Addchance

Addchance Holdings Limited

互益集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 3344)

2015

Annual Report

TABLE OF CONTENTS

Pages

FINANCIAL HIGHLIGHTS

Key Financial Results

	Year ended 31st December,					
	2015	2014	Changes	2013	2012	2011
	HK$'000	HK$'000	+/-%	HK$'000	HK$'000	HK$'000
Turnover	961,072	1,016,283	-5.4%	1,401,667	1,450,209	1,291,790
Gross (Loss) Profit	(499,932)	72,256	-791.9%	322,923	278,468	284,163
(Loss) Profit for the year	(951,129)	(184,258)	416.2%	59,455	30,561	90,253
(Loss) earnings per share						
(in HK cents)	(155.05)	(41.76)	271.3%	13.47	7.28	20.38

Financial Ratios

	Year ended 31st December,				
	2015	2014	2013	2012	2011
Profitability ratios:					
Gross margin (%)	n/a	7.1	23.0	19.2	22.0
Net margin (%)	n/a	n/a	4.2	2.1	7.0
Liquidity ratios:					
Current ratio (times)	0.61	1.03	1.13	1.15	1.1
Stock turnover (days) *(Note 1)*	101	398	298	238	283
Debtors turnover (days) *(Note 2)*	54	87	155	147	80
Creditors turnover (days) *(Note 3)*	16	25	28	35	22
Capital adequacy ratio					
Gearing ratio (%) *(Note 4)*	57.7	43.8	43.5	43.8	45

Notes:

1. The number of stock turnover days is equal to inventory at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

2. The number of debtors' turnover days is equal to trade and bills receivables at the end of the year divided by the sales of the year and then multiplied by 365 days.

3. The number of creditors' turnover days is equal to trade and bills payable at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

4. The gearing ratio is equal to total bank borrowings at the end of the year divided by total assets at the end of the year.

EXECUTIVE DIRECTORS

Mr. SUNG Kim Ping *(Chairman)*
Mr. WONG Chiu Hong
Mr. TSANG Fai
Mr. LO Ping
Mr. YEUNG Choi Yee
Mr. ZHENG Jun

NON-EXECUTIVE DIRECTORS

Mr. CHUI Chi Yun, Robert, M.H
Mr. WU Kehao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. HUANG Yunjie
Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

COMPANY SECRETARY

Ms. HUI Wai Man, Shirley

MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Ms. HUANG Yunjie
Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

AUTHORIZED REPRESENTATIVES

Mr. WONG Chiu Hong
Ms. HUI Wai Man, Shirley

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Sung's Tower
15-19 Lam Tin Street
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Shanghai Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

