investment property				14,756	17,010
– Interests in associates				4,730	4,639
– Available-for-sale financial assets				1,809	2,349
– Cash and bank balances				795	27,806
– Others				3,497	6,032
Consolidated total assets				84,756	129,035
Total liabilities of reportable segments				(11,105)	(8,897)
Unallocated liabilities					
– Promissory notes				(15,000)	(124,336)
– Current tax liabilities				(4)	(4)
– Deferred tax liabilities				(1,005)	(1,459)
– Others				(1,085)	(9,146)
Consolidated total liabilities				(28,199)	(143,842)

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For the year ended 31 December 2015
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7. Segment information *(continued)*

(c) Other segment information:

For the year ended 31 December 2015:

	Sapphire HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	LED HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital expenditure	-	6	-	1,984	109	2,099
Interest income	-	1	-	464	6	471
Interest expenses	-	-	-	-	4,875	4,875
Depreciation	312	8	-	12,540	744	13,604
Income tax expense/(credit)	-	-	-	10	(388)	(378)

For the year ended 31 December 2014:

Capital expenditure	-	80	-	5	-	85
Interest income	-	-	-	-	13	13
Interest expenses	132	-	-	-	14,413	14,545
Depreciation	97	-	-	1,000	195	1,292
Income tax expense	-	-	-	-	691	691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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7. Segment information *(continued)*

(d) Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

The Group's revenue from external customers by location of customers and information about its non-current assets by location of assets are detailed below:

	Revenues from external customers		Non-current assets	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,566	–	417	1,364
PRC	9,284	5,931	21,432	34,236
Europe	–	5,479	–	–
Bangkok	–	9,427	–	–
Philippines	6,771	–	–	–
	17,621	20,837	21,849	35,600

(e) Information about major customers

The following table set out the information for the Group's customers contributing over 10% total revenue:

	2015	2014
	HK\$'000	HK\$'000
Customer A	–	9,427
Customer B	–	2,967
Customer C	–	2,586
Customer D	4,280	2,612
Customer E	6,771	–
	11,051	17,592

Save as disclosed above, there was no other single customer contributing over 10% total revenue of the Group for the years ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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8. Finance costs

	2015 HK\$'000	2014 HK\$'000
Interest on promissory notes	4,875	14,413
Interest on bank loans	-	132
	4,875	14,545

9. Loss before tax

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

	2015 HK\$'000	2014 HK\$'000
Depreciation	13,604	1,292
Impairment losses on		
– Property, plant and equipment	-	9,000
– Interests in associates	-	65,924
– Other receivables	1,900	3,100
– Available-for-sale financial assets	-	80,834
Reversal of allowance for other receivables	(10,800)	-
Cost of inventories	17,019	18,634
Allowance for inventories (included in administrative and other operating expenses (2014: cost of inventories sold))	2,110	367
Reversal of allowance for inventories (included in cost of inventories sold)	(1,156)	-
Minimum lease payment under operating leases		
– Buildings	1,159	1,260
Auditor's remuneration	600	600
Foreign exchange gain	(1,791)	(1,729)
Other equity-settled share-based payments	8,492	3,515
Staff costs (including directors' remuneration (Note 11))		
– Wages and salaries	3,717	7,601
– Discretionary bonuses	-	9,585
– Retirement scheme contributions	215	196
– Equity-settled share-based payments	-	3,516
	3,932	20,898

Cost of inventories sold includes staff costs, depreciation, allowance for inventories and operating lease charges of HK\$599,000 (2014: HK\$1,841,000) and reversal of allowance for inventories of HK\$1,156,000 (2014: HK\$ Nil) which are included in the amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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9. Loss before tax *(continued)*

Retirement scheme contributions

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries subject to a monthly maximum amount of HK\$1,500 (HK\$1,250 prior to June 2014) per employee and vest fully with employees when contributed into the MPF Scheme.

The Group's PRC employees are members of a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the central pension scheme is to meet the required contributions under the scheme.

There was no forfeited contributions (2014: HK\$ Nil) available at the end of the reporting period to reduce future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

10. Income tax (credit)/expense

(a) Income tax in the consolidated statement of profit or loss and comprehensive income represents:

	2015 HK\$'000	2014 HK\$'000
Provision for current income tax		
– PRC Enterprise Income Tax	10	–
Under-provision in prior years		
– Hong Kong Profits Tax	–	394
Deferred tax (Note 22)	(388)	297
	(378)	691

Hong Kong Profits Tax is calculated at 16.5% (2014:16.5%) on the estimated assessable profits arising in Hong Kong for the year. PRC Enterprise Income Tax is calculated at 25% (2014: 25%).

No provision for Hong Kong Profits Tax has been provided in the consolidated financial statements as there was no estimated assessable profit for the year ended 31 December 2015 (2014: HK\$Nil).

(b) Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rates:

	2015 HK\$'000	2014 HK\$'000
Loss before tax	(30,673)	(199,796)
Tax at 16.9% (2014: 17.1%)	(5,199)	(34,156)
Tax effect of non-taxable income	(2,050)	(18,686)
Tax effect of non-deductible expenses	4,538	51,850
Tax effect of temporary differences not recognised	(12)	–
Tax effect of utilisation of tax losses not previously recognised	(61)	–
Tax loss not recognised	2,412	1,313
Under-provision in current year	(6)	(24)
Under-provision in prior years	–	394
Income tax (credit)/expense	(378)	691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. Benefits and interests of Directors

(a) Directors' emoluments

	2015 HK\$'000	2014 HK\$'000
Fees	1,454	3,208
Other emoluments		
Salaries	899	461
Discretionary bonuses	-	4,329
Pension scheme contributions	18	16
	917	4,806
Total remuneration	2,371	8,014

