PHOENITRON

Phoenitron Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8066)

Seeing Further
Going Forward

Annual Report 2015

Characteristics of the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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

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This report, for which the directors (the "Directors") of Phoenitron Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the 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.

Contents

Corporate Information

DIRECTORS

Executive Directors
Lily Wu *(Chairman and Chief Executive Officer)*
Wang Jia Hua *(Managing Director)*
(appointed on 5 January 2016)
Chang Wei Wen
Yang Meng Hsiu

Independent non-executive Directors
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

COMPLIANCE OFFICER

Lily Wu

QUALIFIED ACCOUNTANT

Lau Ka Chung *(FCPA, FCS)*

COMPANY SECRETARY

Lau Ka Chung *(FCPA, FCS)*

AUTHORISED REPRESENTATIVES

Lily Wu
Chang Wei Wen

AUDIT COMMITTEE

Wong Ka Wai, Jeanne *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny

REMUNERATION COMMITTEE

Leung Ka Kui, Johnny *(Chairman)*
Chang Wei Wen
Chan Siu Wing, Raymond
Lily Wu
Wong Ka Wai, Jeanne

NOMINATION COMMITTEE

Lily Wu *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Yang Meng Hsiu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 302, Seapower Centre
73 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Nanyang Commercial Bank Limited

AUDITORS

BDO Limited

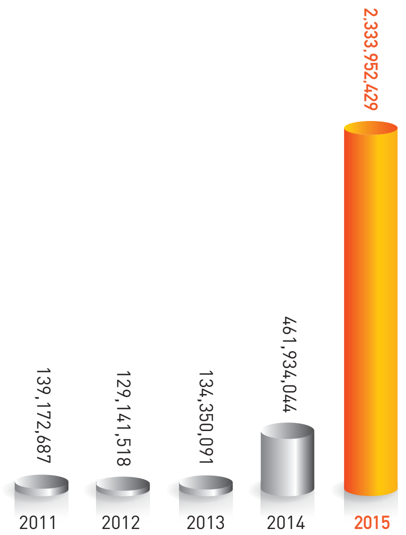
WEBSITE ADDRESS

www.phoenitron.com

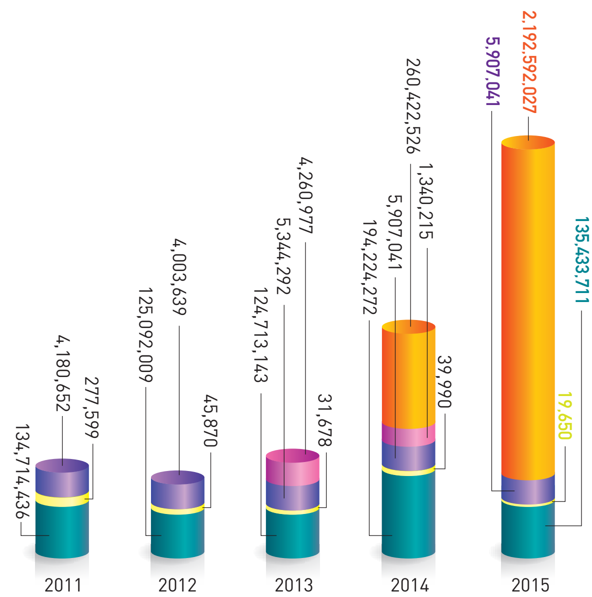
STOCK CODE

8066

TURNOVER

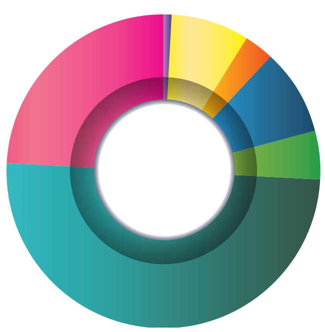


TURNOVER BY SEGMENTS



- Sales of smart cards
- Sales of smart card application systems
- Financial and management consultancy services
- Trading of scrap metals
- Sales of petro-chemical products

TOTAL ASSETS AT 31 DECEMBER 2015



- 1% Other Assets
- 8% Property, plant and equipment
- 3% Inventories
- 9% Trade and other receivables
- 5% Bank balances and cash
- 50% Amount due from a joint venture
- 24% Amount due from a related company

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present to you the results of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2015 (the "Reporting Period").

RESULTS

For the year ended 31 December 2015, the Company recorded a consolidated revenue of HK$2,333,952,000 (2014: HK$461,934,000) and profit attributable to the owners of the Company of HK$5,529,000 (2014: loss of HK$133,817,000).

DIVIDEND

The Board of Directors (the "Board") of the Company does not recommend any payment of a final dividend for the year ended 31 December 2015.

BUSINESS AND OPERATION REVIEW

During the Reporting Period, the Group is principally engaged in the contract manufacturing and sales of smart cards, the provision of management and financial consultancy services and the setting up of natural gas stations in Yangtze River Delta and other petrochemical related businesses. The Board believes the diversification and synthesis of our businesses will facilitate the long term development of Phoenitron and enhance our shareholder value.

Contract manufacturing and sales of smart cards

During the Reporting Period, the performance of the Group's contract manufacturing and sales of SIM cards business was far from satisfactory and has recorded a segment loss of HK$23.2 million. As broken down by geographical segment, the China Market suffered from prolonged weak demand from the leading telecommunication market customers which led to low utilization rates in the Beijing plant for both of the SIM card business and the module packaging and testing service business. During the Reporting Period, the China geography recorded losses of HK$17.5 million and HK$12.5 million respectively. In contrast, benefited from a larger portion of higher-value-added non-SIM card manufacturing demand from the overseas customers, the overseas market of the SIM card business segment recorded an increase of segment profit of HK$0.9 million, from HK$5.9 million in 2014 to HK$6.8 million.

To overcome the difficulties faced by the PRC business segment, the management is exploring various alternative solutions. For the PRC SIM card business segment, we will be better utilizing the existing production capacity in our Beijing plant by serving the overseas market in the coming year. As the existing plant in Shenzhen that is currently serving the overseas market has been running at full capacity and is no longer able to meet the expected increasing orders from the overseas customers, the management is planning to relocate the existing Shenzhen plant to a larger plant in the periphery area of Shenzhen city, and to consolidate the Beijing plant capacity there as well for consolidated management.

For the PRC module packaging and testing service business, it began expanding its customer base to serve overseas customers during the Reporting Period and that commercial production will ramp up in the coming months. During the Reporting Period, we had completed qualification with certain overseas customers, who have started placing orders by early 2016. As of March 2016, Beijing module packaging and testing service plant is operating at near full capacity.

The Company is exploring the potential to both increase SIM card revenue from the overseas market with the added capacity, and to also increase profit through better and more efficient utilization of the Group's assets and lowering of the operating costs of production. We are of confidence that the results of this segment will turn to profit again in the coming year.

Provision of customised smart card application systems

Revenue generated from the provision of customised smart card application systems was approximately the same as in the previous year. The management will keep exploring new business opportunities and expects the research and development of smart cards related products will stimulate growth of the sales of smart card application systems in the coming year.

Management and financial consultancy services

The target clients of the management and financial consultancy services include companies that the Group is currently invested in or may invest in the future. The scope of services includes the provision of corporate organization management, financial and financing planning and implementation, and other services. For the year ending 31 December 2015, the Group recorded a revenue of approximately HK$5,907,000.

Trading business of scrap metals

There was no revenue generated from this segment as the metal prices were weak during the Reporting Period (2014: HK$1.3 million). As the metals outlook is not promising in the foreseeable future, the Company is exploring various strategic solutions including but not limited to altering the usage of the machines and equipment in Taiwan for recycling of other materials and/or to cooperate with potential strategic partners in the recycling industry.

Setting up natural gas stations in the Yangtze River Delta region and other petro-chemical related businesses

The Group's new joint venture in Shanghai, namely, Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron"), whose main business shall be the operation of natural gas filing stations in the Yangtze River Delta region and other petro-chemical related business, started to conduct petro-chemical product sales in the latter half of September 2014 and operated for a full financial year of 2015. During the Reporting Period, Shanghai Phoenitron was principally engaged in the wholesale of petro-chemical products. Thanks to the efforts of the local management team, Shanghai Phoenitron sold 416,000 tonnes of petro-chemical products which generated a revenue of HK$2,192.6 million (2014: HK$260.4 million) during the Reporting Period and has become the key revenue generator of the Group.

Given the prolonged slumped in the global oil prices during the Reporting Period, and having considered that Shanghai Phoenitron was still a newly established company, we adopted a conservative approach for conducting the wholesale of petro-chemical products business in our first year of full operations. Throughout 2015, our primary goal was to establish, develop and stabilise the business relationship with our suppliers (all are large-scale national enterprises or centrally-owned enterprises) as we believe that a stable supply of products is of utmost importance for our future business expansion and development into the retail sales of product oils. To further mitigate the risks, our strategies were fast selling and only to conduct the wholesale business with customers who are large-scaled enterprises with good credit ratings (though the profit margin for transactions of this kind is usually lower). In terms of market segment, while almost all of the revenue was generated from the wholesale of petro-chemical products, Shanghai Phoenitron formed a new wholly-owned subsidiary in late 2015Q3, namely, 上海仁重新能源科技有限公司 ("上海仁重") which had successfully obtained the retail licence for selling oils products (成品油) by late 2015 and was able to conduct initial retail transactions by the end of 2015. The move marked an important step as retail sales of oil products will better diversify product sales and may likely enjoy a higher profit margin. We therefore expect 2016 segment sales to be a mixture of wholesale and retail sales, with an overall higher profit margin level than in 2015.

During the Reporting Period, filling stations operating permit applications have been made and are still pending for approval. Management continues to discuss and communicate with the relevant local authorities and enterprises to build, lease or acquire gas filing stations, and will provide timely updates on the progress. Once the filling stations start operations, it is expected that the business can generate immediate revenue and profit contribution to the Group. Natural gas usage should play a significant role in promoting the use of a stable, healthy and sustainable clean energy in the Yangtze River Delta economic zone in the PRC, and contribute to the development of green energy in the PRC. The management will place increasing time and resources on developing this business segment in the future.

FINANCING OVERVIEW

During the year under review, the Company had entered into separate subscription agreements with each of Mr. Xia Jun, Mr. Wang Jia Hua, Kantor Holdings Limited and Clear Win Investments Limited (together, the "Subscribers") in relation to the subscription of a total of 384,600,000 new shares of the Company at the subscription price of HK$0.242 per subscription share. Completion of the subscription of new shares took place on 8 May 2015. The net proceeds of approximately HK$90.9 million has been applied (as intended) for (i) carrying out of the Company's natural gas business and its related petro-chemical business, (ii) general working capital of the Group and (iii) repayment of certain loans.

PROSPECTS

Looking forward, we expect 2016 will continue to be challenging yet also a year of positive transition. The Board will continue to place great emphasis on developing and increasing the product variety of its LNG projects and its related petro-chemical business so as to bring more stable and substantial profit to the Group. Meanwhile, the Company is also exploring more co-operation opportunities with potential strategic alliances in all business segments including metals recycling and smartcard systems. By consolidating the assets of SIM card business to serve the overseas market, manufacture with greater efficiency, seek cost and expense savings wherever possible, and to fully leverage competitive strengths. The IC module packaging and testing service business is in full production by late 2016Q1, and is expected to contribute stable revenue and profits to the Group for the rest of the year of 2016. We believe, by applying the Company's funds in an appropriate manner and by utilizing the unique investment opportunities of the Company, we will bring stable revenues and profits for our shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2015. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

Lily WU
Chairman

Hong Kong, 22 March 2016

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's financial results was principally derived from the sales of petro-chemical products, the contract manufacturing and sales of smart cards and the provision of management and financial consultancy services.

During the Reporting Period, sales of petro-chemical products conducted by Shanghai Phoenitron and its subsidiary amounted to HK$2,192.6 million (2014: HK$260.4 million) and has become the key revenue generator of the Group.

During the Reporting Period, the Group's revenue generated from the smartcard business amounted to HK$135.4 million, down by HK$58.8 million or 30.3% as compared to the corresponding period in 2014 of HK$194.2 million, among which HK$79.9 million (2014: HK$131.2 million) and HK$55.5 million (2014: HK$63.0 million) were attributable to the traditional SIM cards business and the module packaging and testing service business respectively. In terms of geographical segments, while the module packaging and testing service business is principally serving the PRC customers, the SIM cards business is serving both the overseas market and the PRC market. During the Reporting Period, revenue generated from the overseas market segment of SIM cards business amounted to HK$55.4 million, representing a drop of HK$36.6 million or 39.8%, as compared to HK$92.0 million in 2014. The drop in revenue over the prior year for the overseas market segment was due to the fact that Intercard is no longer purchasing card-bodies from a designated third party supplier of certain customers (which reduces revenue, but improves the Group's smartcard gross profit margins). On the other hand, revenue generated from the PRC market segment for both the SIM cards business and the module packaging and testing service business was adversely affected by the slowdown of the PRC economy, and lower demand from leading PRC telecommunication market customers during the Reporting Period as they consumed existing stock which has adversely affected the SIM cards contract manufacturing industry.

Revenue generated from the provision of management and financial consultancy services amounted to HK$5.9 million during the Reporting Period (2014: HK$5.9 million).

No trading of scrap metals was conducted as the scrap metal prices slumped during the Reporting Period.

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales ("COS") increased by HK$1,876.4 million, or 431.4%, from HK$435.0 million for the corresponding period in 2014, to HK$2,311.4 million. The increase in COS was largely attributable to the incurrence of COS in relation to sales of petro-chemical products of HK$2,185.6 million (2014: HK$259.3 million) as Shanghai Phoenitron and its subsidiary ran the business for a full financial year of 2015. However, the increase in COS was partially offset by (i) the drop in COS of HK$48.6 million in relation to the smartcard business which was attributable to the drop in sales relating to the PRC market for both module packaging and testing service business and the SIM card business (in fact, an impairment loss on obsolete stock of HK$2.1 million was provided for and included in the COS to reflect the stagnant PRC market), and also to a larger extent, the cessation of purchasing third party card-body for the overseas market of SIM cards business); and (ii) the drop in COS relating to trading of scrap metals business of HK$1.3 million, as no trading of scrap metal prices was conducted during the Reporting Period.

As a result, gross profit decreased by HK$4.3 million or 16.2%, from the corresponding period in last year of HK$26.9 million, to HK$22.6 million.

Other Income

Other revenue of HK$40.5 million (2014: HK$53.3 million) was mainly comprised of interest income arising from the amount due from a joint venture and bank deposits. The drop was attributable to the adjustment (downward) on interest rate charged to a joint venture and also due to the fact that an adjustment on interest income was made in last year for the under-provision in prior periods.