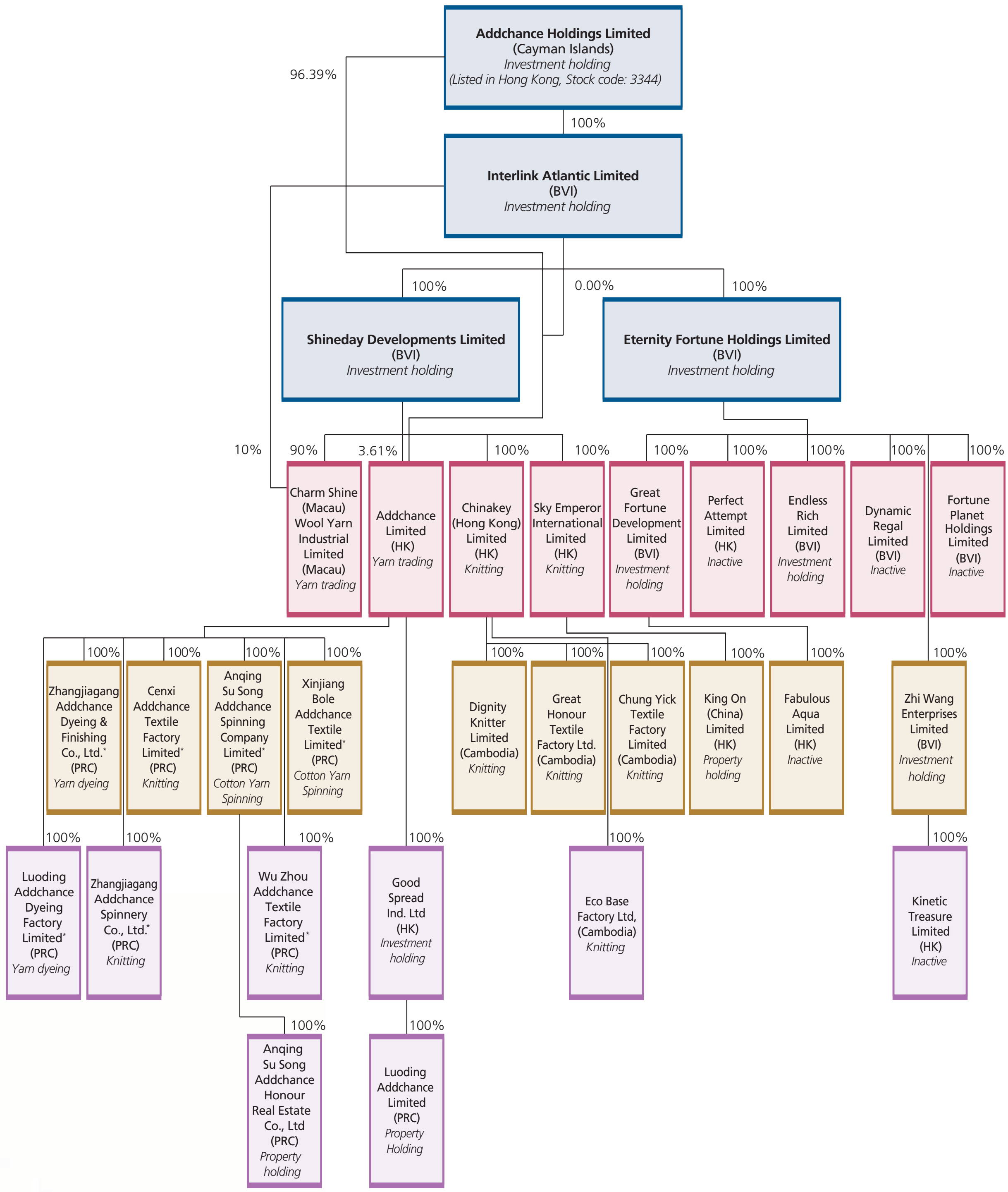
WEBSITE

www.irasia.com/listco/hk/addchance/index.htm
www.addchance.com.hk

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 31ST DECEMBER, 2015



In 2015, the downturn in textile industry continued and exports from China slowed down. Textile industry emerged in Southeast Asia and countries such as Myanmar. These regions performed better than other existing regions in terms of human resources and raw materials, which intensified the market competition. The Group also continued to make adjustments. Apart from maintaining the advantage of knitted sweaters in Cambodia, the Group also gradually shut down the production of computer-operated machines for knitted sweaters in Zhangjiajiang Addchance Dyeing and Finishing Co., Ltd. and Anqing Su Song Addchance Spinning Company Limited in China, and relocate these facilities to the more efficient plant in Cambodia.

At the same time, as the labour costs in China continued to increase, there was a vicious cycle in the market. Therefore, the Group continuously streamlined domestic operations. Efforts in reducing human resources and costs were undertaken. Zhangjiajiang is the central region of major textile product and yarn in China and Zhangjiajiang Addchance Dyeing and Finishing Co., Ltd. was based in domestic market. The Group also assisted with the developing categories for domestic sales for market adaptation.

Taking into account the gradual diverse transformation, the Group invested in a Shanxi natural gas project last year. Leveraging on the state policy of low carbon and reducing emission, the Group targeted to introduce natural gas, which is considered to be clean energy, to urban areas of China. With gas as the priority category, the Group assisted the gradual implementation of gas and pipelines constructions. The project will constitute a new business driver to the Group in future.