For the year ended 31 December 2015

	Fee HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Executive Directors						
Mr. Wong Kin Hong	260	-	-	-	-	260
Mr. Huang Yonghua	156	191	-	-	-	347
Mr. Wong Tat Wa	156	354	-	-	-	510
Ms. Leung Po Yee	156	354	-	-	18	528
Mr. Thomas Ng Cheng Kiong (Note 2)	156	-	-	-	-	156
Mr. Leung Hoi (Note 1)	50	-	-	-	-	50
	934	899	-	-	18	1,851
Independent Non-executive Directors						
Mr. Yan Guoniu	130	-	-	-	-	130
Mr. Tang Rong Gang	130	-	-	-	-	130
Mr. Ou Wei An	130	-	-	-	-	130
Mr. Ng Yu Ho, Steve	130	-	-	-	-	130
	520	-	-	-	-	520
	1,454	899	-	-	18	2,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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11. Benefits and interests of Directors (continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2014

	Fee HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Executive Directors						
Mr. Ho Chun Kit Gregory	-	-	-	-	-	-
Mr. Xu Xuefeng	393	-	585	-	-	978
Mr. Li Jian Chao	720	-	1,404	-	-	2,124
Mr. Liu Zhong Ping	114	128	-	-	-	242
Mr. Lee Po Chu Feona	-	-	-	-	-	-
Mr. Fok Ching Fung	887	-	-	-	7	894
Mr. Leung Wah	294	-	-	-	-	294
Mr. Leung Hoi	121	-	-	-	-	121
Mr. Zhang Yanyue	-	-	-	-	-	-
Mr. Wong Kin Hong	124	-	-	-	-	124
Mr. Huang Yonghua	75	33	-	-	-	108
Mr. Wong Tat Wa	75	150	-	-	-	225
Ms. Leung Po Yee	75	150	-	-	9	234
Mr. Ng Cheng Kiong	65	-	-	-	-	65
	2,943	461	1,989	-	16	5,409
Independent Non-executive Directors						
Mr. Jal Nadirshaw Karbhari	-	-	-	-	-	-
Mr. Tse Wa Lok	-	-	-	-	-	-
Mr. Zou Weijun	34	-	585	-	-	619
Mr. Koo Kim Shing	34	-	1,755	-	-	1,789
Ms. Chan Wing Sze	-	-	-	-	-	-
Mr. Yan Guoniu	62	-	-	-	-	62
Mr. Tang Rong Gang	62	-	-	-	-	62
Mr. Ou Wei An	57	-	-	-	-	57
Mr. Ng Yu Ho, Steve	16	-	-	-	-	16
	265	-	2,340	-	-	2,605
	3,208	461	4,329	-	16	8,014

Note:

- Mr. Leung Hoi resigned on 5 May 2015.
- Mr. Thomas Ng Cheng Kiong resigned on 3 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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11. Benefits and interests of Directors *(continued)*

(a) Directors' emoluments *(continued)*

The remunerations of Directors of the Company fall into the following bands:

	No. of Directors 2015	No. of Directors 2014
HK\$Nil – HK\$1,000,000	10	21
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	–	1
	10	23

There was no arrangement under which Directors waived any remuneration during the year ended 31 December 2015 (2014: HK\$Nil).

During the year ended 31 December 2015, there was no emoluments have been paid to the Directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2014: HK\$Nil).

(b) Directors' material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

12. Individuals with highest emoluments

For the year ended 31 December 2015, the five individuals with the highest emoluments in the Group, four (2014: two) were Directors of the Company whose emoluments are included in the disclosures in Note 11 above. The aggregate of the emoluments in respect of the other one individual (2014: three) is as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other emoluments	286	5,101
Contributions to retirement benefits schemes	14	23
	300	5,124

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12. Individuals with highest emoluments *(continued)*

The emolument of the other one (2014: three) with the highest emoluments is within the following band:

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

13. Loss per share

(a) Basic loss per share

The basic loss per share is calculated based on the loss attributable to the owners of the Company of HK\$30,295,000 (2014: HK\$200,487,000) and the weighted average number of 984,134,912 shares (2014 (restated): 640,049,974 shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2015 was the same as the basic loss per share as the potential shares arising from the exercise of the Company's warrants and share options would decrease the loss per share of the Group for year and is regarded as anti-dilutive.

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14. Property, plant and equipment

	Buildings held for own use carried at revalued amount HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost or valuation:						
At 1 January 2014	3,920	384	140,237	4,348	815	149,704
Additions	-	-	80	5	-	85
Disposal of subsidiaries	(3,866)	(360)	(61,939)	(3,843)	(803)	(70,811)
Written off	-	-	(28,119)	-	-	(28,119)
Exchange realignment	(54)	(5)	(1,335)	(21)	(12)	(1,427)
At 31 December 2014 and at 1 January 2015	-	19	48,924	489	-	49,432
Additions	-	-	1,943	156	-	2,099
Exchange realignment	-	-	(1,224)	(13)	-	(1,237)
At 31 December 2015	-	19	49,643	632	-	50,294
Accumulated depreciation and impairment:						
At 1 January 2014	257	384	111,265	4,348	815	117,069
Charge for the year	-	-	1,292	-	-	1,292
Impairment losses	-	-	9,000	-	-	9,000
Disposal of subsidiaries	(249)	(360)	(57,202)	(3,844)	(803)	(62,458)
Written back	-	-	(28,069)	-	-	(28,069)
Exchange realignment	(8)	(5)	(1,308)	(20)	(12)	(1,353)
At 31 December 2014 and at 1 January 2015	-	19	34,978	484	-	35,481
Charge for the year	-	-	13,599	5	-	13,604
Exchange realignment	-	-	(1,143)	(11)	-	(1,154)
At 31 December 2015	-	19	47,434	478	-	47,931
Net carrying amount:						
At 31 December 2015	-	-	2,209	154	-	2,363
At 31 December 2014	-	-	13,946	5	-	13,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
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14. Property, plant and equipment *(continued)*

During the year, the management has reviewed the estimated useful life of Group's property, plant and equipment and has revised the estimated useful life of certain plant and machineries. These plant and machineries are mainly LED display panels and touch screen devices, with useful lives of 3 years. The management has reviewed the economic benefits to the Group associated with such plant and machineries, as well as the latest technological development of these assets, and concluded that the estimated useful life of these assets has been ended as they can no longer have further economic benefits to the Group and are no longer expected to be used in the Group's operations. Accordingly, the plant and machineries have been fully written off in the current year.