Fair Value Loss on a Financial Derivative

No fair value loss was provided for in respect of the Reporting Period (2014: HK$46.3 million).

Other Losses, Net

During the Reporting Period, other losses amounted to HK$4.76 million (2014: HK$0.55 million) which was represented primarily by the exchange losses of HK$4.49 million arising from foreign currency-based transactions (2014: HK$0.50 million), loss on disposal of property, plant and equipment of HK$0.16 million (2014: HK$0.05 million) and loss on disposal of long-term investment (Tecsun Goldcard) of HK$0.11 million (2014: HK$Nil).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to HK$7.06 million, representing a drop of HK$0.37 million, or 5.1%, as compared to the corresponding period in 2014 of HK$7.43 million. The drop was mainly attributable to the drop in freight charges and transportation costs in the PRC's SIM card business segment as revenue derived from it dropped significantly during the Reporting Period, and it was also partly attributable to the drop in overseas travelling expenses but such decrease was partly offset by the increase in staff costs for the module packaging and testing service business segment as salespersons were recruited for promoting the business.

Administrative Expenses

Administrative expenses recorded an increase of HK$6.09 million or 18.7% over the corresponding period in 2014 to HK$38.69 million (2014: HK$32.60 million). The increase was primarily attributable to the increase in corporate legal and professional fee of HK$1.25 million, the increase in various expenses of a total of HK$1.34 million in relation to our sales of petro-chemical products segment that was running for a full financial year in 2015, written off of property, plant and equipment of HK$2.55 million and a provision of staff layoff compensation of HK$0.90 million was made for the SIM card business segment in the PRC (reason as disclosed in the "Chairman's Statement" section).

Impairment Loss on Amount Due from a Joint Venture

No impairment was recognised in respect of the Reporting Period (2014: HK$92.3 million).

Impairment Loss on Other Receivables and Prepayments

No impairment was recognised in respect of the Reporting Period (2014: HK$27.8 million).

Finance Costs

During the Reporting Period, the Group's finance costs amounted to HK$1.61 million (2014: HK$5.92 million). The drop was due largely to the interest payment for the first three quarters of 2014 in relation to the certain convertible bonds of the Company which were fully redeemed by end of 2014.

Income Tax Expense

During the period under review, the income tax expense of the Group amounted to HK$3.93 million (2014: HK$0.59 million). The increase was attributable to (i) the increase in EIT payment of HK$1.13 million by Shanghai Phoenitron that was conducting the sales of petro-chemical products in Shanghai throughout the Reporting Period; (ii) the increase in Hong Kong tax expenses of HK$0.33 million as the assessable profits derived by Intercard increased (better performance of the overseas SIM card market) and (iii) there was an adjustment made in last year regarding the overprovision of HK tax in prior years of HK$1.14 million.

As a result of the foregoing, profit attributable to the owners of the Company in 2015 amounted to HK$5.5 million (2014: loss of HK$133.8 million).

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the year under review, the Group financed its business operations and investments with cash revenue generated from operating activities, issuance of new shares, bank loans and other borrowings. As at 31 December 2015, the Group had cash and bank balances and pledged bank deposits of HK$20.2 million, secured bank loans and other borrowings of HK$30.4 million.

As at 31 December 2015, the Group had current assets of HK$367.6 million and current liabilities of HK$83.3 million. The current ratio, expressed as current assets over current liabilities, was 4.41.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group employed a total of 424 employees, of which 13 were located in Hong Kong and the rest were located in the PRC. Employee cost, including directors' remuneration, was HK$44.5 million for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

SIGNIFICANT INVESTMENTS

With the exception of the investments in Hota (USA), there were no other significant investments for the year ended 31 December 2015.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Chairman's Statement" sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2015, certain machinery and equipment with the carrying amounts of HK$10,185,005 and bank deposits of HK$3,677,778 were pledged by the Company's subsidiaries as collaterals to secure general banking facilities granted to the Group. In addition, the Company's subsidiary has assigned the trade receivables of certain customers to secure borrowings amounting to HK$3,571,429 (2014: HK$9,827,775) granted to the Group.

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 7.5% as at 31 December 2015 (2014: 11.5%).

FINAL DIVIDEND

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2015 (2014: nil).

COMPETING INTERESTS

As at 31 December 2015, none of the directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2015, the Company repurchased and cancelled a total of 22,880,000 of its own shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$5,118,000.

Particulars of the repurchases are as follows:

Date of repurchase	No. of shares	Price per share		Aggregate price
		Highest	Lowest	
		HK$	HK$	HK$
July	12,625,000	0.234	0.207	2,764,035
August	7,675,000	0.249	0.215	1,774,110
September	800,000	0.242	0.228	189,270
November	1,780,000	0.228	0.211	390,585
Total	22,880,000			5,118,000

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the shareholders of the Company will be held at 9:15 a.m., on Wednesday, 11 May 2016, at Unit 302, 3rd Floor, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and the notice of AGM will be published and dispatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend the AGM, the register of members of the Company will be closed from Monday, 9 May 2016 to Wednesday, 11 May 2016 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 6 May 2016.

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2015.

INTRODUCTION

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2015 with the exception of the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Details relating to the foregoing deviation are summarized below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions 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. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and affairs of the Group with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Code provision A.2.1. stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006. Mr. Anton Ho, the former Chief Executive Officer, resigned from the post with effect from 1 January 2009 and the position was left vacant since his resignation. After due and careful consideration by the Board, Ms. Wu was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are (i) the size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and (ii) the Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Board composition

Up to the date of this annual report, the Board comprises seven Directors, including four executive Directors and three Independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Ms. Lily Wu *(Chairman and Chief Executive Officer)*
Mr. Wang Jia Hua *(Managing Director)* (appointed on 5 January 2016)
Mr. Chang Wei Wen
Mr. Yang Meng Hsiu

Independent non-executive Directors

Mr. Chan Siu Wing, Raymond
Mr. Leung Ka Kui, Johnny
Ms. Wong Ka Wai, Jeanne

Biographical details of Directors are set out on page 18 of this annual report.

The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

Board and general meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. During the year ended 31 December 2015, there were four board meetings and one general meeting held. The Directors can attend meetings in person or via telephone conference as permitted under the articles of association of the Company.

Details of individual attendance of all Directors at the board meetings and general meeting are as follows:

Name of Directors	Attendance of Board meetings	Attendance of general meeting
Executive Directors		
Ms. Lily Wu	4/4	1/1
Mr. Chang Wei Wen	4/4	1/1
Mr. Yang Meng Hsiu	4/4	1/1
Independent Non-executive Directors		
Mr. Chan Siu Wing, Raymond	4/4	0/1
Mr. Leung Ka Kui, Johnny	4/4	0/1
Ms. Wong Ka Wai, Jeanne	4/4	0/1

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

The Board is responsible to set strategic plans, formulates policies and provides effective oversight over the management on the operational affairs, and members of the Board are individually and collectively accountable to the shareholders of the Company. The management is responsible for the daily operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

Independent non-executive Directors

Each Director is required to keep abreast of his responsibilities as a director of the Company and of the Company's conduct, business activities and development. Given the essential unitary nature of the Board, independent non-executive Director has the same duties of care and skill and fiduciary duties as executive Directors. Independent non-executive Director brings a wide range of business and financial expertise, experience and independent judgment to the Board. Functions of independent non-executive Director include but should not be limited to the following:

i. participating in Board meetings to bring independent judgment;

ii. taking the lead where potential conflict of interests may arise;

iii. serving on the audit, nomination and remuneration committees if invited; and

iv. scrutinizing the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Pursuant to Rule 5.05 of the GEM Listing Rules, the Board has appointed three independent non-executive Directors, representing half of the Board and all of them have appropriate professional accounting qualifications or related experiences on financial management which is in compliance with Rule 5.05A and 5.05 of the GEM Listing Rules. Currently, there is no specific terms of service for each of the independent non-executive Directors and the appointment may continue thereafter unless and until terminated by either the Company or the independent non-executive director by giving not less than one month's prior notice in writing and such appointment is subject at all times to the Articles of Association.

The Company strongly supports the principle of Board independence. Mr. Leung Ka Kui, Johnny and Ms. Wong Ka Wai Jeanne have been serving the Board as independent non-executive directors for more than nine years and have consistently demonstrated their willingness to exercise independent judgments and provide objective challenges to management. They have actively participated in board meetings and board committee meetings held during the year and have shown themselves able to give constructive and independent advice to the Board over significant issues. Therefore, the Board considers that both of them remain independent, notwithstanding the length of their tenure as independent non-executive directors. The Board has assessed their independence and considers that all independent non-executive Directors are independent as required under the GEM Listing Rules. All independent non-executive Directors have also confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules by providing an annual confirmation of their independence.

Continuous Professional Development

Pursuant to Code Provision A.6.5, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2015 is summarized below:

Name of Directors	Attending seminar(s)/ Programme(s)/ relevant materials in relation to the business or directors' duties
Executive Directors	
Ms. Lily Wu	Yes
Mr. Chang Wei Wen	Yes
Mr. Yang Meng Hsiu	Yes
Independent non-executive Directors	
Mr. Chan Siu Wing, Raymond	Yes
Mr. Leung Ka Kui, Johnny	Yes
Ms. Wong Ka Wai, Jeanne	Yes

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

BOARD COMMITTEES

Audit committee

The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, annual reports, interim reports and quarterly reports, and to provide advice and comment thereon to the Board.

The audit committee held four meetings to review the quarterly, interim and annual results during the year ended 31 December 2015 as well as discussed and reviewed the Group's internal control and audit works with the auditor of the Group. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	4/4
Ms. Wong Ka Wai, Jeanne	4/4
Mr. Chan Siu Wing, Raymond	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2015 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Nomination committee

The nomination committee comprises two executive Directors and three independent non-executive Directors and is chaired by Ms. Lily Wu. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Leung Ka Kui, Johnny, Ms. Wong Ka Wai, Jeanne and Mr. Yang Meng Hsiu. The primary role and function of the nomination committee are to review and monitor the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to carry out the Company's corporate strategies; to assess the independence of independent non-executive Directors; and to make recommendations to the Board succession planning.

The nomination committee held one meeting during the year ended 31 December 2015. Details of the attendance of the nomination committee meetings are as follows:

Members	Attendance
Ms. Lily Wu	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Leung Ka Kui, Johnny	1/1
Ms. Wong Ka Wai, Jeanne	1/1
Mr. Yang Meng Hsiu	1/1

Remuneration committee

The remuneration committee comprises two executive Directors and three independent non-executive Directors and is chaired by Mr. Leung Ka Kui, Johnny. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Chang Wei Wen, Ms. Lily Wu and Ms. Wong Ka Wai, Jeanne. The primary role and function of the remuneration committee are to review and make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration; and to review and make recommendations to the Board the remuneration packages of all Directors and senior management.

The remuneration committee held one meeting during the year under review. Details of the attendance of the remuneration committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Chang Wei Wen	1/1
Ms. Lily Wu	1/1
Ms. Wong Ka Wai, Jeanne	1/1

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the fees paid/payable to the auditors of the Company in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	Amount HK$'000
Audit services	620

INTERNAL CONTROL

The Board has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management. Besides, the audit committee of the Company and the Board also performed quarterly review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

DIRECTORS' RESPONSIBILITY ON THE ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts for the year ended 31 December 2015, which were prepared in accordance with statutory requirements and applicable accounting standards.

The reporting responsibilities of the external auditors on the accounts are set out in the "Independent Auditor's Report" on pages 25 to 26.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company (the "Articles of Association"), the Directors of the Company, notwithstanding anything in its bye-laws shall, on the requisition of Shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting ("EGM") of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the EGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting.

Enquiries put to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals at shareholders' meetings

Pursuant to article 59(1) of the Articles of Association, in order to put forward proposals at an annual general meeting ("AGM"), or EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at AGM or EGM varies according to the nature of the proposal, as follows:

- At least 21 clear days' notice in writing if the proposal constitutes a special resolution of the Company in AGM or EGM

- At least 14 clear days' notice in writing for all other EGMs

INVESTOR RELATIONS

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

During the year ended 31 December 2015, there has been no significant change in the Company's constitutional documents.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Lily WU, aged 53, is an executive Director and the Chairman of the Company. She was appointed as Director of the Company in June 2005. Ms. Wu has 29 years of experience in the technology sector investment research and industry analysis. She is currently an independent investment analyst on technology companies for private equity firms, and has previously worked as a director in equity research for Salomon Smith Barney, and as a vice president in equity research for Bankers Trust. Ms. Wu earned a Bachelor of Science degree with Honors in Engineering from the California Institute of Technology.

WANG Jia Hua, aged 53, is an executive Director and the Managing Director of the Company. Mr. Wang was appointed as Director of the Company in January 2016. He has extensive experience in the securities industry in the PRC. He was involved in the restructuring and merger and acquisition activities of several listed companies in the PRC and has extensive practical experience in the securities investment, assets management and risk control management of the securities market. Mr. Wang is also an independent non-executive director of Earnest Investments Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange.

CHANG Wei Wen, aged 39, is an executive Director. He was appointed as a non-executive Director of the Company in May 2006 and was re-designated as an executive Director of the Company in December 2006 when he assumed key management and operating responsibilities for the Group. He formerly worked as an assistant to directors of a Taiwan company, which is principally engaged in international trade and wholesale of information software and electronic materials. Mr. Chang obtained a Bachelor of Organization Management degree from Patten University.

YANG Meng Hsiu, aged 39, is an executive Director. He was appointed as Director of the Company in March 2011. Mr. Yang graduated from The Leader University of Taiwan (currently known as The University of Kang Ning) with a bachelor degree in leisure management. Mr. Yang had more than 10 years of experience in product planning and brand name marketing business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Ka Kui, Johnny, aged 59, is an independent non-executive Director. He is the chairman of the remuneration committee and one of the members of the audit committee and the nomination committee of the Company. Mr. Leung is a qualified solicitor in Hong Kong, the United Kingdom and Singapore. He has over 31 years of experience in the legal field. Currently, he is the managing partner of Messrs. Johnny K. K. Leung & Co, a law firm in Hong Kong. Mr. Leung is currently an independent non-executive director of Celestial Asia Securities Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Leung was formerly an independent non-executive director of AMCO United Holding Limited, a company whose shares are listed on the Main Board of the Stock Exchange, and has resigned on 1 July 2015. Mr. Leung holds a Bachelor of Laws from the University of London, United Kingdom. Mr. Leung joined the Company in September 2001.