MR. SUNG KIM PING
CHAIRMAN

Hong Kong, 31st March, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

We are pleased to report the audited results of the Group for the year ended 31st December, 2015. The Group's consolidated revenue continuously decreased by 5.4% to approximately HK$961.1 million, representing a net loss of approximately HK$951.1 million for the year ended 31st December, 2015. Other than the written down on the inventories and the impairment loss on property, plant and equipment and prepaid lease payments of approximately HK$280.8 million and HK$140.1 million respectively, the provision made on trade and other receivables of approximately HK$67.3 million and the impairment loss made on available-for-sale investment of HK$47.3 million, the loss contributed by the core business operations was approximately HK$415.6 million.

From the beginning of the year of 2015, in response to the termination of the reserve cotton policy in China and the absence of a comprehensive nationwide policy on full-scale direct subsidies, the cotton textile industry continued to experience a highly uncertain and sluggish growth. The persistent gap between China and overseas cotton prices and the drop in the auction price of the national cotton reserve set by the PRC Government had also caused further decline in the average yarn selling price in the China market. Affected by the weak macro economic environment, China's textile industry continued its sluggish performance throughout the year of 2015. The utilization of the inventory purchased at a higher price diminished the gross profit margin of the industry.

On the other hand, as a result of the sluggish demand in the overseas markets, the substantial fluctuation in exchange rates, the intensified international competition and the rapid development of textile products in neighboring countries, such as Bangladesh, the market demands from European customers decreased as a whole. Although the orders from Europe started to recover when compared with the year ended 31st December, 2014, the size and volume of orders still failed to resume to the optimum level in the past. Furthermore, despite the order book for the Group's sweater business remained satisfactory, the Group was yet to effectively leverage down the production costs which adversely affected the baseline for our textile business in the year of 2015.

Sweater business remains as the most potential business in the Group and we have been continuing to increase our production capacity to cope with the recovering export demand. Our first green factory in Cambodia has commenced its operation since the first quarter of 2013 and the production capacity has increased as planned since the first half of 2013. Our green factory, which was inspired by our customer, Marks and Spencer, was established under the concept of reuse, reduce and recycle. By using environmental-friendly materials and implementing green production processes, we aim to achieve better energy conservation and to minimize daily disposals. We have obtained the recognized environmental-related permits as planned. Full operation has taken place in the year of 2013 and the production costs were averaged down. The establishment of the green factory not only increased our production capacity but also strengthened our competitive advantages towards the customers from the European Union ("EU"). We expect to launch new environmental-friendly products with higher average selling price in order to maintain our market share in this competitive environment. As the pioneer in terms of green textile manufacturing, we will use our best endeavour to optimize the overall production efficiency as well as making contributions to the creation of a greener and more environmental-friendly industry in the future. Further, to increase the output per person by upgrading the automation of machineries and enhancing the overall production efficiency, we will endeavour to optimize our value chain and operation efficiency.

Prospects

With the implementation of the strategy of "One Belt and One Road" and the direct subsidy policy in Xinjiang with a target price of cotton since the year end of 2014, the cotton industry is expecting to be more market-oriented and therefore the cotton price in the PRC market is expected to be more stable. Nevertheless, the cotton prices in the PRC and overseas markets fluctuated at a low level and the gap between the PRC and overseas cotton prices is narrowed.

The market condition for textile industry remained difficult in the year of 2015. The profit of some enterprises slumped and the backlog of franchisees remained heavy, mainly due to the rising raw material costs, reduced purchasing power of the end market as well as the real estate control policies. Growth of major industry players was curbed and sentiment remained sluggish. The upsurge in the production costs in the PRC has become a trend in the coming years and this also brings opportunities to the Group. Given that our manufacturing plants have been established in Cambodia for a number of years, we can enjoy the cost benefits of the human resources in Cambodia and the import tariff concessions from EU and Japan. These factors will strengthen our bargaining power of orders received from EU and Japan. Therefore, further development in Cambodia will be our focus in the coming years. However, with the view of the current challenging market environment, the Group will continue to adopt a cautious approach in finance resources management and will concentrate its efforts on consolidating existing resources to strengthen its established positions in China and Cambodia.