As the useful lives of the related assets are revised, the related accounting estimate has been changed. The depreciation charge increased by HK\$10,644,000 for the year as a result of the change of estimate.

During the year ended 31 December 2014, the Group carried out reviews of the recoverable amount of its plant and machinery which are mainly used in the Group's Integrated Circuits, Software and LED segment. The reviews led to the recognition of an impairment loss of HK\$9,000,000, that has been recognised in profit or loss for that year. The recoverable amount of the relevant assets had been determined on the basis of their fair value less costs of disposal. The fair value was by reference to a quoted price in an active market for an identical asset.

15. Investment property

	2015	2014
	HK\$'000	HK\$'000
At 1 January	17,010	–
Transfer from non-current assets held for sale	–	14,926
Fair value (loss)/gain on investment property	(1,364)	2,201
Exchange realignment	(890)	(117)
At 31 December	14,756	17,010

Investment properties were revalued at 31 December 2015 on the open market value basis by reference to market evidence of recent transactions for similar properties by Ascent Partners Valuation Service Limited, an independent professional valuer.

Valuations were based on current prices for similar properties transactions located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. Interests in associates

	2015 HK\$'000	2014 HK\$'000
Cost of investment in associates, unlisted		
At 1 January	4,639	70,225
Shares of post-acquisition profit and other comprehensive income, net of dividend received	91	338
Impairment losses	-	(65,924)
At 31 December	4,730	4,639

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRSs financial statements of the associates.

Name	Full Pace Group	
	2015	2014
Principal place of business	PRC	
% of ownership interests/voting rights held by the Group	45%/45%	45%/45%
	HK\$'000	HK\$'000
At 31 December:		
Non-current assets	3,153	3,901
Current assets	12,136	11,100
Current liabilities	(2,599)	(2,512)
Net assets	12,690	12,489
Group's share of net assets	5,710	5,619
Goodwill	42,020	42,020
Impairment loss	(43,000)	(43,000)
Group's share of carrying amount of interests	4,730	4,639
Year ended 31 December:		
Revenue	3,255	4,688
Profit from operations	201	2,994
Other comprehensive income	-	-
Total comprehensive income	201	2,994
Dividends received from associates	-	-

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16. Interests in associates (continued)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2015 HK\$'000	2014 HK\$'000
At 31 December:		
Carrying amounts of interests	-	-
Year ended 31 December:		
Loss	-	(1,009)
Total comprehensive income	-	(1,009)

The Group has not recognised loss for the year amounting to HK\$1,440,000 (2014: HK\$ Nil) for the associates. The accumulated losses not recognised were HK\$1,440,000 (2014: HK\$ Nil).

At 31 December 2015 and 2014, the management of the Group carried out review on impairment on the carrying amounts of its interests in associates individually as a single asset by comparing their recoverable amounts (higher of value-in-use and fair value less cost of disposal) with their respective carrying amounts. The management has reviewed for any objective evidence of the existence of any impairment on the investments and such evidence including, but not limited to the following:

- (a) a significant or prolonged decline in the fair value of the interests in associates;
- (b) significant adverse changes in the technological, market, economic, or legal environment in which the associates operated;
- (c) structural changes in the industry in which the associates operated;
- (d) changes in the level of demand of the products or services of the associates; and
- (e) changes in the financial condition of the investee companies.

In order to perform the above assessments, the management has obtained the unaudited financial information (including the statements of financial position as at 31 December 2015 and 2014 and statements of profit or loss and other comprehensive income for the year then ended, and any available forecasted financial information) of the associates, discussed with the management the operations of the associates and their future funding requirements, and engaged independent professional valuer to conduct independent valuation on the recoverable amounts of the associates, if necessary.

The reviews led to the recognition of impairment losses of HK\$Nil (2014: HK\$65,924,000) that have been recognised in profit or loss. The recoverable amounts of the associates have been determined on the basis of their fair value less costs of disposal using market approach. The market multiples of public companies and discount for lack of marketability used was 5.55 and 30% respectively.

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16. Interests in associates (continued)

Particulars of the Group's associates at 31 December 2015 are set out below:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
Great Steer Group					
Great Steer Limited	BVI	US\$10,000	20%	–	Investment holding
Double All Limited	Hong Kong	HK\$1	–	20%	Investment holding
上海景媒體技術有限公司	PRC	RMB500,000	–	20%	Selling air time on installed big LED information broadcasting system
Neo Partner Group					
Neo Partner Investments Limited	BVI	US\$100	–	28%	Investment holding
Harvest View (China) Limited	Hong Kong	HK\$100	–	28%	Distribution of care watch smart series products
Full Pace Group					
Full Pace Holdings Limited	BVI	US\$100	–	45%	Investment holding
TDI Transportation Displays International Limited	Hong Kong	HK\$250,000	–	45%	Licence and concessionary advertising business in the mass public transportation systems in the PRC and the distribution of Stratospheres

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17. Available-for-sale financial assets

	2015 HK\$'000	2014 HK\$'000
Listed investments, at fair value		
Equity securities listed outside Hong Kong	2,349	15,183
Change in fair value charged to reserve	(540)	–
Impairment loss	–	(12,834)
Market value of listed securities	1,809	2,349
Unlisted equity securities, at fair value		
Additions	–	68,000
Impairment losses	–	(68,000)
	1,809	2,349

The fair values of listed securities are based on current bid prices.

At 31 December 2015 and 2014, the management of the Group carried out review on impairment on its listed and unlisted equity investments. The management has reviewed for any objective evidence of the existence of any impairment on the investments and such evidence including, but not limited to the following:

- (a) a significant or prolonged decline in the fair value of the interest in the investments;
- (b) significant adverse changes in the technological, market, economic, or legal environment in which the investee companies operated;
- (c) structural changes in the industry in which the investee companies operated;
- (d) changes in the level of demand of the products of the investee companies; and
- (e) changes in the financial condition of the investee companies.