WONG Ka Wai, Jeanne, aged 51, is an independent non-executive Director. She is the chairman of the audit committee and one of the members of the remuneration committee and the nomination committee of the Company. Ms. Wong has over 28 years of experience in finance, accounting, taxation and corporate affairs. Ms. Wong is a member of the Institute of Chartered Accountants in Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the Society of Trust and Estate Practitioners. She holds a Bachelor Degree in Economics from the University of Sydney, Australia. Ms. Wong is currently the Managing Director of Wellex Consultancy Limited as well as the Chief Financial Officer and Consultant of a local law firm and CPA firm. Ms. Wong is also an independent non-executive director of Hua Xia Healthcare Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange. Ms. Wong joined the Company in September 2001.

CHAN Siu Wing, Raymond, aged 51, is an independent non-executive Director. He is one of the members of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chan has over 25 years of experience in the field of accounting, taxation, finance and trust. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan holds the position of independent non-executive director of each of National Agricultural Holdings Limited, Nature Flooring Holding Company Limited, Hong Kong Finance Group Limited and Quali-Smart Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan was formerly an executive director of ENM Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange and has resigned on 1 January 2015. Mr. Chan was also formerly an independent non-executive director of China Kingstone Mining Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange and has resigned on 23 December 2015. Mr. Chan joined the Company in February 2007.

SENIOR MANAGEMENT

LAU Ka Chung, aged 43, is the financial controller and the Company Secretary of the Group. Mr. Lau has over 19 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Lau holds a Master degree in Corporate Governance from the Hong Kong Polytechnic University and a Bachelor Degree in Business Administration (majoring in Finance) from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, as well as a fellow member of The Hong Kong Institute of Chartered Secretaries in Hong Kong. Mr. Lau joined the Group in May 2003.

The Directors have pleasure in submitting the annual report of the Company together with its audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. Details of the principal activities of its subsidiaries are set out in note 37 to the financial statements.

The revenue of the Group is derived principally from the contract manufacturing and sales of smart cards, sales of petro-chemical products and the provision of management and financial consultancy services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 27.

The Directors do not recommend any payment of a final dividend for the year ended 31 December 2015 (2014: nil).

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 and note 35 to the financial statements respectively.

DIRECTORS

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

Executive Directors

Lily Wu *(Chairman and Chief Executive Officer)*
Wang Jia Hua *(Managing Director)* (appointed on 5 January 2016)
Chang Wei Wen
Yang Meng Hsiu

Independent non-executive Directors

Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

In accordance with Article 86(3) of the Articles of Association, Mr. Wang Jia Hua retires at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 87(1) of the Articles of Association, Ms. Wong Ka Wai, Jeanne and Mr. Yang Meng Hsiu retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance (as defined in rule 18.25 of the GEM Listing Rules) to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the Company's authorised share capital during the year. Details of the movement in the Company's issued share capital and share option scheme during the year are set out in notes 33 and 34 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution represents the contributed surplus, other reserves and accumulated profits. At the balance sheet date, the Company had HK$220,777,983 reserves available for distribution.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2015, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Long/short position	Number of shares of the Company	Number of Underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Lily Wu *(Note)*	Beneficial owner	Long	1,000,000	5,000,000	0.16
Chang Wei Wen	Beneficial owner	Long	5,250,000	–	0.14
Yang Meng Hsiu	Beneficial owner	Long	43,000,000	–	1.14

Note:

1. These include 5,000,000 Share Options conferring rights to subscribe for 5,000,000 Shares.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the following persons/companies had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and 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 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of Interests
Golden Dice Co., Ltd *(Note 1)*	Beneficial	Long	510,825,125	13.57
Best Heaven Limited *(Note 1)*	Beneficial	Long	315,865,000	8.39
Mr. Tsai Chi Yuan *(Note 1)*	Interests in controlled company	Long	826,690,125	21.96

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd and Best Heaven Limited.

Save as disclosed above, as at 31 December 2015, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

CONNECTED TRANSACTION

On 8 January 2015, Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron"), a non-wholly owned subsidiary of the Company, entered into a deposit agreement (the "Deposit Agreement") with 上海建州石化有限公司 ("Shanghai Jianzhou"), a connected person of the Company by virtue of it being an associate (as defined under the GEM Listing Rules) of Mr. Zhang Zixiang, a director of Shanghai Phoenitron. Pursuant to the Deposit Agreement, Shanghai Jianzhou agreed to act as Shanghai Phoenitron's local industry reference to provide comfort to Shanghai Phoenitron's suppliers to extend local market credit limit and credit terms despite that Shanghai Phoenitron was a newly established entity in 2014 with less than one year operating history. Shanghai Phoenitron made a security deposit in a sum of not more than RMB85,000,000 at the sole discretion of Shanghai Phoenitron based on its business need from time to time, and due to this Deposit Agreement, Shanghai Phoenitron's suppliers offered credit limit of not less than 200% of the security deposit, as well as provided a credit term of not less than 30 days from the date of receipt of the products by Shanghai Phoenitron. Shanghai Jianzhou acted as a guarantor, though it is an oil trading company, and not a guarantee company. In addition, according to the terms of the Deposit Agreement, Shanghai Phoenitron shall have the right to withdraw the security deposit at anytime. During January 2015 to December 2015, Shanghai Phoenitron had deposited approximately RMB81 million with Shanghai Jianzhou during its ordinary course of business. In mid-March 2016, all the security deposit has been withdrawn by Shanghai Phoenitron.

SENIOR MANAGEMENT

The Group regards the executive directors, independent non-executive directors and financial controller of the Company as members of the senior management team.

The emoluments paid or payable to members of senior management were within the following brands:

	Number of individuals	
	2015	2014
Emolument bands		
Nil – HK$1,000,000	6	6
HK$1,000,001 – HK$1,500,000	1	1

The biographies of members of the senior management team at the date of this annual report are disclosed in the section on Profiles of Directors and Senior Management in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Sales

– the largest customer	48%
– five largest customers in aggregate	79%

Purchases

– the largest supplier	41%
– five largest suppliers in aggregate	98%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the Group's five largest suppliers or customers during the year.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 102 of the annual report.

AUDITORS

The financial statements for the year ended 31 December 2015 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 22 March 2016

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To the shareholders of Phoenitron Holdings Limited 品創控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 27 to 101, 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 qualified audit opinion.

BASIS FOR QUALIFIED OPINION

As disclosed in note 24, as at 31 December 2015, the Company and the Group had an amount due from its 35.29% owned joint venture, Hota (USA) Holding Corp. ("Hota (USA)") and its wholly owned subsidiary, Hota Auto Recycling Corporation ("HARC" collectively the "Hota Group") of approximately HK$202,837,000 (2014: HK$164,311,000) and for the year ended 31 December 2015, no impairment loss on the amount due from the joint venture is recognised to the Group's consolidated statement of profit or loss and other comprehensive income. For the purpose of assessing if there is any impairment of the amount due from the joint venture, the management of the Company estimated the expected repayments from the Hota Group with reference to the free cash flows available to settle the debts as reflected in profit and cash flow forecasts prepared by the management of the Hota Group (the "Forecasts").

However, as further explained below, we were not provided with sufficient appropriate audit evidence regarding the reasonableness of the financing and sales assumptions made in the Forecasts.

The Forecasts assume that the Hota Group will be able to obtain sufficient funding to meet its short term financing and working capital needs through raising additional loans from a lender. The management of the Company did not provide us with sufficient financial information about the potential lender to satisfy ourselves about his ability to provide the necessary funds.

Further, we were unable to obtain sufficient appropriate audit evidence about the sales assumptions in the Forecasts. The Forecasts have reflected the expected possible cooperation with one party. However, there are no binding agreements signed with this party and hence the possible cooperation may or may not proceed. There was no alternative evidence available to us to satisfy ourselves that the sales assumptions in the Forecast will be achievable.

There were no other satisfactory audit procedures that we could perform in order to satisfy ourselves as to the reasonableness of the financing and sales assumptions in the Forecasts. Accordingly, we were unable to assess the Hota Group's ability to repay the debts and therefore whether the carrying amount of the amount due from the joint venture as at 31 December 2015 has been fairly stated.

In our audit of the Company's consolidated financial statements for the year ended 31 December 2014, we experienced the same limitations as mentioned above in our assessment of whether the following amounts have been fairly stated:

- the carrying amount of the amount due from the joint venture as at 31 December 2014; and

- Impairment loss of HK$92,332,000 on this account balance recognized for the year then ended.

Our audit opinion on the consolidated financial statements for the year ended 31 December 2014 was modified accordingly. These limitations were unresolved this year.

QUALIFIED OPINION

In our opinion, except for the possible effect of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's 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.

BDO Limited
Certified Public Accountants
Tsui Ka Che, Norman
Practising Certificate no. P05057

Hong Kong,
22 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$	2014 HK$
Revenue	6	**2,333,952,429**	461,934,044
Cost of sales		**(2,311,360,595)**	(434,987,175)
Gross profit		**22,591,834**	26,946,869
Other income	7	**40,535,661**	53,333,670
Fair value loss on a financial derivative	21(a)	**–**	(46,257,586)
Other losses, net	8	**(4,761,854)**	(555,079)
Selling and distribution costs		**(7,057,259)**	(7,434,512)
Administrative expenses		**(38,688,446)**	(32,598,391)
Impairment loss on amount due from a joint venture	24	**–**	(92,331,903)
Impairment loss on other receivables and prepayments		**–**	(27,758,100)
Finance costs	9	**(1,611,551)**	(5,924,609)
Impairment loss on interest in an associate		**(527,805)**	–
Share of losses of an associate		**–**	(468,476)
Profit/(Loss) before income tax	10	**10,480,580**	(133,048,117)
Income tax expense	11	**(3,927,660)**	(593,946)
Profit/(Loss) for the year		**6,552,920**	(133,642,063)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale financial assets		**–**	(11,831,210)
Exchange loss on translation of financial statements of foreign operations		**(9,072,631)**	(613,087)
Other comprehensive income for the year		**(9,072,631)**	(12,444,297)
Total comprehensive income for the year		**(2,519,711)**	(146,086,360)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**5,529,253**	(133,816,554)
Non-controlling interests		**1,023,667**	174,491
		6,552,920	(133,642,063)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(2,446,092)**	(146,224,871)
Non-controlling interests		**(73,619)**	138,511
		(2,519,711)	(146,086,360)
		HK cents	HK cents
Earnings/(Loss) per share	13		
– Basic		**0.152**	(4.144)
– Diluted		**0.152**	(4.144)

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$	2014 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	33,305,565	47,263,213
Intangible assets	19	420,000	420,000
Prepayments for acquisition of property, plant and equipment		3,124,662	4,037,701
Interest in an associate	20	–	527,805
Long-term financial assets	21	–	2,158,058
		36,850,227	54,406,777
Current assets			
Inventories	22	9,946,511	14,351,860
Trade and other receivables	23	36,942,766	100,810,795
Amount due from a joint venture	24	202,837,077	164,311,322
Amount due from a related company	25	97,047,619	–
Amount due from non-controlling interests	26	500,000	4,293,968
Tax recoverable		118,597	–
Pledged bank deposits	27	3,677,778	6,820,908
Cash and cash equivalents	28	16,510,763	19,475,200
		367,581,111	310,064,053
Current liabilities			
Trade and other payables	29	52,916,878	105,941,806
Borrowings	30	30,361,932	41,887,129
Current tax liabilities		–	538,200
		83,278,810	148,367,135
Net current assets		284,302,301	161,696,918
Total assets less current liabilities		321,152,528	216,103,695
Non-current liabilities			
Deferred tax liabilities	32	4,707	4,707
Net assets		321,147,821	216,098,988
EQUITY			
Share capital	33	75,283,900	68,049,500
Reserves	35	220,407,150	144,256,244
Equity attributable to the owners of the Company		295,691,050	212,305,744
Non-controlling interests	38	25,456,771	3,793,244
Total equity		321,147,821	216,098,988

Lily Wu
Director

Chang Wei Wen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK$	Contributed surplus* HK$	Share option reserve* HK$	Other reserves* HK$	Translation reserve* HK$	Available-for-sale financial assets revaluation reserve* HK$	Warrant reserve* HK$	Accumulated losses* HK$	Total reserve HK$	Non-controlling interests HK$	Total HK$
At 1 January 2014	63,236,700	249,769,808	1,360,008	3,482,731	17,386,926	91,768	1,120,818	(27,932,934)	245,279,125	–	308,515,825
Early redemption on convertible bonds *(note 31)*	–	–	–	(3,554,524)	–	–	–	662,260	(2,892,264)	–	(2,892,264)
Repurchase of shares *(note 33(a))*	(127,200)	(614,546)	–	71,800	–	–	–	–	(542,746)	–	(669,946)
Issue of shares upon shares subscription *(note 33(c))*	4,940,000	48,637,000	–	–	–	–	–	–	48,637,000	–	53,577,000
Lapse of non-listed warrants *(note 33(b))*	–	1,120,818	–	–	–	–	(1,120,818)	–	–	–	–
Transactions with owners	4,812,800	49,143,272	–	(3,482,724)	–	–	(1,120,818)	662,260	45,201,990	–	50,014,790
Profit/(Loss) for the year	–	–	–	–	–	–	–	(133,816,554)	(133,816,554)	174,491	(133,642,063)
Other comprehensive income											
– Change in fair value of available-for-sale financial assets	–	–	–	–	–	(11,831,210)	–	–	(11,831,210)	–	(11,831,210)
– Translation of foreign operations	–	–	–	–	(577,107)	–	–	–	(577,107)	(35,980)	(613,087)
Total comprehensive income for the year	–	–	–	–	(577,107)	(11,831,210)	–	(133,816,554)	(146,224,871)	138,511	(146,086,360)
Acquisition of non–controlling interests	–	–	–	–	–	–	–	–	–	3,654,733	3,654,733
At 31 December 2014 and 1 January 2015	68,049,500	298,913,080	1,360,008	7	16,809,819	(11,739,442)	–	(161,087,228)	144,256,244	3,793,244	216,098,988
Repurchase of shares *(note 33(a))*	(457,600)	(4,698,642)	–	–	–	–	–	–	(4,698,642)	–	(5,156,242)
Issue of shares upon shares subscription *(note 33(c))*	7,692,000	83,295,640	–	–	–	–	–	–	83,295,640	–	90,987,640
Transactions with owners	7,234,400	78,596,998	–	–	–	–	–	–	78,596,998	–	85,831,398
Profit for the year	–	–	–	–	–	–	–	5,529,253	5,529,253	1,023,667	6,552,920
Other comprehensive income											
– Translation of foreign operations	–	–	–	–	(7,975,345)	–	–	–	(7,975,345)	(1,097,286)	(9,072,631)
Total comprehensive income for the year	–	–	–	–	(7,975,345)	–	–	5,529,253	(2,446,092)	(73,619)	(2,519,711)
Acquisition of non–controlling interests	–	–	–	–	–	–	–	–	–	21,737,146	21,737,146
At 31 December 2015	75,283,900	377,510,078	1,360,008	7	8,834,474	(11,739,442)	–	(155,557,975)	220,407,150	25,456,771	321,147,821