Looking forward, the global economy will undoubtedly remain uncertain. However, as necessity goods, the rigid demand for textile products will continue to exist. Also, with our continuous focus on the Cambodia development, we can, not only hedge against the difficulties of the continuously rising production costs in the PRC, but also sharpen our competitiveness on procuring orders from EU and Japan. The long established spinning arms in SuSong and Xinjiang also bode well for the Group on the upstream raw materials supply. Demand for middle and high-end textile products is expected to grow with the growing domestic consumption in China.

By combining expertise in production and efficiencies in production capability through full vertical integration, we are capable of delivering an innovative portfolio of products and services with high quality. Specializing in the manufacture of dyed yarns and knitted sweaters, we have been recognized by international accreditation organizations for our dedication and commitment to our customers. Furthermore, by leveraging on our new cash flow stream from the Operation Right Transfer Agreement, we believe that we are in a much better position to grasp any market opportunities, to mitigate the impacts of the market's current volatility and to maintain our leading position in the global cotton textile industry.

In order to diversify the business of the Group, the Group stepped into the natural gas business during the year ended 31st December 2015. As disclosed in the announcement of the Company dated 13th March 2015, Endless Rich Limited ("Endless Rich"), an indirect wholly-owned subsidiary of the Company, had entered into an agreement to acquire 13% equity interest in Coulman International Limited ("Coulman") which, through its non-wholly-owned subsidiaries, operates natural gas business in Shanxi province, the PRC and the acquisition was completed in 2015. As disclosed in the announcement of the Company dated 23rd October 2015, Endless Rich, entered into a memorandum of understanding in respect of the possible acquisition of further 38% equity interest in Coulman with the intention to increase the equity interest in Coulman to 51% in order to become the controlling shareholder of Coulman and the acquisition is not yet completed as at the date of this report. The Company considers that the above acquisition and the possible acquisition would broaden the sources of income of the Group.

Despite the difficulties and challenges we have encountered, the Group will continue to look for the operation efficiency, business development and investment opportunities.

FINANCIAL REVIEW

Turnover

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen and a mixture of the above, and knitted sweaters including cardigans and pullovers as well as socks and hosiery products.

The Group's total revenue for the year ended 31st December, 2015 was approximately HK$961.1 million. Comparing with the year ended 31st December, 2014, the revenue dropped by 5.4%, representing a decrease from approximately HK$1,016.3 million to HK$961.1 million. Production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group.

TURNOVER by operation
(Amount HK$'000)

	2015	2014	+/–	2013	2012	2011
Production and sale of dyed yarns	262,245	307,105	-14.6%	403,156	363,038	425,938
Production and sale of knitted sweaters	587,942	541,105	8.7%	811,026	879,342	698,638
Production and sale of cotton yarn	67,932	114,470	-40.7%	131,486	154,076	116,002
Provision of dyeing and knitting services	33,017	39,908	-17.3%	43,113	33,396	28,994
Trading of cotton and yarns	9,936	13,695	-27.4%	12,886	20,357	22,218
	961,072	1,016,283	-5.4%	1,401,667	1,450,209	1,291,790

TURNOVER by operation
(in % of total)

	2015	2014	2013	2012	2011
Production and sale of dyed yarns	27.3%	30.2%	28.8%	25.0%	33.0%
Production and sale of knitted sweaters	61.2%	53.2%	57.9%	60.6%	54.1%
Production and sale of cotton yarn	7.1%	11.3%	9.4%	10.6%	9.0%
Provision of dyeing and knitting services	3.4%	3.9%	3.1%	2.3%	2.2%
Trading of cotton and yarns	1.0%	1.4%	0.8%	1.5%	1.7%