In order to performed the above assessments, the management of the Group has obtained the market price of its listed investments as at 31 December 2015 and 2014; and for the Group unlisted equity investments, the management has obtained the unaudited financial information (including the statements of financial positions as at 31 December 2015 and 2014 and the statements of profit or loss and other comprehensive income for the years then ended, and any available financial forecast) of the investee companies, discussed with the management the operations of investee companies and their future funding requirements, and engaged independent professional valuer to conduct independent valuation on the recoverable amounts of the investee companies, if necessary.

During the year the impairment losses on available-for-sale financial assets of HK\$Nil (2014: HK\$80,834,000) was recognised in profit or loss.

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18. Inventories

	2015 HK\$'000	2014 HK\$'000
Raw materials	96	216
Work in progress	–	37
Finished goods	3,840	2,126
	3,936	2,379

As at 31 December 2015, the amount of allowance reversed during the year was HK\$1,156,000 (2014: HK\$ Nil) as the inventories which previously impaired were sold in current year.

19. Trade and other receivables

	2015 HK\$'000	2014 HK\$'000
Trade receivables	9,373	4,569
Less: allowance for doubtful debts	–	–
	9,373	4,569
Loan receivables (Note (a))	2,006	3,906
Other receivables (Note (b))	2,920	4,719
Deposits and prepayments	3,547	2,124
	17,846	15,318

Notes:

(a) As at 31 December 2015 and 2014, loan receivables comprise of:

- (i) the Group granted a loan to Neo Partner Group of HK\$5,000,000 which is unsecured, 2% interest per annum and receivable on demand. Impairment loss on loan to Neo Partner Group amounted to HK\$1,900,000 (2014: HK\$3,100,000) has been provided for the year ended 31 December 2015; and
- (ii) the Group granted a loan to Full Pace Group of HK\$2,006,000, which is unsecured, interest free and receivable on demand.

(b) As at 31 December 2015, an allowance was made for estimated irrecoverable other receivables of HK\$1,424,000 (2014: HK\$12,417,000). The amount of allowance reversed during the year was HK\$10,800,000 (2014: HK\$ Nil) upon receipt of settlements and bad debts written off of HK\$193,000 (2014: HK\$ Nil) was made in current year.

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19. Trade and other receivables (continued)

The Group's terms on credit sales primarily ranged from 30 to 90 days (2014: 30 to 90 days). The aging analysis of the trade receivables (net of allowance for doubtful debts) at the end of the reporting period, based on the invoice date, is as follows:

	2015 HK\$'000	2014 HK\$'000
0 – 30 Days	1,593	3,584
31 – 60 Days	2,984	311
61 – 90 Days	2,648	564
Over 90 Days	2,148	110
	9,373	4,569

Movement in allowance for doubtful debts:

	2015 HK\$'000	2014 HK\$'000
At 1 January	–	990
Disposal of subsidiaries	–	(990)
At 31 December	–	–

As of 31 December 2015, trade receivables of HK\$2,148,000 (2014: HK\$110,000) were past due but not impaired. These relate to a number of diversified and independent customers for whom there was no recent history of default. The aging analysis of these receivables is as follows:

	2015 HK\$'000	2014 HK\$'000
Past due but not impaired:		
– Less than 1 month	–	110
– 1 to 3 months	1,490	–
– Over 3 months	658	–
	2,148	110

The carrying amounts of the Group's trade receivables are all denominated in Renminbi ("RMB") except for HK\$5,211,000 (2014: HK\$Nil) which are denominated in United States dollars ("USD").

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20. Cash and cash equivalents

	2015 HK\$'000	2014 HK\$'000
Cash and bank balances	13,121	53,229
Short-term investments	26,195	20,160
	39,316	73,389

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
HK\$	5,771	30,139
RMB	30,652	43,245
USD	2,893	5
Total	39,316	73,389

The cash and cash equivalents denominated in RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulation and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is only permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. Trade and other payables

	2015 HK\$'000	2014 HK\$'000
Trade payables	4,263	706
Other payables and accrued charges (Note)	7,927	17,337
	12,190	18,043

Note:

As at 31 December 2014, the balance included an initial deposit of HK\$7,900,000 received for the disposal of entire equity interests in Fullway (China) Limited. In March 2015, the deposit was fully refunded.

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21. Trade and other payables (continued)

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 HK\$'000	2014 HK\$'000
0 – 30 Days	4,183	705
31 – 60 Days	–	–
61 – 90 Days	79	–
Over 90 Days	1	1
	4,263	706

The trade payables are non-interest bearing and are normally settled on 60 days terms. The carrying amounts of the Group's trade payables are all denominated in RMB as at 31 December 2015 and 2014.

22. Deferred tax liabilities

	Revaluation of building HK\$'000	Revaluation of investment property HK\$'000	Total HK\$'000
At 1 January 2014	134	–	134
Charge to profit or loss for the year (Note 10)	–	297	297
Disposal of subsidiaries	(94)	–	(94)
Transfer from disposal group classified as held for sale	–	1,171	1,171
Exchange realignment	(40)	(9)	(49)
At 31 December 2014	–	1,459	1,459
Credit to profit or loss for the year (Note 10)	–	(388)	(388)
Exchange realignment	–	(66)	(66)
At 31 December 2015	–	1,005	1,005

At 31 December 2015, the Group has unused tax losses of approximately HK\$115,006,000 (2014: HK\$113,019,000) available for offset against future profits. The tax losses of HK\$661,000 will expire within 2020 and HK\$114,344,000 can be carried forward indefinitely under current tax legislation. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2015, no deferred tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. (2014: Nil)

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23. Promissory notes

	2015 HK\$'000	2014 HK\$'000
At 1 January	124,336	109,923
Repayment	(114,211)	–
Interest charge	4,875	14,413
At 31 December	15,000	124,336

Promissory note for acquisition of Great Steer Limited (the “Promissory Note 1”)

On 23 November 2012, the Company issued Promissory Note 1 for aggregate principal amounts of HK\$71,000,000 for acquisition of 20% equity interests in Great Steer Limited. The Promissory Note 1 is interest free and due three years after the date of issue. The fair value of the Promissory Note 1 was HK\$55,794,000 as at the issue date, calculated at the effective interest rate of 8.366% per annum.