* The total of these accounts as at the reporting date represents "Reserves" in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$	2014 HK$
Cash flows from operating activities		
Profit/(Loss) before income tax	10,480,580	(133,048,117)
Adjustments for:		
Bad debts written off	339,166	200,000
Depreciation	16,948,189	16,969,477
Exchange difference, net	(399,620)	392,333
Fair value loss on a financial derivative	–	46,257,586
Finance costs	1,611,551	5,924,609
Loss on disposal of long-term financial assets	114,954	–
Loss on disposal of property, plant and equipment	155,443	55,518
Provision for impairment loss on inventories	2,109,133	–
Written-off of property, plant and equipment	2,547,184	–
Interest income	(40,440,022)	(50,164,583)
Impairment loss on amount due from a joint venture	–	92,331,903
Impairment loss on interest in an associate	527,805	–
Impairment loss on other receivables and prepayments	–	27,758,100
Gain on early redemption of convertible bonds	–	(2,506,655)
Share of losses of an associate	–	468,476
Operating (loss)/profit before working capital changes	(6,005,637)	4,638,647
Decrease/(Increase) in inventories	2,296,216	(3,591,600)
Decrease/(Increase) in trade and other receivables	63,530,913	(44,660,833)
(Decrease)/Increase in trade and other payables	(53,085,573)	49,349,456
Decrease/(Increase) in amount due from non-controlling interests	3,793,968	(4,293,968)
Cash generated from operations	10,529,887	1,441,702
Interest paid	(1,550,906)	(3,987,542)
Income taxes paid	(4,584,457)	(831,446)
Net cash generated from/(used in) operating activities	4,394,524	(3,377,286)
Cash flows from investing activities		
Interest received	30,133	25,436
Increase in amount due from a joint venture	(5,959,400)	(6,473,088)
Increase in amount due from a related company	(97,047,619)	–
Decrease/(Increase) in pledged bank deposits	3,143,130	(3,811,292)
Proceeds on disposal of property, plant and equipment	–	496,136
Proceeds on sale of long term financial assets	2,043,104	–
Purchase of property, plant and equipment	(6,977,317)	(5,138,419)
Prepayments for acquisition of property, plant and equipment	913,039	(2,487,801)
Net cash used in investing activities	(103,854,930)	(17,389,028)

For the year ended 31 December 2015

	2015 HK$	2014 HK$
Cash flows from financing activities		
Capital contribution from non-controlling interest	**21,737,146**	–
Capital element of finance leases payments	**–**	(145,499)
Interest element of finance leases payments	**–**	(2,839)
Proceeds from new bank loans	**61,888,562**	30,773,580
Repayments of bank loans	**(71,307,967)**	(33,372,450)
Proceeds from shareholders' loans	**4,000,000**	4,150,000
Repayments of shareholders' loans	**(793,476)**	(8,919,024)
Proceeds from other loans	**500,000**	4,464,000
Repayments of other loans	**(5,638,426)**	(4,500,574)
Repayments on early redemption of convertible bonds	**–**	(16,942,500)
Proceeds from shares issued	**93,073,200**	53,846,000
Share issue cost	**(2,085,560)**	(269,000)
Repurchase of shares	**(5,156,242)**	(669,946)
Net cash generated from financing activities	**96,217,237**	28,411,748
Net (decrease)/increase in cash and cash equivalents	**(3,243,169)**	7,645,434
Cash and cash equivalents at 1 January	**19,475,200**	12,087,545
Effect of foreign exchange rate changes	**278,732**	(257,779)
Cash and cash equivalents at 31 December	**16,510,763**	19,475,200

1. GENERAL INFORMATION

Phoenitron Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal place of business of the Company is located at Unit 302, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") during the year include the manufacturing and sales of smart cards, the provision of customised smart card application systems, the provision of financial and management consultancy services which was provided to its joint venture, trading of scrap metals and sales of petro-chemical products.

The consolidated financial statements for the year ended 31 December 2015 were approved for issued by the board of directors on 22 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 27 to 101 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (note 2.3) made up to 31 December each year. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases. Intra-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the assets transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by another HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss (note 2.17) unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends are recognised in the Company's profit or loss.

2.4 Associates and joint arrangements

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

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

– *Joint ventures:* where the group has rights to only the net assets of the joint arrangement; or

– *Joint operations:* where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates and joint arrangements (Continued)

In assessing the classification of interests in joint arrangements, the Group considers:

– The structure of the joint arrangement;

– The legal form of joint arrangements structured through a separate vehicle;

– The contractual terms of the joint arrangement agreement; and

– Any other facts and circumstances (including any other contractual arrangements).

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss of a year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's share of the other comprehensive income of the associate or joint venture is included in the other comprehensive income of the Group.

Profits and losses arising on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or joint venture's accounting policies to those of the Group.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or the joint venture including long-term interests which are in substance investments, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currencies

The financial statements are presented in Hong Kong Dollar ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is disposed, accumulated exchange differences recognised in the translation reserve relating to that foreign operation up to the date of disposal are reclassified from equity to profit or loss as part of the gain or loss on disposal.

2.6 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses (note 2.17). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off the costs less their residual values over their estimated useful lives, using the straight-line method, at the rate of 20% per annum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.7 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (note 2.18). Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Expenditure on internally developed products such as costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets. All other development costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At the end of each reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(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. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any provision for impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gain or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through amortisation process.

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

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(iii) Available-for-sale financial assets (Continued)

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value, excluding any dividend and interest income which are recognised in profit or loss in accordance with the policies set out in note 2.16, is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see policy below) and foreign exchange gains and losses on monetary assets which are recognised in profit or loss, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses (see policy below) at the end of each reporting period subsequent to initial recognition.

Impairment of financial assets

At the end of each reporting period, the Group's financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently re-measured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Financial liabilities

The Group's financial liabilities include bank and other borrowings, debt component of convertible bonds, trade and other payables and finance lease liabilities. They are financial liabilities carried at amortised costs and are included in the line items in the statement of financial position as borrowings under current or non-current liabilities or trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.20).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial liabilities (Continued)

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (other reserves).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in other reserves until the embedded option is exercised (in which case the balance stated in other reserves will be transferred to share premium). Where the option remains unexercised at the expiry dates, the balance stated in other reserves will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (note 2.13).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases

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

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

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit and loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2.14 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.16 Revenue and other income recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and other income can be measured reliably, revenue and other income is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income from providing financial and management consultancy and handling fee income are recognised when the relevant services are rendered.

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

2.17 Impairment of non-financial assets

Intangible assets with indefinite useful lives are test for impairment at least annually. Property, plant and equipment, other intangible assets and interests in subsidiaries, associates and joint arrangements are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

In respect of non-financial assets other then goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

(i) Retirement benefits costs

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

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

(ii) Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.19 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share-based employee compensation (Continued)

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest.

Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

2.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2.21 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates 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 at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision marker i.e. executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

In respect of geographical information, revenue is based on shipment destination instructed by customers and non-current assets are where the assets are located.

2.23 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint arrangement of the other entity (or an associate or joint arrangement of a member of a group of which the other entity is a member).
- (iii) Both entities are joint arrangements of the same third party.
- (iv) One entity is a joint arrangement 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 the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Related parties (Continued)

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

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

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

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

3. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 January 2015

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle

The adoption of these amendments has no material impact on the financial statements.

(b) New/revised HKFRSs that have been issued but not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(b) New/revised HKFRSs that have been issued but not yet effective (Continued)

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(b) New/revised HKFRSs that have been issued but not yet effective (Continued)

HKFRS 9 (2014) – Financial Instruments (Continued)

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

The new standard specifies how an entity to recognise, measure, present and disclose leases. HKFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS17.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs. The Group is not yet in a position to state whether these new pronouncements will result in material impact on the Group's financial statements.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements.

The provisions of the new Hong Kong Companies Ordinance, Cap. 622 in relation to the preparation of financial statements applied to the Company for this financial year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

(i) Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of estimates and judgment are required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers or debtors were to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

(ii) Allowance for inventories

The management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The management carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. A considerable amount of estimates and judgment are required in assessing the net realisable value of inventories.

(iii) Fair value and impairment assessment of the investment in convertible preferred shares

As disclosed in note 21(a), the Group's investment in the Series A preferred shares of Hota (USA) Holding Corp. accounted for as an available-for-sale financial asset and the derivative component arising from the conversion right of the Series A preferred shares are measured at fair values which are determined based on an income approach using discounted cash flow projection. The valuations were based on certain assumptions and involves significant estimates and judgement, hence the fair values of the Series A preferred shares and the derivative component are subject to significant amount of uncertainty. Further details about the valuations are set out in note 42.6. As disclosed in note 2.8, an available-for-sale financial asset is considered to be impaired if there is objective evidence that the cost may not be recovered. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. Regarding the Series A preferred shares, the management after taking into consideration the industry characteristics of the resources recycling business in which Hota (USA) Holding Corp and its subsidiary are engaged into, considers that a decline in fair value of over 25% is significant and for a period of more than 18 months is prolonged. The determination of whether a decline in the fair value below cost is significant or prolonged requires significant judgement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iv) Impairment of non-financial assets

The Group assesses impairment by evaluating conditions specific to the Group that may lead to impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting date and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and assumptions would affect the estimation of recoverable amounts and cause the adjustments of their carrying amounts.

(v) Impairment loss assessment in respect of amounts due from a joint venture

The impairment assessment on amounts due from a joint venture is based on the evaluation of collectability of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the business environment, operating conditions and the financing and business plans of the joint venture and its wholly owned subsidiary. As at 31 December 2015, the Group's and the Company's carrying amount of amount due from a joint venture amounted to HK$202,837,707 (2014: HK$164,311,322), net of accumulated provision impairment of HK$152,867,268 (2014: HK$152,867,268).

(vi) Impairment on amount due from related company

The impairment policy for amount due from related company is based on management's evaluation of collectability of the related party and on the specific circumstances for the related party. Judgement is required in assessing the ultimate realisation of this amount, including the current creditworthiness and the past collection history of the related party. If the financial condition of the related party was to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive directors for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive directors, the chief operating decision-makers, are determined following the Group's major product and service lines. The segment information for the year ended 31 December 2015 has been reclassified to align with the presentation of the latest segment information disclosure. The Group is currently organised into the following five operating segments:

- Sales of smart cards*;
- Sales of smart card application systems;
- Financial and management consultancy services;
- Trading of scrap metals; and
- Sales of petro-chemical products.

* Renamed from "sales of smart cards and plastic cards" to "sales of smart cards".

5. SEGMENT INFORMATION (Continued)

The financial and management consultancy services are provided to the joint venture of the Group which is principally engaged in resources recycling business.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit or loss is the same as those used in preparing these financial statements under HKFRSs except that finance costs, income tax, share of results of an associate, fair value loss on a financial derivative, impairment loss on amount due from a joint venture, impairment loss on other receivables and prepayments, corporate income and expenses and other income and expenses not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible assets, interest in an associate, long-term financial assets, amount due from non-controlling interests, tax assets, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as pledged bank deposits and cash and cash equivalents.

Segment liabilities include all liabilities except for tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as borrowings.

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, loss before income tax, total assets, total liabilities and other segment information are as follows:

2015

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Corporate/ Unallocated HK$	Consolidated HK$
Reportable segment revenue	135,433,711	19,650	5,907,041	–	2,192,592,027	–	2,333,952,429
Reportable segment profit/(loss)	(23,130,794)	(21,502)	45,748,974	(3,491,671)	5,478,677	(27,350)	24,556,334
Finance costs							(1,611,551)
Impairment loss on interest in an associate							(527,805)
Exchange losses, net							(4,491,457)
Corporate expenses, net							(7,444,941)
Profit before income tax							10,480,580

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (Continued)

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Corporate/ Unallocated HK$	Consolidated HK$
							Total HK$
Reportable segment assets	76,931,568	4,125	202,837,077	3,716,096	97,083,316	2,632,018	383,204,200
Intangible assets							420,000
Amount due from non-controlling interests							500,000
Tax recoverable							118,597
Pledged bank deposits							3,677,778
Cash and cash equivalents							16,510,763
Total consolidated assets							404,431,338
Reportable segment liabilities	49,930,032	15,400	–	575,805	389,751	2,005,890	52,916,878
Borrowings							30,361,932
Deferred tax liabilities							4,707
Total consolidated liabilities							83,283,517
Other information							
Depreciation	16,574,422	–	–	186,139	–	187,628	16,948,189
Interest income	19,243	6	40,407,839	3,836	7,520	1,578	40,440,022
Additions to specified non-current assets	6,977,317	–	–	–	–	–	6,977,317

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (continued)

2014

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Corporate/ Unallocated HK$	Consolidated HK$
Reportable segment revenue	194,224,272	39,990	5,907,042	1,340,214	260,422,526	–	461,934,044
Reportable segment profit/(loss)	(9,644,258)	(7,743)	55,342,060	(4,160,583)	946,228	(26,727)	42,448,977
Fair value loss on a financial derivative							(46,257,586)
Finance costs							(5,924,609)
Impairment loss on amount due from a joint venture							(92,331,903)
Impairment loss on other receivables and prepayments							(27,758,100)
Share of losses of an associate							(468,476)
Unallocated interest income							25,435
Corporate expenses, net							(2,781,855)
Loss before income tax							(133,048,117)

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (continued)

2014

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Corporate/ Unallocated HK$	Consolidated HK$
							Total HK$
Reportable segment assets	145,833,651	6,175	168,059,906	4,116,464	12,744,485	14,210	330,774,891
Interest in an associate							527,805
Long-term financial assets							2,158,058
Intangible assets							420,000
Amount due from non-controlling interests							4,293,968
Pledged bank deposits							6,820,908
Cash and cash equivalents							19,475,200
Total consolidated assets							364,470,830
Reportable segment liabilities	104,093,626	14,500	1,298,320	481,300	54,060	–	105,941,806
Borrowings							41,887,129
Current tax liabilities							538,200
Deferred tax liabilities							4,707
Total consolidated liabilities							148,371,842
Other information							
Depreciation	16,510,070	–	187,627	271,780	–	–	16,969,477
Interest income	3,979	5	50,140,015	2,984	430	17,170	50,164,583
Additions to specified non-current assets	5,138,419	–	–	–	–	–	5,138,419

There has been no inter-segment sale between different business segments during the year or in prior year.