During the year ended 31 December 2012, Promissory Note 1 at amortised cost of HK\$9,733,000 was early repaid by cash at nominal value of HK\$13,000,000. During the year ended 31 December 2015, the Company further repaid HK\$43,000,000 on maturity. The remaining balance of HK\$15,000,000 is expected to be fully repaid in 2016.

Promissory note for acquisition of Neo Partner Investments Limited (the “Promissory Note 2”)

On 23 January 2013, the Company issued Promissory Note 2 for aggregate principal amounts of HK\$18,800,000 for acquisition of 28% equity interests in Neo Partner Investments Limited. The Promissory Note 2 was interest bearing at 2% per annum and due 2 years after the date of issue.

The fair value of Promissory Note 2 was HK\$15,882,000 as at the date of issuance, calculated at the effective interest rate of 10.954% per annum. During the year ended 31 December 2015, Promissory Note 2 was fully repaid on its maturity date.

Promissory note for acquisition of Full Pace Holdings Limited (the “Promissory Note 3”)

On 20 March 2013, the Company issued Promissory Note 3 for aggregate principal amounts of HK\$50,000,000 for acquisition of 45% equity interests in Full Pace Holdings Limited. The Promissory Note 3 was interest bearing at 2% per annum and due 2 years after the date of issuance.

The fair value of the Promissory Note 3 was HK\$42,587,000 as at the date of issuance, calculated at the effective interest rate of 10.500% per annum. During the year ended 31 December 2015, Promissory Note 3 was fully repaid on its maturity date.

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24. Share capital

	Number of share		Share capital	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.05 (2014: HK\$0.05) each	20,000,000	20,000,000	1,000,000	1,000,000
<i>Issued and fully paid:</i>				
At the beginning of year	707,671	485,114	35,384	24,256
Issuance of new shares (Note a)	353,835	23,000	17,691	1,150
Placing of shares (Note b)	212,300	115,000	10,615	5,750
Issues of shares through exercise of warrants (Note c)	-	11,000	-	550
Acquisition of available-for-sale financial assets (Note d)	-	73,557	-	3,678
At the end of the year	1,273,806	707,671	63,690	35,384

Notes:

- (a) On 8 April 2015, the Company announced that it proposed to raise not less than approximately HK\$71,829,000 and not more than approximately HK\$75,812,000 (before expenses) by way of an open offer involving the issue of not less than 353,835,348 offer shares and not more than 373,460,348 offer shares, respectively, at the subscription price of HK\$0.203 per offer share on the basis of one (1) offer share for every two (2) existing shares held on 28 April 2015 and payable in full on application. The open offer was completed in June 2015 and 353,835,348 offer shares were issued accordingly and net proceeds of approximately HK\$70.6 million were arising. The net proceeds were used to strengthen the Group's financial position and to increase the capital base of the Company for future investment purposes.

During the year ended 31 December 2014, aggregate of 23,000,000 ordinary shares of HK\$0.05 each in the share capital of the Company were issued. Detail of the issuance of new shares are summarised as follows:

- (i) On 10 January 2014, for the continuing financial advisory service provided to the Company by Chanceton Capital Partners Limited, the financial advisory fee would be satisfied by the issue of 1,000,000 remuneration shares to Chanceton Capital at the then market price of HK\$1.18 per remuneration share. The issue of remuneration shares was completed in January 2014.
- (ii) On 19 February 2014, the Company entered into subscription agreements with two subscribers for the subscription for an aggregate of 5,000,000 ordinary shares of the Company at the subscription price of HK\$1 per share. The subscription of new Shares was completed in March 2014.
- (iii) On 27 May 2014, the Company entered into a subscription agreement with a subscriber for the subscription of 17,000,000 ordinary shares of the Company at the subscription price of HK\$0.65 per share. The subscription of new Shares was completed in June 2014.
- (b) During the year ended 31 December 2015, the Company appointed a placing agent for subscribing up to an aggregate of 212,300,000 placing shares at HK\$0.128 per placing share. The placing were fully subscribed and completed in September 2015.
- For the year ended 31 December 2014, the Company appointed a placing agent for subscribing up to an aggregate of 115,000,000 placing shares at HK\$0.44 per placing share. The placing were fully subscribed and completed in September 2014.
- (c) During the year ended 31 December 2014, 11,000,000 warrants were exercised in January and April 2014 at a subscription price of HK\$0.53 per ordinary share, resulting in the issue of 11,000,000 ordinary shares of HK\$0.05 each.

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24. Share capital *(continued)*

Notes: *(continued)*

- (d) During the year ended 31 December 2014, the Company acquired several available-for-sale financial assets (Note 17) and the considerations were satisfied by the allotment of shares of the Company. Details of the shares allotted in respect of the acquisitions are summarised as follows:
- (i) In January 2014, the Company issued 40,000,000 shares of HK\$0.05 each at the then market price of HK\$1.18 per share for the consideration paid in respect of the acquisition of 18% of the equity interest in World Sheen International Group Limited.
 - (ii) In April 2014, the Company issued approximately 13,556,000 shares of HK\$0.05 each at the then market price of HK\$1.12 per share for the consideration paid in respect of the acquisition of 16,595,000 ordinary shares of £0.01 each of Gowin New Energy Group Limited.
 - (iii) In April 2014, the Company issued 20,000,000 shares of HK\$0.05 each at the then market price of HK\$1.04 per share for the consideration paid in respect of the acquisition of 20% of the equity interest in Central Tech.

25. Share option scheme

The Company operates a share option scheme (the "Scheme"), which was adopted by the Company on 8 March 2011 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors, including independent non-executive Directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity.

Under the Scheme, the Board of Directors of the Company may grant options to eligible employees (including any executive, non-executive and independent non-executive directors), supplier, customer, shareholder and adviser or consultant of any members of the Group and any person or entity that provides research, development or other technological support to any members of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Scheme. The maximum number of shares of the Company in respect of which share options may be granted under the Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board of Directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

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25. Share option scheme (continued)

The options were granted at a consideration of HK\$1 each. As at the date of this report, options to subscribe for a total of 113,415,152 option shares are still outstanding under the Scheme which represents approximately 8.9% of the issued ordinary shares of the Company. The options outstanding at the end of the year have a weighted average remaining contractual life of 9 years (2014: 9 years).

The Scheme shall be valid and effective for a period of 10 years commencing from the date the Company adopted the scheme.

Details of the specific categories of options are as follows:

	Date of grant	Exercise period	Exercise price HK\$	Adjusted exercise price (Note) HK\$
Employees and consultants				
2011	24/3/2011	24/3/2011 – 23/3/2021	1.450	N/A
2013	19/11/2013	19/11/2013 – 18/11/2023	1.594	1.503
2014	29/1/2014	29/1/2014 – 28/1/2024	1.160	1.094
2015	13/7/2015	13/7/2015 – 12/7/2025	0.220	N/A
Former directors				
2013	19/11/2013	19/11/2013 – 18/11/2023	1.594	1.503

Remarks: The options are fully vested as of the date of grant.

Details of the movement of share options during the year are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	26,250,000	1.434	37,500,000	1.592
Granted during the year	106,150,000	0.220	9,700,000	1.160
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Adjusted during the year (Note)	1,590,910	1.352	-	-
Lapsed during the year	(20,575,758)	1.299	(20,950,000)	1.591
Outstanding at the end of the year	113,415,152	0.302	26,250,000	1.434
Exercisable at the end of the year	113,415,152	0.302	26,250,000	1.434

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25. Share option scheme (continued)

Note: During the year, the Company made an open offer and accordingly, the exercise price and the number of shares to be allotted and issued upon full exercise of the subscription rights under the share options granted prior to the open offer, were adjusted pursuant to the terms of the Scheme.

On 13 July 2015, a total of 106,150,000 share options were granted under the Scheme. The estimated fair value of the share options granted under the Scheme was HK\$8,492,000. The closing price of the Company's shares immediately preceding the date of the grant was HK\$0.22. The share options granted shall be valid and effective for a period of ten years commencing on 13 July 2015.

On 29 January 2014, a total of 9,700,000 share options were granted under the Scheme. The estimated fair value of the share options granted under the Scheme was HK\$7,031,000. The closing price of the Company's shares immediately preceding the date of the grant was HK\$1.16. The share options granted shall be valid and effective for a period of ten years commencing on 29 January 2014.

The fair value of the granted share options as of the date of grant was calculated by Ascent Partners Valuation Service Limited (2014: Roma Appraisal Limited), an independent professional qualified valuer. The fair value of the granted share options was calculated using binomial option pricing model. The inputs in the model were as follows:

	2015	2014
Share price as at grant date	HK\$0.22	HK\$1.16
Exercise price	HK\$0.22	HK\$1.16
Dividend yield	0%	0%
Expected volatility	112.513%	105.470%
Expected life	10 years	10 years
Risk-free rate	1.407%	2.285%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 7 years.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

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26. Statement of financial position of the Company

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Property, plant and equipment	105	–
Interests in subsidiaries	–	25,008
Interests in associates	–	–
Available-for-sale financial assets	1,809	2,349
	1,914	27,357
Current assets		
Deposits, prepayments and other receivables	6,696	8,460
Due from subsidiaries, net of accumulated impairment losses	3,464	94,888
Cash and cash equivalents	738	27,702
	10,898	131,050
Current liabilities		
Accruals and other payables	870	915
Promissory notes	15,000	124,336
	15,870	125,251
Net current (liabilities)/assets	(4,972)	5,799
NET (LIABILITIES)/ASSETS	(3,058)	33,156
Share capital	63,690	35,384
Reserves (Note 27)	(66,748)	(2,228)
(CAPITAL DEFICIENCIES)/TOTAL EQUITY	(3,058)	33,156

Approved by the Board of Directors on 24 March 2016 and are signed on its behalf by:

Wong Tat Wa
Director

Leung Po Yee
Director

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27. Reserves

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity. Reserve movement of the Company is set out below:

The Company

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2014	248,705	34,532	240	(250,201)	33,276
Total comprehensive income for the year	-	-	-	(187,239)	(187,239)
Recognition of equity-settled share-based payments	-	7,031	-	-	7,031
Issue of shares upon:					
- warrant exercised	5,390	-	(110)	-	5,280
- shares	139,424	-	-	-	139,424
Lapse of options	-	(19,264)	-	19,264	-
At 31 December 2014 and at 1 January 2015	393,519	22,299	130	(418,176)	(2,228)
Total comprehensive income for the year	-	-	-	(142,206)	(142,206)
Recognition of equity-settled share-based payments	-	8,492	-	-	8,492
Issue of shares	69,194	-	-	-	69,194
Lapse of options	-	(16,557)	-	16,557	-
At 31 December 2015	462,713	14,234	130	(543,825)	(66,748)

Nature and purpose of reserves

(a) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per Share. The application of the share premium account is governed by the Company Act 1981 of Bermuda.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4(d) to the consolidated financial statements.

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27. Reserves (continued)

Nature and purpose of reserves (continued)

(c) Share-based payment reserve

The share-based payment reserve related to share options granted by the Company to its directors, employees and others under its share option scheme. They are recognised in accordance with the accounting policy in Note 4(s) to the consolidated financial statements. Further information about the equity-settled share-based payments under the Company's share option scheme is set out in Note 25.

(d) Property revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings held for own use.