Specified non-current assets include property, plant and equipment, intangible assets and interest in an associate.

5. SEGMENT INFORMATION (Continued)

Geographical information

The following table presents the revenue from external customers for the reporting period and the specified non-current assets by geographical locations as at the reporting date.

	Revenue from external customers		Specified non-current assets	
	2015	2014	**2015**	2014
	HK$	HK$	**HK$**	HK$
Denmark, France, United Kingdom, Spain	**36,543,647**	66,256,789	**–**	–
Hong Kong	**644,377**	543,356	**1,139,230**	1,021,539
India, Indonesia, Singapore	**17,812,965**	26,687,692	**–**	–
Mauritius and South Africa	**3,258,613**	2,182,564	**–**	–
The PRC, excluding Hong Kong	**2,269,579,611**	358,185,875	**33,348,173**	50,715,132
Others	**6,113,216**	8,077,768	**2,362,824**	2,670,107
Total	**2,333,952,429**	461,934,044	**36,850,227**	54,406,778

The Company is an investment holding company incorporated in the Cayman Islands where the Group does not have activities. Since the major operations of the Group are conducted in PRC, PRC is considered as the Group's country of domicile for the disclosure purpose of HKFRS 8 *Operating Segments.*

Information about major customers

Revenue from each of the major customers during the reporting period is as follows:

	2015	2014
	HK$	HK$
Customer A	**1,127,616,056**	N/A[2]
Customer B	**246,619,769**	N/A[2]
Customer C	**N/A[1]**	N/A[2]
Customer D	**N/A[1]**	N/A[2]
Customer E	**N/A[1]**	104,359,721

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group in 2015.

[2] These are new customers in 2015. Therefore, they did not contribute any revenue to the Group in 2014.

6. REVENUE

The Group's principal activities are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the reporting period is as follows:

	2015 HK$	2014 HK$
Sales of smart cards	**135,433,711**	194,224,272
Sales of smart card application systems	**19,650**	39,990
Sales of petro-chemical products	**2,192,592,027**	260,422,526
Financial and management consultancy services	**5,907,041**	5,907,042
Trading of scrap metals	**–**	1,340,214
	2,333,952,429	461,934,044

7. OTHER INCOME

	2015 HK$	2014 HK$
Interest income	**40,440,022**	50,164,583
Sundry income	**95,639**	3,169,087
	40,535,661	53,333,670

8. OTHER LOSSES, NET

	2015 HK$	2014 HK$
Loss on disposal of property, plant and equipment	**155,443**	55,518
Loss on disposal of long-term financial assets *(Note 21b)*	**114,954**	–
Exchange losses, net	**4,491,457**	499,561
	4,761,854	555,079

9. FINANCE COSTS

	2015 HK$	2014 HK$
Interest charges on bank loans	**937,413**	1,053,552
Interest element of finance lease payments	**–**	2,839
Interest on convertible bonds	**–**	3,673,859
Interest charges on other borrowings	**674,138**	1,194,359
	1,611,551	5,924,609

10. PROFIT/(LOSS) BEFORE INCOME TAX

	2015 HK$	2014 HK$
Profit/(loss) before income tax is arrived at after charging:		
Auditors' remuneration	**854,827**	570,000
Costs of inventories recognised as expenses	**2,311,360,595**	434,987,175
Written-off of property, plant and equipment	**2,547,184**	–
Depreciation		
– Owned assets	**16,948,189**	16,794,357
– Leased assets	**–**	175,120
	16,948,189	16,969,477
Bad debts written off	**339,166**	200,000
Employee benefit expenses *(note 14)*	**44,511,127**	45,175,692
Loss on disposal of property, plant and equipment	**155,443**	55,518
Operating lease charges on land and buildings	**8,053,737**	7,887,549
Provision for staff laid-off	**899,203**	–
Provision for impairment loss on inventories[1]	**2,109,133**	–
Research and development costs	**–**	967

[1] Included in costs of inventories recognized as expenses

11. INCOME TAX EXPENSE

	2015 HK$	2014 HK$
Current tax		
Hong Kong Profits Tax:		
Current year	1,885,509	1,482,038
Under/(Over)-provision in prior year	657,726	(1,140,437)
	2,543,235	341,601
PRC Enterprise Income Tax ("EIT"):		
Current year	1,384,425	252,345
Total income tax expense	3,927,660	593,946

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Taxation for subsidiaries established and operated in the PRC is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to EIT at the rate of 25% (2014: 25%).

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rates is as follows:

	2015 HK$	2014 HK$
Profit/(Loss) before income tax	10,480,580	(133,048,117)
Income tax at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	1,729,296	(21,952,939)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,335,823)	(1,862,398)
Tax effect of non-deductible expenses	1,349,800	27,957,331
Tax effect of non-taxable income	(6,977,672)	(8,639,188)
Tax effect of tax losses not recognized	9,594,758	6,197,550
Utilisation of tax losses previously not recognized	(182,181)	–
Tax effect of other temporary differences not recognized	107,615	66,202
Under/(Over)-provision in prior year	657,726	(1,140,437)
Others	(15,859)	(32,175)
Income tax expense	3,927,660	593,946

12. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014: nil).

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK$5,529,253 (2014: a loss of HK$133,816,554) and the weighted average of 3,643,956,521 (2014: 3,228,920,644) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 December 2015 is based on the profit attributable to owners of the Company of HK$5,529,253 and the weighted average of 3,645,813,031 ordinary shares, calculated as follows:

	2015
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**3,643,956,521**
Effect of deemed issue of shares under the Company's share option scheme	**1,856,510**
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**3,645,813,031**

No adjustment has been made to diluted loss per share as the outstanding share options had anti-dilutive effect on the basic loss per share for the year ended 31 December 2014.

14. EMPLOYEE BENEFIT EXPENSES

	2015 HK$	2014 HK$
Salaries, wages and other benefits	**40,162,454**	40,463,271
Contributions to defined contribution retirement plans	**4,348,673**	4,712,421
	44,511,127	45,175,692

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' emoluments for the years ended 31 December 2015 and 2014 are as follows:

2015

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Total HK$
Executive Directors:					
Lily Wu *(note)*	–	338,613	–	16,931	355,544
Chang Wei Wen	–	1,206,825	55,952	53,915	1,316,692
Yang Meng Hsiu	–	322,857	5,952	32,840	361,649
	–	1,868,295	61,904	103,686	2,033,885
Independent Non-executive Directors:					
Wong Ka Wai, Jeanne	80,000	–	–	–	80,000
Leung Ka Kui, Johnny	80,000	–	–	–	80,000
Chan Siu Wing, Raymond	80,000	–	–	–	80,000
	240,000	–	–	–	240,000
	240,000	1,868,295	61,904	103,686	2,273,885

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

2014

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Total HK$
Executive Directors:					
Lily Wu *(note)*	–	338,613	–	16,197	354,810
Chang Wei Wen	–	1,218,021	50,000	37,476	1,305,497
Yang Meng Hsiu	–	340,693	12,500	17,714	370,907
	–	1,897,327	62,500	71,387	2,031,214
Independent Non-executive Directors:					
Wong Ka Wai, Jeanne	74,712	–	–	–	74,712
Leung Ka Kui, Johnny	74,712	–	–	–	74,712
Chan Siu Wing, Raymond	74,712	–	–	–	74,712
	224,136	–	–	–	224,136
	224,136	1,897,327	62,500	71,387	2,255,350

Note:

Ms. Lily Wu is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive for the year ended 31 December 2014 and 2015.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2014: nil).

There was no arrangements under which a director waived or agreed to waive any emoluments during the year (2014: nil).

16. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include one (2014: three) director(s) whose remuneration is disclosed in note 15. The aggregate emoluments of the remaining four (2014: two) highest paid individuals are as follows:

	2015 HK$	2014 HK$
Salaries and allowances	1,805,685	1,387,447
Contributions to retirement scheme	59,661	33,500
	1,865,346	1,420,947

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
Nil – HK$1,000,000	4	2
HK$1,000,001 – HK$1,500,000	–	–

17. RETIREMENT SCHEMES

Under the Mandatory Provident Fund Schemes Ordinance regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group participates in a Mandatory Provident Fund retirement benefits scheme (the "MPF scheme") operated by an approved trustee in Hong Kong and makes contributions for its eligible employees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income. The cap of monthly relevant is increased from HK$25,000 to HK$30,000 from 1 June 2014. Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiaries are required to contribute specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the reporting period, the aggregate amount of employer's contribution made by the Group is HK$4,348,673 (2014: HK$4,712,421). No forfeited contribution is available for offset against existing contributions during the reporting period (2014: nil).

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Printing and testing equipment HK$	Office equipment HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Motor vehicles HK$	Total HK$
At 1 January 2014						
Cost	143,041,821	4,430,505	6,725,541	18,331,332	4,166,504	176,695,703
Accumulated depreciation	(98,529,801)	(3,154,979)	(3,508,504)	(8,515,674)	(2,625,096)	(116,334,054)
Net book amount	44,512,020	1,275,526	3,217,037	9,815,658	1,541,408	60,361,649
Year ended 31 December 2014						
Opening net book amount	44,512,020	1,275,526	3,217,037	9,815,658	1,541,408	60,361,649
Additions	4,555,002	113,434	75,008	394,975	–	5,138,419
Disposals	(3,431)	(3,004)	–	–	(548,043)	(554,478)
Depreciation	(12,747,946)	(389,392)	(822,345)	(2,491,264)	(518,530)	(16,969,477)
Exchange differences	(384,790)	(26,165)	(79,356)	(212,163)	(10,426)	(712,900)
Closing net book amount	35,930,855	970,399	2,390,344	7,507,206	464,409	47,263,213
At 31 December 2014						
Cost	146,170,192	4,344,185	6,637,884	18,303,165	3,241,035	178,696,461
Accumulated depreciation	(110,239,337)	(3,373,786)	(4,247,540)	(10,795,959)	(2,776,626)	(131,433,248)
Net book amount	35,930,855	970,399	2,390,344	7,507,206	464,409	47,263,213
Year ended 31 December 2015						
Opening net book amount	**35,930,855**	**970,399**	**2,390,344**	**7,507,206**	**464,409**	**47,263,213**
Additions	**6,252,217**	**268,978**	**41,584**	**–**	**414,538**	**6,977,317**
Disposals	**(155,443)**	**–**	**–**	**–**	**–**	**(155,443)**
Written-off	**-**	**–**	**(602,455)**	**(1,944,729)**	**–**	**(2,547,184)**
Depreciation	**(13,022,134)**	**(393,877)**	**(717,171)**	**(2,475,541)**	**(339,466)**	**(16,948,189)**
Exchange differences	**(897,284)**	**(30,031)**	**(80,144)**	**(249,839)**	**(26,851)**	**(1,284,149)**
Closing net book amount	**28,108,211**	**815,469**	**1,032,158**	**2,837,097**	**512,630**	**33,305,565**
At 31 December 2015						
Cost	**144,434,100**	**3,797,991**	**3,739,847**	**11,503,539**	**3,571,623**	**167,047,100**
Accumulated depreciation	**(116,325,889)**	**(2,982,522)**	**(2,707,689)**	**(8,666,442)**	**(3,058,993)**	**(133,741,535)**
Net book amount	**28,108,211**	**815,469**	**1,032,158**	**2,837,097**	**512,630**	**33,305,565**

Certain printing and testing equipment are pledged for the Group's bank facilities as further detailed in note 40.

19. INTANGIBLE ASSET

	China driving licence HK$
At January 2014, 31 December 2014 and 31 December 2015	
Cost	**420,000**
Accumulated impairment	**–**
Net book amount	**420,000**

The intangible asset represents the acquisition cost of a driving licence in China. The China driving licence is considered to have an indefinite economic life as there is no foreseeable limit on the period of time over which the driving licence is expected to generate economic benefit to the Group and the licence is renewable at minimal cost. Accordingly it is not amortised.

20. INTEREST IN AN ASSOCIATE

	2015 HK$	2014 HK$
Share of net assets	**–**	527,805

Details of the Group's associate as at 31 December 2015 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Group's effective interest	Principal activities
力欣房地產經紀（上海）有限公司	The PRC	Renminbi ("RMB") 5,000,000	20%	Real estate advisory

The associate has a reporting date of 31 December. The summarised financial information of the associate is as follows:

	2015 HK$	2014 HK$
Loss for the year and total comprehensive income	**–**	(2,342,381)
The Group's share	**–**	(468,476)

The associate became dormant and inactive during the year ended 31 December 2015, accordingly, financial information is not available to disclose in the financial statements.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in this associate.

The directors consider the investment cost in associate have been impaired and would not be recoverable as at 31 December 2015, an impairment loss of HK$527,805 had been recognised in the consolidated statement of profit or loss and other comprehensive income.

21. LONG-TERM FINANCIAL ASSETS

	2015 **HK$**	2014 HK$
Investment in Hota (USA) *(note (a))*	**–**	–
Investment in Guangzhou Tecsun *(note (b))*	**–**	2,158,058
	–	2,158,058

Notes:

(a) Hota (USA) Holding Corp. ("Hota (USA)") is an investment holding company incorporated in the United States of America. As at 31 December 2015, Hota (USA) had equity holdings in the entire issued capital of a PRC entity which is principally engaged in the business of disintegration of used automobiles and sale of metal derived from automobiles in Zhangjiagang, the PRC (the "Resources Recycling Business"). As at 31 December 2015, the Group is interested in (i) 83.33% (2014: 83.33%) of the Series A preferred shares of Hota (USA), which entitle the Group to receive 5% non-cumulative dividends and are redeemable at 100% of the respective principal amount since the 3rd quarter of 2012; and (ii) 35.29% (2014: 35.29%) of the common shares of Hota (USA). Each of the Series A preferred shares entitles the holder thereof to convert the same into one common share of Hota (USA) and the holders of the Series A preferred shares shall be entitled to have one vote for each common share of Hota (USA) into which each Series A preferred share is convertible on an as-converted basis, and shall vote together with the holders of the common shares. As at 31 December 2015, the Group is interested in 57.81% (2014: 57.81%) of the entire share capital of Hota (USA) as enlarged by the allotment and issue of the common shares upon exercise of the conversion rights attaching to the entire Series A preferred shares in issue. The board of Hota (USA) comprised of 4 directors, 2 of whom were appointed by the Group and decision is taken by simple majority. Accordingly, the directors regard Hota (USA) as a joint venture of the Group.