(e) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of reporting period and is dealt with in accordance with the accounting policy in Note 4(j) to the consolidated financial statements.

(f) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to Share capital and Share premium accounts upon the exercise of the warrants.

28. Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

The remuneration of members of key management during the year was as follows:

	2015 HK\$'000	2014 HK\$'000
Short term benefits	2,371	8,014
Post-employment benefits	-	-
	2,371	8,014

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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29. Commitments

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are as follows:–

	2015	2014
	HK\$'000	HK\$'000
Premises:		
Within 1 year	1,164	435
After 1 year but within 5 years	557	68
	1,721	503

Operating lease payments represent rentals payable by the Group for certain of its offices and factory. Leases are negotiated for terms ranging from two to four years (2014: two to four years) and rentals are fixed over the lease terms and do not include contingent rentals.

30. Litigation

- (i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited (“JMM”) against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (b) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors are not aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant financial impact on the Company.
- (ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited (“Good Capital”) against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (b) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors are not aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely any financial impact on the financial statements of the Company.

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30. Litigation *(continued)*

- (iii) In a writ of summons dated 28 February 2014 issued by Long China Holdings Limited (the "Plaintiff"), Excel Energy Holdings Limited ("Excel Energy"), a wholly owned subsidiary of the Company, and the Company were named as the 1st defendant and 2nd defendant (collectively the "Defendants"), respectively.

The Plaintiff alleged that the Defendants failed and/or refused to honour their respective obligations under a sale and purchase agreement dated 3 December 2013 entered into between the Plaintiff (as purchaser), Excel Energy (as vendor) and the Company (as guarantor) for the disposal of the entire equity interests in Fullway (China) Limited at a consideration of HK\$13,800,000, for which the Plaintiff paid HK\$7,900,000 as deposit to the Defendants. The Plaintiff now claims for the return of the said deposit.

On 6 March 2015, the Plaintiff and the Defendants executed a deed of settlement (the "Deed") for a full and final settlement of all claims arising out of or in connection with the sale and purchase agreement and the proceedings. Pursuant to the Deed, the Defendants have returned the initial deposits in the sum of HK\$7,900,000 to the Plaintiff and the Plaintiff has returned certain legal documents to the Company. The Company's legal representatives have arranged the signing of a consent summons by the Plaintiff to dismiss the claim and the High Court of Hong Kong granted an order for dismissal on 9 April 2015. As such, the Directors are of the view that the action will not result in any significant financial impact on the Group.

- (iv) On 27 March 2014, Good Return (BVI) Limited ("Good Return"), a wholly-owned subsidiary of the Company, issued writs of summons against Wickham Ventures Limited ("Wickham") and Ms. Lee Hei Wun ("Ms. Lee") for claiming, inter alia, the shortfall of a profit guarantee in a sum of HK\$3,000,000 as a result of the inability of Arnda Semiconductor Limited ("Arnda") to make any profit during the year ended 31 December 2012. Reference is made to the Company's announcements dated 6 April 2011, 19 March 2012 and 24 March 2014. Pursuant to the sale and purchase agreement under which Good Return acquired Arnda from Wickham in 2011, Wickham and Ms. Lee guaranteed to pay Good Return the difference between the actual amount of net profit after tax of Arnda and the guaranteed profit in a sum of HK\$3,000,000 for the year ended 31 December 2012. According to the audited accounts of Arnda for the year ended 31 December 2012, Arnda made a loss of HK\$1,252,101 and thus the shortfall of the profit guarantee is HK\$3,000,000, which Wickham and Ms. Lee have failed to pay to Good Return despite the demand of Good Return. On 25 June 2014, the High Court of the Hong Kong Special Administrative Region, Court of First Instance issued a final judgement against Ms. Lee for the payment to Good Return the sum of HK\$3,000,000 together with interests, and a fixed cost of HK\$10,500. The Company has instructed its legal advisers to take legal action against Ms. Lee for the payment of the above sum of HK\$3,010,500 and the relevant interest of HK\$71,014 but no payment was received. Accordingly, the Group has filed an application of a bankruptcy petition against Ms. Lee.

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30. Litigation (continued)

- (v) On 11 February 2015, the Company and Silver Bonus Limited, a wholly-owned subsidiary of the Company and the purchaser to the acquisition of equity interests in Neo Partner Investments Ltd. (the "Target Company"), issued a writ of summons in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region against (i) Shinning Team Investment Limited (the second vendor) as the 1st defendant; (ii) Mr. Lau Hin Chung (the first vendor) as the 2nd defendant; (iii) the Target Company as the 3rd defendant; (iv) Harvest View (China) Limited as the 4th defendant; (v) Mr. Chen Zai as the 5th defendant; (vi) two former executive Directors of the Company, namely Mr. Ho Chun Kit, Gregory and Mr. Lee Tat Wing as the 6th and 7th defendants, claiming for, among other things, the following relief:
- (1) damages for breach of the sale and purchase agreement and its supplemental agreement (collectively, the "Agreements") against the 1st and 2nd defendants;
 - (2) damages and/or rescission of the Agreements for misrepresentation against the 1st to 5th defendants;
 - (3) damages for negligence and breach of fiduciary duties as Directors against the 6th and 7th defendants;
 - (4) a declaration that the promissory notes issued under the Agreements are null and void and unenforceable;
 - (5) costs; and
 - (6) further and/or other relief.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation at the end of the reporting period.

31. Events after the reporting period

Other than disclosed elsewhere in this consolidated financial statements, up to the date of this report, there is no significant event identified by the management subsequent to the reporting period.