The Group's investment in the Series A preferred shares of Hota (USA) is accounted for as an available-for-sale financial asset which is stated at fair value of HK$65,309,305 (2014: HK$65,309,305) as at 31 December 2015, with a derivative component arising from the conversion right of the Series A preferred shares which is stated at fair value of HK$12,482,378 (2014: HK$12,482,378) as at 31 December 2015. During the year ended 31 December 2014, fair value loss on the investment in the available-for-sale financial asset and derivative component amounting to HK$11,831,210 and HK$46,257,586 was recognised in the consolidated statement of profit or loss and other comprehensive income.

21. LONG-TERM FINANCIAL ASSETS (Continued)

Notes: (Continued)

(a) (Continued)

The Group's investment in the common shares of Hota (USA) is accounted for as interest in a joint venture. No share of losses of Hota (USA) and its subsidiary (the "Hota Group") is recognised by the Group for the year ended 31 December 2014 and 2015. The accumulated losses share by the Group up to 2012 are applied to and have reduced the Group's investment in the Series A preferred shares of Hota (USA) which are in substance part of the Group's long-term investment in Hota Group.

Details of Hota (USA) and its principal subsidiary as at 31 December 2015 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Percentage of ownership interest	Principal activities
Hota (USA)	USA	Common shares USD34	35.29% (2014: 35.29%)	Investment holding
		Series A preferred shares USD12,000,000	83.33% (2014: 83.33%)	
張家港永峰泰環保科技有限公司 (Hota Auto Recycling Corporation)*	The PRC	USD20,000,000		Resources Recycling Business

* wholly-foreign-owned enterprise held by Hota (USA)

The Resources Recycling Business has stopped commercial production in view of adverse business environment and operating conditions.

21. LONG-TERM FINANCIAL ASSETS (Continued)

Notes: (Continued)

(a) (Continued)

Hota Group has a reporting date of 31 December. Summarised financial information in relation to the joint venture is presented below:

	2015 HK$	2014 HK$
As at 31 December		
Non-current assets	**245,829,392**	271,374,098
Current assets	**46,576,032**	37,819,605
Current liabilities	**(553,618,562)**	(527,178,487)
Non-current liabilities	**(123,789,596)**	(123,861,473)
Net liabilities	**(385,002,734)**	(341,846,257)
Included in the above amounts are:		
Cash and cash equivalents	**40,707**	50,933
Current financial liabilities (excluding trade and other payable)	**(478,656,715)**	(407,216,929)
Non-current financial liabilities (excluding other payable and provision)	**(123,789,596)**	(123,861,473)
Year ended 31 December		
Revenue	**3**	481,726
Loss for the year and total comprehensive income	**(53,386,688)**	(83,336,246)
Included in the above amounts are:		
Depreciation and amortisation	**4,826,863**	7,551,562
Interest income	**–**	(39)
Interest expense	**40,407,839**	73,015,453

The Group has not incurred any contingent liabilities or other commitments relating to its investment in this joint venture.

21. LONG-TERM FINANCIAL ASSETS (Continued)

Notes: (Continued)

(b) The investment represents 11.33% equity interest in Guangzhou Tecsun Golden Card Ltd. (廣州德生金卡有限公司) ("Guangzhou Tecsun"), a PRC entity with paid up registered capital of RMB41,700,000. The Group sold its entire interest in Guangzhou Tecsun. A loss on disposal of long term financial assets of HK$114,954 was recognized in the consolidated statement of profit or loss and other comprehensive income (Note 8).

	2015 HK$	2014 HK$
Unlisted equity securities, at cost	**–**	4,458,058
Less: Provision for impairment	**–**	(2,300,000)
	–	2,158,058

In 2014, the investment in Guanzhou Tecsun is classified as an available-for-sale financial asset and is measured at cost less impairment losses as there is no quoted market price in active markets for the investment and the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

22. INVENTORIES

	2015 HK$	2014 HK$
Raw materials	**7,603,086**	9,216,409
Work-in-progress	**1,666,048**	2,766,994
Finished goods	**677,377**	2,368,457
	9,946,511	14,351,860

23. TRADE AND OTHER RECEIVABLES

	2015 HK$	2014 HK$
Trade receivables	**25,011,495**	75,278,247
Less: Provision for impairment of trade receivables	**–**	-
Trade receivables, net *(note (a))*	**25,011,495**	75,278,247
Other receivables, deposits and prepayments *(note (b))*	**39,689,371**	53,290,648
Less: Provision for impairment of other receivables and prepayments	**(27,758,100)**	(27,758,100)
Other receivables, net *(note (b))*	**11,931,271**	25,532,548
	36,942,766	100,810,795

Notes:

(a) The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days. Based on the invoice dates, the ageing analysis of the Group's trade receivables net of impairment provision is as follows:

	2015 HK$	2014 HK$
0 – 30 days	**7,357,060**	27,346,701
31 – 90 days	**13,899,032**	42,592,648
Over 90 days	**3,755,403**	5,338,898
	25,011,495	75,278,247

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2015, none of the Group's trade receivables (2014: nil) which were aged over 120 days have been identified as impaired and accordingly, no provision has been made in respect of these receivables.

23. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

The ageing analysis of trade receivables net of impairment provision that are past due but not impaired, based on due date is as follows:

	2015 HK$	2014 HK$
Neither past due nor impaired	**15,737,780**	57,549,355
1 – 30 days past due	**5,543,866**	9,062,142
31 – 90 days past due	**1,658,918**	7,337,333
Over 90 days past due	**2,070,931**	1,329,417
	25,011,495	75,278,247

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) Other receivables of 2014 and 2015 included the outstanding consideration in relation to a partial disposal of interests in Hota (USA) in 2011 amounting to approximately USD1,862,000 (equivalent to HK$14,523,600) (2014: USD1,862,000 (equivalent to HK$14,523,600)). Pursuant to the purchase agreement, the outstanding consideration would be fully settled by 23 April 2012. However, the management assessed that the entire amount cannot be recovered and accordingly, impairment provision of HK$14,523,600 had been made in respect of this balance as at 31 December 2014 and 2015 respectively.

Prepayments of 2014 and 2015 included the deposit payment in relation to purchases of scrap vehicles amounting to HK$13,234,500. The management assessed that the entire amount cannot be recovered and accordingly, impairment provision of HK$13,234,500 had been made in respect of this balance for the year ended 31 December 2014 and 2015 respectively.

Other receivables of 2014 and 2015 included a rental deposit to a substantial shareholder amounting to HK$42,174 (2014: HK$44,100) regarding the lease of office in Taiwan.

24. AMOUNT DUE FROM A JOINT VENTURE

The balances as at 31 December 2015 comprise loans to Hota (USA) and to Hota Auto Recycling Corporation, a wholly owned subsidiary of Hota (USA) which are unsecured, interest bearing at 10% (2014: 10%) and 19% to 24% (2014: 24%) per annum respectively (collectively the “Loans”). The Loans are repayable on demand.

In 2011, the Group entered into a series of loan agreements with the joint venture with terms in relation to a possible capitalisation for the Loans, in case the joint venture failed to repay the Loans together with any interest accrued. With reference to the announcement on 14 March 2014, the Group had requested repayment of the Loans due from Hota Auto Recycling Corporation and had applied to the relevant authorities in Jiangsu, the PRC for debt confirmation in this respect.

The management of the Group used the discounted cash flow method to estimate the expected repayments from the Hota Group with reference to the free cash flows available to settle the debts as reflected in profit and cash flow forecasts prepared by the management of the Hota Group (the “Forecast”). Accumulated provision impairment of HK$152,867,268 (2014: HK$152,867,268) was provided and impairment loss of HK$nil (2014: HK$92,331,903) was recognized in profit or loss for the year ended 31 December 2015. The Group did not hold any collateral over the Loans.

25. AMOUNT DUE FROM A RELATED COMPANY

The balances due from a related company amounting to HK$97,047,619 as at 31 December 2015 are related to prepayment for purchase of petro-chemical products amounting to HK$238,095 and a security deposit to the related company amounting to HK$96,809,524 in providing comfort to the suppliers of a subsidiary in order to extend the subsidiary's local market credit limit and credit terms.

The balance related to the security deposit is unsecured, interest-free and repayable on demand.

26. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

The balances due are unsecured, interest-free and repayable on demand.

27. PLEDGED BANK DEPOSITS

Pledged bank deposits at the end of the reporting period represent time deposit which is denominated in HK$ with original maturity periods of 6 months, which earns interest at a fixed rate of 0.5% per annum and have been pledged for the Group's banking facilities (note 40).

28. CASH AND CASH EQUIVALENTS

	2015 HK$	2014 HK$
Cash at banks and in hand	**16,510,763**	19,475,200

	2015 HK$	2014 HK$
Denominated in:		
RMB	**6,093,809**	8,303,823
Hong Kong Dollars	**6,110,881**	1,301,797
US Dollars	**1,828,912**	8,895,203
New Taiwan Dollar	**2,464,985**	974,377
British Pound	**2,302**	–
Other currencies	**9,874**	–
	16,510,763	19,475,200

As at the reporting date, cash of the Group denominated in RMB amounted to HK$6,064,939 (2014: HK$8,303,823). RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

29. TRADE AND OTHER PAYABLES

	2015 HK$	2014 HK$
Trade payables	**37,956,807**	86,229,425
Other payables and accrual	**14,960,071**	19,712,381
	52,916,878	105,941,806

Credit periods granted by suppliers normally range from 30 days to 90 days. Based on the invoice date, the ageing analysis of the trade payables were as follows:

	2015 HK$	2014 HK$
0 – 30 days	**3,334,000**	24,695,103
31 – 60 days	**4,283,839**	23,709,848
61 – 90 days	**2,091,878**	12,467,289
Over 90 days	**28,247,090**	25,357,185
	37,956,807	86,229,425

30. BORROWINGS

	2015 HK$	2014 HK$
Current liabilities		
Secured bank loans *(note (a))*	**25,861,932**	35,455,227
Other borrowings *(note (b))*	**4,500,000**	6,431,902
Total borrowings	**30,361,932**	41,887,129

Note:

(a) The analysis of the carrying amounts of bank loans is as follows:

	2015 HK$	2014 HK$
Current liabilities		
Portion of term loans due for repayment within one year	**24,218,049**	29,587,734
Portion of term loans due for repayment after one year which contain a repayment on demand clause	**1,643,883**	5,867,493
Total bank loans	**25,861,932**	35,455,227

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

Among the Group's bank borrowings as at 31 December 2015, HK$6,927,402 (2014: HK$6,795,159) were arranged at fixed annual interest rates of 4% to 5.7% (2014: 4% to 6.72%). The remaining balance of the Group's bank borrowings of HK$18,934,530 (2014: HK$28,660,068) were arranged at floating rates LIBOR plus 1.75% per annum and HIBOR plus 2.5% per annum (2014: HIBOR plus 1.5% per annum and HIBOR plus 2.5% per annum).

The interest-bearing bank loans, including the term loans repayable on demand, are carried at amortised cost. Certain of term loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

The above bank loans were secured by certain assets of the Group as disclosed in note 40, and corporate guarantees provided by the Company, its subsidiaries and a director of the Company.

(b) The amounts are unsecured carries interest at 0% to 3% per annum (2014: carries interest at 3% to 5% per annum) and repayable on demand. As at 31 December 2015, included in other loans were amounts advanced from shareholders of HK$4,000,000 (2014: HK$793,476) which are interest free (2014: 5% per annum).

31. CONVERTIBLE BONDS

In July 2013, the Company issued HK$16,942,500 settled convertible bonds with 10% coupon per annum due in one lump sum upon the Maturity Date or the Early Redemption Date (as appropriate) in the aggregate principal amount of HK$16,942,500 to two shareholders and two independent third parties, respectively. The issue of the convertible bonds was completed on 5 July 2013.

The principal terms of the convertible bonds are as follows:

(i) Optional conversion

Each bond will, at the option of the bondholders, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 5 July 2013 up to and including 4 July 2015 into fully paid ordinary shares of the Company (the "shares") with a par value of HK$0.02 each at a conversion price of HK$0.27 per share. A total of 62,750,000 Shares will be allotted and issued upon full conversion of the convertible bonds at the conversion price with HK$16,942,500 principal amount of the convertible bonds.

(ii) Redemption at maturity

Unless previously redeemed, converted, or purchased and cancelled, the convertible bonds will be redeemed on 4 July 2015 at an amount equal to HK$16,942,500.

(iii) Early redemption by the Company

The Company may at any time prior to the maturity date and from time to time redeem the convertible bonds at 100% of the outstanding principal amount, in whole or in part, in cash. The bondholders can then within 15 business days after the date of such notice convert any outstanding amount of the convertible bonds into the Shares at the conversion price of HK$0.27. Upon the expiry of 15 business day after the date of such notice given by the Company, the Company shall redeem the outstanding principal amount of the convertible bonds, together with any interest or other payment that has accrued thereon in accordance with the relevant convertible bonds.

As the functional currency of the Company is HK$, the conversion of the convertible bonds will be settled by exchange of a fixed amount of cash in HK$ with a fixed number of the Company's equity instruments. In accordance with the requirements of HKAS 39 Financial instruments – Recognition and Measurement, the convertible bonds are separated into a liability component consisting of the straight debt and an equity component representing the conversion options of the bondholders to convert the convertible bonds into equity. The proceeds received from the issue of the convertible bonds have been split as follows:

(i) Liability component represents the fair value of the contractually determined stream of cash flows discounted at the prevailing market interest rate applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion features. The interest charged for the year is calculated by applying an effective interest rate of 23.79% to the liability component since the convertible bonds were issued.

(ii) Equity component represents the conversion options, which is determined by deducting the fair value of the liability component from the proceeds of issue of the compound financial instrument as a whole.

31. CONVERTIBLE BONDS (Continued)

The fair value of the liability component of the convertible bonds was calculated using the discounted cash flow model. The major inputs used in the model as at 5 July 2013 were as follows:

	Liability component of the Company
Risk-free rate	0.24%
Expected life	2 years
Credit spread	3.38%

Any changes in the major inputs used in the model will result in changes in the fair value of the liability component. The variables and assumptions used in calculating the fair value of the liability component are based on the director's best estimate.