32. Financial instruments

(a) Categories of financial instruments

	2015	2014
	HK\$'000	HK\$'000
Financial assets		
Available-for-sale financial assets	1,809	2,349
Trade and other receivables	14,551	13,643
Cash and cash equivalents	39,316	73,389
	55,676	89,381
Financial liabilities		
Trade and other payables	12,190	18,043
Promissory notes	15,000	124,336
	27,190	142,379

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32. Financial instruments *(continued)*

(b) Financial risk management and policies

The risks associated with the financial instruments of the Group include market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Group has certain exposure to foreign currency risk as certain of its business transactions, assets and liabilities are denominated in currencies other than their functional currencies of the Group entities, including HK\$, USD and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2015, if the HK\$ had weakened/strengthened 5% per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$280,000 (2014: HK\$113,000) lower/higher, arising mainly as a result of the foreign exchange gain/loss on amounts due to group companies denominated in HK\$.

At 31 December 2015, if the USD had weakened/strengthened 5% per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$109,000 (2014: HK\$ Nil) higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank balances denominated in USD.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2015, if the share prices of the investments increase/decrease by 10%, the other comprehensive income for the year would have been HK\$181,000 (2014: HK\$196,000) higher/lower, arising as a result of the fair value gain/loss of the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. Financial instruments *(continued)*

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

Credit risk management

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

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

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings. Loans receivables from associates are closely monitored by the directors.

Credit risk is concentrated as 94.8% (2014: 98.8%) of the total trade receivables are due from the Group's five largest customers. However, the management considers, based on the strong financial background and good creditability of those debtors, there are no significant credit risks.

Liquidity risk management

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from operations and fund raising activities and borrowings from certain shareholders as a significant source of liquidity.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

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32. Financial instruments (continued)

(b) Financial risk management and policies (continued)

Liquidity tables (continued)

	On demand or less than 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount at 31 December 2015 HK\$'000
2015				
Non-derivative financial liabilities				
Promissory notes	15,000	-	15,000	15,000
Trade and other payables	12,190	-	12,190	12,190
	27,190	-	27,190	27,190

	On demand or less than 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount at 31 December 2014 HK\$'000
2014				
Non-derivative financial liabilities				
Promissory notes	129,552	-	129,552	124,336
Trade and other payables	18,043	-	18,043	18,043
	147,595	-	147,595	142,379

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33. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2015:

Description	Fair value measurements using:			
	2015		2014	
	Level 1 HK\$'000	Level 2 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000
Recurring fair value measurements:				
Financial assets				
Available-for-sale financial assets				
Listed equity securities	1,809	–	2,349	–
Investment properties				
Residential units – PRC	–	14,756	–	17,010
Total	1,809	14,756	2,349	17,010

The investment property was measured at Level 2, no transfer between Level 1, Level 2 and Level 3 during the year.

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For the year ended 31 December 2015
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33. Fair value measurements *(continued)*

(b) *Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015:*

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least once a year.

Level 2 fair value measurements			Fair value			
			2015		2014	
Description	Valuation technique	Inputs	HK\$'000		HK\$'000	
			Assets	Liabilities	Assets	Liabilities
Residential units located in PRC	Market comparable approach	Market prices ranged from RMB20,000 to RMB26,000 (2014: RMB22,000 to RMB26,000) per square meter	14,756	-	17,010	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the directors of the Company may adjust the dividend payment to shareholders, return capital to shareholders and issue of new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other payables and accruals and promissory notes, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2015 HK\$'000	2014 HK\$'000
Trade and other payables	12,190	18,043
Promissory notes	15,000	124,336
Less: Cash and cash equivalents	(39,316)	(73,389)
Net debt	(12,126)	68,990
Equity attributable to the owners of the Company	59,836	(13,329)
Capital and net debt	47,710	55,661
Gearing ratio	(25.4%)	123.9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. Particulars of principal subsidiaries

The following list contains only the particulars of the Company's principal subsidiaries at 31 December 2015.

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Light (Holdings) Limited	British Virgin Islands	HK\$25,000,000	100%	–	Investment holding
Superjet Technologies Limited	Hong Kong	HK\$2	–	100%	Investment holding and trading of sapphire watch crystals
Fullway (China) Limited	Hong Kong	HK\$1	–	100%	Investment holding
Fujian Superjet Technologies Company Limited [#]	PRC	US\$7,100,000	–	100%	Manufacturing and trading of ferrules
Rich Point International Limited	Hong Kong	HK\$1	–	100%	Trading of liquor
象山弘通投資管理有限公司 [#]	PRC	US\$1,324,000	–	100%	Property investment
All like Limited	Hong Kong	HK\$1	100%	–	Investment holding and trading of integrated circuits
廣州無縫綠色科技有限公司 [#]	PRC	HK\$50,000,000	–	100%	Trading of integrated circuits
江門市新會嘉熙年電子科技有限公 司(previous known as 江門市嘉 滙藝照明電器有限公司) [#]	PRC	RMB1,000,000	–	100%	Trading of integrated circuits

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

[#] These subsidiaries are registered as wholly-owned foreign enterprise under the PRC law.

None of the subsidiaries of the Company has issued any debt securities at 31 December 2015 or any time during the year (2014:nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out below:

	For the year ended 31 December				
	2015 HK'000	2014 HK'000	2013 HK'000	2012 HK'000	2011 HK'000
Results					
Loss attributable to owners	(30,295)	(200,487)	(153,128)	(58,362)	(50,546)

	As at 31 December				
	2015 HK'000	2014 HK'000	2013 HK'000	2012 HK'000	2011 HK'000
Assets and liabilities					
Total assets	84,756	129,035	165,776	123,167	64,881
Total liabilities	(28,199)	(143,842)	(138,804)	(72,322)	(18,616)
	56,557	(14,807)	26,972	50,845	46,265
Equity attributable to					
Owners of the Company	58,035	(13,329)	28,450	50,845	46,265
Non-controlling interest	(1,478)	(1,478)	1,478	–	–
	56,557	(14,807)	26,972	50,845	46,265

SUMMARY OF INVESTMENT PROPERTY

Address	Approximate gross floor areas	Tenure	Existing use
House No. 11 in Phase I Rose Garden, Baishawan Xiangshan County, Ningbo City, Zhejiang Province, the PRC	440.27/sq.m. plus a basement ancillary floor of 301.26 sq.m.	A term of 70 years expiring on 19 September 2076	Residential use