The Company has early redeemed the Convertible bonds by cash repayment of approximately HK$16,942,000 during the periods 10 March 2014 to 22 October 2014. A gain on redemption of convertible bonds of approximately HK$2,507,000, which represented the difference between the redemption price allocated to liability components amounted to approximately HK$14,050,000 and the total carrying amounts of the liability components of convertible bonds amounted to approximately HK$16,557,000, has been credited to the consolidated statement of comprehensive income for the year ended 31 December 2014. Upon the early redemption of the convertible bonds, the difference of approximately HK$663,000 between the carrying amounts of equity components included in equity component of convertible bonds of approximately HK$3,555,000 and the redemption price allocated to equity components amounted to approximately HK$2,892,000, was released to accumulated losses.

The Convertible bond was valued at the redemption date by an independent professional valuer. The fair value of the liability component of the Convertible bond was calculated using discounted rate method. The major inputs used in the model were as follows:

	10 March 2014	4 September 2014	22 October 2014
Risk-free Rate	0.25%	0.088%	0.0075%
Credit Spread	10.684%	11.21%	15.185%
Liquidity Risk Premium	2%	2%	2%

The movement of the liability and equity components of the convertible bonds for the year is set out below:

	Liability component HK$	Equity component HK$	Total HK$
At 1 January 2014	14,622,664	3,554,524	18,177,188
Interest charged during the year	3,673,859	–	3,673,859
Interest paid during the year	(1,739,631)	–	(1,739,631)
Early Redemption during the year	(16,556,892)	(3,554,524)	(20,111,416)
At 31 December 2014, 1 January 2015 and 31 December 2015	–	–	–

32. DEFERRED TAX

The Group's recognised deferred tax liabilities arise from depreciation allowance in excess of accounting depreciation. The Group has not recognised deferred tax assets in respect of tax losses of HK$113,805,086 as at 31 December 2015 (2014: HK$84,957,063). Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise benefits therefrom. Under the current tax legislation in Hong Kong, the tax losses amounting to HK$8,341,621 (2014: HK$8,479,283) do not have expiry period. Under the current tax legislation in the PRC, the tax losses amounting to HK$104,521,979 (2014: HK$84,957,063) can be carried forward for five years from the year when the corresponding loss was incurred. Under the current tax legislation in Taiwan, the tax losses amounting to HK$941,486 (2014: HK$510,402) can be carried forward for ten years from the year when the corresponding loss was incurred.

Deferred tax liabilities have not been established for the withholding tax that would be payable on the unremitted earnings of certain PRC subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that these subsidiaries will distribute such earnings in foreseeable future. There is no unremitted earnings (2014: Nil) as at 31 December 2015.

33. SHARE CAPITAL

	2015			2014		
	Par value per share HK$	**Number of shares**	**Nominal value HK$**	Par value per share HK$	Number of shares	Nominal value HK$
Authorised:						
Ordinary shares						
At 1 January and 31 December	**0.02**	**5,000,000,000**	**100,000,000**	0.02	5,000,000,000	100,000,000

	2015			2014		
	Par value per share HK$	**Number of shares**	**Nominal value HK$**	Par value per share HK$	Number of shares	Nominal value HK$
Issued and fully paid:						
Ordinary shares						
At 1 January	**0.02**	**3,402,475,000**	**68,049,500**	0.02	3,161,835,000	63,236,700
Repurchase of shares *(note (a))*	**0.02**	**(22,880,000)**	**(457,600)**	0.02	(6,360,000)	(127,200)
Issue of shares upon shares subscription *(note (c))*	**0.02**	**384,600,000**	**7,692,000**	0.02	247,000,000	4,940,000
At 31 December	**0.02**	**3,764,195,000**	**75,283,900**	0.02	3,402,475,000	68,049,500

33. SHARE CAPITAL (Continued)

Notes:

(a) For the year ended 31 December 2015, the Company purchased back 22,880,000 shares over the Stock Exchange. The shares have been duly cancelled. Details of the shares repurchased during 2015 are summarised as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Lowest HK$	Aggregate purchase price HK$
July 2015	12,625,000	0.234	0.207	2,764,035
August 2015	7,675,000	0.249	0.215	1,774,110
September 2015	800,000	0.242	0.228	189,270
November 2015	1,780,000	0.228	0.211	390,585
	22,800,000			5,118,000
Total expenses on shares repurchased during the year				38,242
Total				5,156,242

For the year ended 31 December 2014, the Company purchased back 2,770,000 shares over the Stock Exchange. The shares have been duly cancelled. Details of the shares repurchased during 2014 are summarised as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Lowest HK$	Aggregate purchase price HK$
September 2014	750,000	0.245	0.238	181,120
October 2014	2,020,000	0.240	0.232	479,960
	2,770,000			661,080
Total expenses on shares repurchased during the year				8,866
Total				669,946

33. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) For the year ended 31 December 2014, 57,500,000 non-listed warrants were lapsed, resulting a transfer of HK$1,120,818 from warrant reserve to contributed surplus.

(c) Pursuant to a subscription agreement entered into between the Company and four independent subscribers ("Subscribers") on 21 April 2015, 384,600,000 new ordinary shares of the Company were allotted and issued at a price of HK$0.242 per share to the Subscribers for a total gross cash consideration of HK$93,073,200, which result an increase in the share capital and share premium by HK$7,692,000 and HK$83,295,640 respectively after netting off the cost of share subscription amounted to HK$2,085,560.

Pursuant to a subscription agreement entered into between the Company and seven independent subscribers ("Subscribers") on 3 September 2014, 247,000,000 new ordinary shares of the Company were allotted and issued at a price of HK$0.218 per share to the Subscribers for a total gross cash consideration of HK$53,846,000, which result an increase in the share capital and share premium by HK$4,940,000 and HK$48,637,000 respectively after netting off the cost of share subscription amounted to HK$269,000.

The share capital of the Company comprises only of fully paid ordinary shares of HK$75,283,900 (2014: HK$68,049,500). All shares are equally eligible to receive dividends and to the repayment of capital and each of the shares are entitled to one vote at shareholders' meeting of the Company.

34. SHARE OPTION

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a new share option scheme (the "New Share Option Scheme") was approved and adopted. The summary of the terms of the share option scheme is set out below.

The purpose of the New Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. Under the New Share Option Scheme, the board of directors which shall include the independent non-executive directors may, at its discretion, invite any employees including any executive directors of any companies in the Group to take up options at HK$1.00 to subscribe for shares in the Company at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediate preceding the date of grant; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme.

The option period in respect of any particular option shall be determined by the board of directors, provided that no option shall be exercisable after ten years from the date of its grant.

The share options are fully vested at the date of grant. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

On 17 November 2008, options to subscribe for an aggregate of 3,700,000 shares of the Company at an exercise price of HK$0.93 per share were granted by the Company to certain directors and employees of the Group.

34. SHARE OPTION (Continued)

The movements of the share options during the year and in prior year are as follows:

Name of participant	At 1 January 2015	Forfeited	At 31 December 2015	Date of grant	Exercisable period	Exercise price* HK$
Directors						
Lily Wu	5,000,000	–	5,000,000	17 November 2008	17 November 2008 to 16 November 2018	0.186
	5,000,000	–	5,000,000			
Weighted average exercise price (HK$)	0.186		0.186			

Name of participant	At 1 January 2014	Forfeited	At 31 December 2014	Date of grant	Exercisable period	Exercise price* HK$
Directors						
Lily Wu	5,000,000	–	5,000,000	17 November 2008	17 November 2008 to 16 November 2018	0.186
	5,000,000	–	5,000,000			
Weighted average exercise price (HK$)	0.186		0.186			

No share options were exercised during year (2014: nil).

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 2.95 years (2014: 3.95 years).

At the end of the reporting period, the Company had 5,000,000 (2014: 5,000,000) share options outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,000,000 ordinary shares of the Company and additional share capital of HK$100,000 and contributed surplus of HK$830,000.

35. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Contributed surplus of the Group originally represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses. Subsequent dividend distribution and issue of new shares are dealt with in this reserve.

Translation reserve of the Group represents the exchange differences on translation of the financial statements of the PRC subsidiaries and a Taiwan subsidiary.

Share option reserve is set up in accordance with the accounting policy set out in note 2.19.

Available-for-sale financial assets revaluation reserve is set up in accordance with the accounting policy set out in note 2.8.

Other reserves represent (i) the amount allocated to the equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 2.12; and (ii) the amount of share capital repurchased by the Company during the year but still outstanding at the end of the reporting period.

Certain portion of the retained earnings of the Company's PRC subsidiaries is restricted for distribution. Under the relevant PRC laws and regulations, the PRC subsidiaries are required to appropriate at least 10% of profit after tax to general reserve fund until reaching 50% of the registered capital. The general reserve fund can be applied to set-off accumulated losses and to convert into paid-in capital. Such restricted profits included in the Group's accumulated losses amounted to approximately HK$5,715,340 (2014: HK$5,166,081).

35. RESERVES (Continued)

The Company

	Contributed surplus HK$	Share option reserve HK$	Other reserves HK$	Warrant reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2014	259,974,798	1,360,008	3,482,731	1,120,818	(8,920,132)	257,018,223
Loss for the year	–	–	–	–	(148,680,976)	(148,680,976)
Issue of shares upon shares subscription *(note 33(c))*	48,637,000	–	–	–	–	48,637,000
Repurchase of shares *(note 33(a))*	(614,546)	–	71,800	–	–	(542,746)
Early redemption of convertible bond *(note 31)*	–	–	(3,554,524)	–	662,260	(2,892,264)
Lapse of warrants *(note 33(b))*	1,120,818	–	–	(1,120,818)	–	–
At 31 December 2014 and 1 January 2015	309,118,070	1,360,008	7	–	(156,938,848)	153,539,237
Loss for the year	–	–	–	–	(9,998,237)	(9,998,237)
Issue of shares upon shares subscription *(note 33(c))*	83,295,640	–	–	–	–	83,295,640
Repurchase of shares *(note 33(a))*	(4,698,642)	–	–	–	–	(4,698,642)
At 31 December 2015	**387,715,068**	**1,360,008**	**7**	**–**	**(166,937,085)**	**222,137,998**

Contributed surplus of the Company originally represents the difference between the combined net assets value of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses. Subsequent dividend distribution and issue of new shares are dealt with in this reserve.

36. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2015 HK$	2014 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**78,779**	266,407
Interests in subsidiaries	*37*	**92,919,847**	62,102,063
		92,998,626	62,368,470
Current assets			
Other receivables		**2,539,030**	3,482,176
Amount due from a joint venture		**202,837,077**	164,311,322
Tax recoverable		**323,416**	271,590
Cash and cash equivalents		**5,139,513**	795,276
		210,839,036	168,860,364
Current liabilities			
Other payables		**2,005,889**	1,298,320
Borrowings		**4,000,000**	6,431,902
Amount due to subsidiaries		**409,875**	1,909,875
		6,415,764	9,640,097
Net current assets		**204,423,272**	159,220,267
Total assets less current liabilities		**297,421,898**	221,588,737
Net assets		**297,421,898**	221,588,737
EQUITY			
Share capital	*33*	**75,283,900**	68,049,500
Reserves	*35*	**222,137,998**	153,539,237
Total equity		**297,421,898**	221,588,737

Lily Wu
Director

Chang Wei Wen
Director

37. INTERESTS IN SUBSIDIARIES

	2015 HK$	2014 HK$
Unlisted shares, at cost	**26,954,990**	26,954,990
Amounts due from subsidiaries	**222,401,384**	149,118,649
Less: Provision for impairment	**(156,436,527)**	(113,971,576)
	92,919,847	62,102,063

The amounts due from the subsidiaries are unsecured, interest-free and have no fixed term of repayment. In the opinion of the directors, the amounts due from the subsidiaries would not be recoverable within twelve months from the reporting date.

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

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company	Principal activities
Beijing Tecsun Venus Technology Limited	PRC, wholly-foreign-owned enterprises	US$1,781,842	100%	Smart cards manufacturing and sales
Cardlink Technology (HK) Limited	Hong Kong, limited liability company	HK$10,000	100%	Investment holding
China Phoenitron Energy Shares Limited	Hong Kong, limited liability company	HK$1,000,000	50%	Trading and dismantling of scrap vehicles
Elegant Future (HK) Limited	Hong Kong, limited liability company	HK$1	100%	Investment holdings and trading of scrap vehicles
Elegant Future (Taiwan) Company Limited	Taiwan, limited liability company	NTD50,000,000	100%	Trading and dismantling of scrap vehicles

For the year ended 31 December 2015

37. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company	Principal activities
Intercard Limited	Hong Kong, limited liability company	HK$10,666,667	100%	Sales of smart cards, system development and provision of research and development, marketing and sales
Phoenitron Resources Company Limited	Hong Kong, limited liability company	HK$10,000	100%	Investment holding
PMIS Limited	Hong Kong, limited liability company	HK$10,000	100%	Development and provision of smart card application systems
Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron")	PRC, partially-foreign-owned enterprises	RMB80,000,000 (2014: RMB10,000,000)	75%	Provision of LNG services and sales of petro-chemical products
Si-Bond Holdings Limited	Hong Kong, limited liability company	HK$100	100%	Investment holding
Topwise Technology (SZ) Limited	PRC, wholly-foreign-owned enterprises	HK$10,000,000	100%	Smart cards manufacturing and sales
Waystech Group Limited	BVI, limited liability company	US$10,000	100%	Investment holding
北京萬利時智能科技有限公司	PRC, wholly-foreign-owned enterprises	RMB8,335,083	100%	Smart cards manufacturing and sales
北京市思博智盛科技電子有限公司	PRC, wholly-foreign-owned enterprises	RMB30,784,035	100%	Provision of IC module packaging and testing services
上海仁重新能源科技有限公司	PRC, wholly-foreign-owned enterprises	RMB50,000	75%	Provision of LNG services and sales of petro-chemical products

Other than Waystech Group Limited, which is held directly by the Company, all subsidiaries are held indirectly.

None of the subsidiaries has issued any debt securities at the end of the year.

38. NON-CONTROLLING INTERESTS

Refer to note 37, Shanghai Phoenitron, a 75% subsidiary of the Company, has material non-controlling interest (NCI). The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

Summarised financial information in relation to Shanghai Phoenitron, before intra-group eliminations, is presented below:

	2015 HK$	2014 HK$
For the year ended 31 December		
Revenue	**2,191,305,673**	260,422,526
Profit for the year	**4,138,921**	756,075
Translation reserve	**(4,388,794)**	(143,920)
Total comprehensive income	**(249,873)**	612,155
(Loss)/profit allocated to NCI	**(62,468)**	153,039
Dividends paid to NCI	**–**	–
For the year ended 31 December		
Cash flows from operating activities	**10,211,852**	(12,471,635)
Cash flows from investing activities	**(96,869,048)**	–
Cash flows from financing activities	**86,947,576**	12,618,933
Net cash inflows	**290,380**	147,298
As at 31 December		
Current assets	**99,982,188**	13,516,004
Non-current assets	**59,524**	–
Current liabilities	**(112,923)**	(284,917)
Non-current liabilities	**–**	–
Net assets	**99,928,789**	13,231,087
Accumulated non-controlling interests	**24,982,197**	3,307,772

39. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out by the Group with related parties.

(a) Transactions with related parties

Related party relationship	Type of transaction	Transaction amount 2015 HK$	2014 HK$
Joint venture	Interest income on amount due from a joint venture[1]	**40,407,839**	50,139,148
	Fees earned from providing financial and management consultancy service	**5,907,041**	5,907,041
Substantial shareholder	Consultancy fee expense	**660,000**	660,000
	Interest expense	**9,782**	277,065
	Salaries and allowances	**520,225**	–
	Rental expense	**264,600**	264,600
上海建州石化有限公司 (“Shanghai Jianzhou”)[2]	Purchase of petro-chemical products	**–**	52,131,396

[1] Particulars of the Group’s balance with the joint venture as a result of the above transaction is disclosed in note 24.

[2] Mr. Zhang Zixiang, a director of a major subsidiary of the Group, is the beneficial shareholder of Shanghai Jianzhou.

(b) Compensation of key management personnel

Members of key management during the year comprised only the executive directors whose remunerations are set out in note 15.

40. PLEDGE OF ASSETS

The carrying amounts of the following assets have been pledged to secure general banking facilities granted to the Group:

	The Group 2015 HK$	2014 HK$
Machinery and equipment *(note 18)*	**10,185,005**	17,422,472
Pledged bank deposit	**3,677,778**	6,820,908
	13,862,783	24,243,380

Apart from the above, the Group has assigned the trade receivables of certain customers to a bank to secure borrowings amounting to HK$3,571,429 (2014: HK$9,827,775) granted to the Group as at reporting date.

41. COMMITMENTS

As at the end of the reporting period, the Group had other significant commitments as follows:

Capital commitments

	2015 HK$	2014 HK$
Contracted but not provided for:		
– Acquisition of plant and equipment	**8,299,110**	9,702,779
– Purchase of raw materials	**23,869**	50,561,798

Operating lease commitments

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2015 HK$	2014 HK$
Within one year	**4,945,110**	7,100,469
In the second to fifth year, inclusive	**700,442**	2,210,679
	5,645,552	9,311,148

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2014: one to five years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

For the year ended 31 December 2015

42. FINANCIAL RISK MANAGEMENT

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

In light of the simplicity of the operations, the risk management of the Group is carried out by the board of directors (the "Board") directly. The Board discusses both formally and informally principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

42.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2015 HK$	2014 HK$
Financial assets		
Loans and receivables		
– Trade and other receivables	**32,897,340**	84,228,598
– Pledged deposits	**3,677,778**	6,820,908
– Cash and cash equivalents	**16,510,763**	19,475,200
– Due from a related company	**96,809,524**	–
– Due from a joint venture	**202,837,077**	164,311,322
– Due from non-controlling interests	**500,000**	4,293,968
Available-for-sale financial assets		
– Investment in the preferred shares of Hota (USA)	**65,309,305**	65,309,305
– investment in Guangzhou Tecsun	**–**	2,158,058
Financial assets at fair value through profit or loss		
– Derivative component of investment in the preferred shares of Hota (USA)	**12,482,378**	12,482,378
	431,024,165	359,079,737
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	**51,090,804**	104,541,967
– Borrowings	**30,361,932**	41,887,129
	81,452,736	146,429,096

42. FINANCIAL RISK MANAGEMENT (Continued)

42.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Cash and cash equivalents and deposits with banks are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount including assessing the customer's creditworthiness and financial standing. The credit policy has been followed by the Group since prior years and is considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The general credit terms allowed range from 30 to 90 days. As at the end of the reporting period, the Group does not hold any collateral from customers and the Group has a certain concentration of credit risk as 0% (2014: 0%) of the total trade receivables was due from the Group's largest customer and 0% (2014: 64%) due from the five largest customers of the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23.

42.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

42. FINANCIAL RISK MANAGEMENT (Continued)

42.3 Liquidity risk (Continued)

The table below analyses the Group's borrowings based on undiscounted cash flows (including interest payments computed using contractual rates or current rates at the reporting date) and the earliest date the Group can be required to pay. Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	On Demand HK$	Less than 3 months HK$	Between 3 and 6 months HK$	Between 6 and 12 months HK$
At 31 December 2015				
Bank loans subject to a repayment on demand clause	22,290,503	–	–	–
Other bank loans	–	39,428	49,151	3,679,992
	22,290,503	39,428	49,151	3,679,992
At 31 December 2014				
Bank loans subject to a repayment on demand clause	31,709,909	–	–	–
Other bank loans	–	62,059	62,749	3,848,751
	31,709,909	62,059	62,749	3,848,751

The following table summarises the maturity analysis of the Group's and the Company's financial liabilities, including bank loans with a repayment on demand clause, based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "On demand" time band in the maturity analysis contained above. Taking into account the Group's and the Company's financial position, the directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

42. FINANCIAL RISK MANAGEMENT (Continued)

42.3 Liquidity risk (Continued)

	Less than 3 months or on demand HK$	Between 3 and 6 months HK$	Between 6 and 12 months HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$
At 31 December 2015					
Trade and other payables	**51,090,804**	**–**	**–**	**–**	**–**
Bank loans subject to a repayment on demand clause	**17,672,963**	**1,188,166**	**1,982,948**	**1,229,036**	**446,340**
Other bank loans	**39,428**	**49,151**	**3,679,992**	**–**	**–**
Other borrowings	**4,501,150**	**–**	**–**	**–**	**–**
	73,304,345	**1,237,317**	**5,662,940**	**1,229,036**	**446,340**
At 31 December 2014					
Trade and other payables	104,541,967	–	–	–	–
Bank loans subject to a repayment on demand clause	21,814,819	1,987,002	2,359,637	4,352,627	1,675,363
Other bank loans	62,059	62,749	3,848,751	–	–
Other borrowings	6,431,902	–	–	–	–
	132,850,747	2,049,751	6,208,388	4,352,627	1,675,363

42. FINANCIAL RISK MANAGEMENT (Continued)

42.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings. Bank loans and finance lease arrangements issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 30. The Group conducts periodical review to determine preferred interest rates mix appropriate for the business profile. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The policy to manage interest rate risk has been followed by the Group since prior years is considered to be effective.

Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit for the year and equity to a possible change in interest rates of +/- 0.5% (2014:+/- 0.5%), with effect from the beginning of the year. The calculations are based on the Group's borrowings held at the end of the reporting period. All other variables are held constant.

The Group

	2015 Increase/ (Decrease) in profit for the year and decrease/ (increase) in accumulated losses HK$	2014 Decrease/ (Increase) in loss for the year and accumulated losses HK$
Change in interest rate:		
+0.5%	**(79,000)**	(146,000)
- 0.5%	**79,000**	146,000

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

The sensitivity analysis for the year ended 31 December 2014 has been prepared on the same basis.

42. FINANCIAL RISK MANAGEMENT (Continued)

42.5 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in RMB, Euro ("EUR") and US$. These are not the functional currencies of the Group entities to which these transactions relate.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

The Group

	2015					2014				
	RMB	US$	EUR	NTD	GBP	RMB	US$	EUR	NTD	GBP
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Trade and other receivables	11,116,707	16,469,208	79,121	–	–	–	25,602,723	320,320	–	–
Cash and cash equivalents	2,164	2,456,461	–	–	2,462,724	8,303,823	8,895,203	–	974,377	–
Amounts due from a jointly venture	141,246,484	61,472,791	–	–	–	164,311,322	–	–	–	–
Investment in Series A preferred shares										
– Available-for-sale financial assets	–	65,309,305	–	–	–	–	65,309,305	–	–	–
– Derivative component	–	12,482,378	–	–	–	–	12,482,378	–	–	–
Trade and other payables	(24,442,355)	(9,141,820)	–	(23,108)	(33,948,638)	(14,035)	(23,697,478)	–	–	(194,987)
Gross exposure arising from recognised financial assets and liabilities	127,923,000	149,048,323	79,121	(23,108)	(31,485,914)	172,601,110	88,592,131	320,320	974,377	(194,987)

42. FINANCIAL RISK MANAGEMENT (Continued)

42.5 Foreign currency risk (Continued)

Sensitivity analysis

As HK$ is linked to US$, the directors consider that the Group's exposure on currency risk in respect of US$ is not significant. The following table illustrates the sensitivity of the Group's profit for the year and equity in regards to a 5% (2014: 5%) appreciation in the Group entities' functional currencies against other foreign currencies. The 5% (2014: 5%) is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

The Group

	2015 Increase/(Decrease) in profit for the year and decrease/(increase) in accumulated losses				2014 Decrease/(Increase) in loss for the year and accumulated losses			
	RMB HK$	EUR HK$	GBP HK$	NTD HK$	RMB HK$	EUR HK$	GBP HK$	NTD HK$
Changes in exchange rate:								
HK$ appreciate by 5% (2014: 5%) against foreign currencies	(5,341,000)	(3,000)	1,000	977,000	(7,206,000)	(13,000)	8,000	(41,000)
HK$ depreciate by 5% (2014: 5%) against foreign currencies	5,341,000	3,000	(1,000)	(977,000)	7,206,000	13,000	(8,000)	41,000

The sensitivity analysis for the year ended 31 December 2015 has been prepared on the same basis.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

42. FINANCIAL RISK MANAGEMENT (Continued)

42.6 Fair value measurements recognised in the statement of financial position

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1:quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

An analysis of the Group's financial assets measured at fair value is as follows:

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
At 31 December 2015				
Available-for-sale financial assets				
– Investment in the preferred shares of Hota (USA)	**–**	**–**	**65,309,305**	**65,309,305**
Financial assets at fair value through profit or loss				
– Derivative component of investment in the preferred shares of Hota (USA)	**–**	**–**	**12,482,378**	**12,482,378**
	–	**–**	**77,791,683**	**77,791,683**

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
At 31 December 2014				
Available-for-sale financial assets				
– Investment in the preferred shares of Hota (USA)	–	–	65,309,305	65,309,305
Financial assets at fair value through profit or loss				
– Derivative component of investment in the preferred shares of Hota (USA)	–	–	12,482,378	12,482,378
	–	–	77,791,683	77,791,683

42. FINANCIAL RISK MANAGEMENT (Continued)

42.6 Fair value measurements recognised in the statement of financial position (Continued)

	Financial assets/ financial liabilities	Fair value as at 31 December 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
1)	Long-term financial assets – available-for-sale financial asset	Investment in the preferred shares of Hota (USA) HK$65,309,305	Level 3	Discounted cash flow. The key inputs are: Discount rate	Discount rate, taking into account management's experience and knowledge of market conditions of the specific industries.
2)	Long-term financial assets – derivative component	Derivative component of investment in the preferred shares of Hota (USA) HK$12,482,378	Level 3	Binomial Option Pricing Model. The key inputs are: Volatility, discount rate.	Volatility, not observable and derived by calculation of implied volatility. Discount rate, taking into account management's experience and knowledge of market conditions of the specific industries.

During the reporting period, there were no transfers of instruments between Level 1 and Level 2.

The fair value of the Group's investment in the preferred shares of Hota (USA) which are unlisted securities has been estimated using a valuation technique of discounted cash flow method with significant unobservable inputs. The valuation requires directors to make estimates about the expected future cash flows which are discounted at rate of 15.39% – 36.11%. Based on the cash flows projection, Hota (USA) will soon be operated with its full production capacity with initial profit contribution in 2017.

The Group's financial assets classified in Level 3 use valuation techniques based in significant inputs that are not observable market data. The financial instruments within this level can be reconciled from opening to closing balances as follows:

	2015 HK$	2014 HK$
Opening balance	**77,791,683**	135,880,479
Total losses recognised in profit or loss	**–**	(46,257,586)
Total losses recognised in other comprehensive income	**–**	(11,831,210)
Closing balance	**77,791,683**	77,791,683

42. FINANCIAL RISK MANAGEMENT (Continued)

42.6 Fair value measurements recognised in the statement of financial position (Continued)

Fair value measurements and valuation processes

The Group's finance department reviews the valuations of financial instruments for financial reporting purposes, including Level 3 fair values. These valuation results are then reported to the Directors and Group senior management for discussions in relation to the valuation processes and results.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the finance department will establish the appropriate valuation techniques and inputs to the model. The finance department reports the findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

43. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optima capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of gearing ratio. The ratio defined and calculated by the Group as total borrowings expressed as a percentage of total assets, was 7.5% as at 31 December 2015 as compared to 11.5% as at 31 December 2014.

Financial Summary

For the year ended 31 December 2015

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for each of the five years ended 31 December 2015:

CONSOLIDATED RESULTS

	2011 HK$	2012 HK$	2013 HK$	2014 HK$	**2015** **HK$**
Revenue	139,172,687	129,141,518	134,350,091	461,934,044	**2,333,952,429**
Profit/(loss) from operations	165,540,537	8,421,444	(136,268,577)	(126,655,032)	**12,092,131**
Finance costs	(713,242)	(1,303,678)	(2,961,596)	(5,924,609)	**(1,611,551)**
Share of profits/(losses) of an associate	–	(269,078)	130,223	(468,476)	**–**
Share of losses of a joint venture	(73,798,214)	(17,674,003)	–	–	**–**
Profit/(Loss) before income tax	91,029,081	(10,825,315)	(139,099,950)	(133,048,117)	**10,480,580**
Income tax expense	(3,958,610)	(1,466,716)	(1,913,869)	(593,946)	**(3,927,660)**
Profit/(Loss) for the year	87,070,471	(12,292,031)	(141,013,819)	(133,642,063)	**6,552,920**
Earnings/(Loss) per share					
Basic	2.924 cents	(0.405) cents	(4.480) cents	(4.144) cents	**0.152 cents**
Diluted	2.919 cents	(0.405) cents	(4.480) cents	(4.144) cents	**0.152 cents**

CONSOLIDATED ASSETS AND LIABILITIES

	2011 HK$	2012 HK$	2013 HK$	2014 HK$	**2015** **HK$**
Non-current assets	209,005,802	210,206,116	123,574,685	54,406,777	**36,850,227**
Current assets	283,750,671	300,282,086	306,377,720	310,064,053	**367,581,111**
Current liabilities	69,834,106	73,328,491	106,809,209	148,367,135	**83,278,810**
Non-current liabilities	426,605	150,206	14,627,371	4,707	**4,707**