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover of the sweater business increased slightly by 8.7%, from approximately HK$541.1 million for the year ended 31st December, 2014 to approximately HK$587.9 million for the year ended 31st December, 2015, representing 61.2% of the Group's total turnover. Although the number of orders has increased, the size and volume of the orders still failed to resume to the level in the past. Average selling price of the knitted sweaters cannot be raised while the sales volume increased by 12%. Similar to previous year, the Group's sales contribution of sweater business was mainly driven by the increased orders from EU and Japan, while the domestic sales in the PRC continued to decreased as expected due to the continuous increase in the labour costs in the PRC. The Group has strategically shifted the sales focus from the PRC to EU customers by utilizing the competitive advantages of low labour cost in our production plants in Cambodia. Such competitive advantages allowed the Group to grasp larger market shares. Our sweater business is being vertically benefited from our upstream spinning arms by utilizing the raw materials at a controllable and stable costs and in turn improving our profit margins. Our sweater products were still mainly exported to Europe and the Group continues to expand our customer base to reduce its reliance on the European customers. With the expansion of our green factory in Cambodia, the Group will focus our products to those middle to high-end textile products with environmental-friendly features. Besides, textile products imported from Cambodia are subject to tax exemption for those European customers and again, this has strengthened the bargaining power of the Group.

Sales generated from the dyed yarn continued to decrease by 14.6%, from approximately HK$307.1 million to approximately HK$262.2 million for the year ended 31st December, 2015, representing 27.3% of the Group's total turnover. Similar to the year ended 31st December, 2014, the average yarn selling prices in the PRC market continued to drop for the year ended 31st December, 2015 resulting from the pessimistic and cautious approach adopted by those cotton and dyed yarns customers. The average selling price for the year ended 31st December, 2015 dropped further by 10.0%. Therefore, less amount of yarns were ordered from third party suppliers with lower average selling prices and more self-made yarn was utilized. With our competitive advantage gained from our self-owned upstream manufacturing facilities, the Group can provide a stable supply on those yarn products for the production of dyed yarns and we continued to exercise tight cost controls and efficient order scheduling and production planning in order to streamline our existing operations and improve our profit margins in the future.

The production and sales of cotton yarns is another core business segment of the Group and it represents 7.1% of the Group's turnover during the year ended 31st December, 2015. As a result of the termination of the cotton temporary reserve policy, the PRC cotton price has dropped rapidly since 2014 and has remained at a low level. Therefore, the selling price of those cotton yarn products has dropped to a low level. Revenue generated from the sales of cotton yarns therefore decreased by 40.7% to approximately HK$67.9 million. The sales volume of cotton yarns decreased by 33.2% whereas the average selling price recorded a significant drop. With the general weak cotton yarn prices in the industry and the changes in the procurement strategy and inventory control strategy, less cotton yarns sales were made for the year ended 31st December, 2015 in order to avoid the accumulation of inventories. As a result, there is a significant decrease in the external utilization rate of the cotton yarn when compared with the year ended 31st December, 2014.

In line with overall weaknesses of the dyed yarn business, the revenue generated from the provision of dyeing services decreased from approximately HK$39.9 million to HK$33.0 million for the year ended 31st December, 2015. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the PRC, Hong Kong and Macau accounted for over 95% of the Group's total sales proceeds from dyed yarn. The remaining sales proceeds were from the exports to overseas countries including Thailand, Taiwan, and Indonesia.

Cost of Sales

With the slight decrease in sales of 5.4%, the cost of sales adversely increased substantially for the year ended 31st December, 2015. Apart from the exceptional write-down of inventory of approximately HK$280.8 million, same as those happened in interim period, there was an increase in the consumption of raw materials used for production and the fixed costs per unit sold since the year ended 31st December, 2014. Despite the expansion of the production capacity in Cambodia resulting in a decrease in labour costs, the change in product mix, the strengthening of our yarns procurement strategies and the improvement in the wastage percentage during the production cycles, the raw materials consumed per unit of products adversely increased. Direct labour costs and other factory overheads kept increasing but at a controllable level.

Gross loss and gross loss margin

The Group recorded a gross loss of approximately HK$499.9 million for the year ended 31st December, 2015. Among the total gross loss, there was inventory write-off of approximately HK$280.8 million as at year end. The Group made provision on those inventory with age over nine months and those costs above the net realizable value. The utilization of the inventory of cotton purchased at a higher price diminished the gross profit margin of the textile enterprises. Same as the interim period, with the continuous decrease in sales, the variable and fixed production costs are unable to be leveraged down so as the sales volumes are not optimized in the production cycles. The overall selling price in each segment cannot be raised but even decreased where the cost of sales apparently increased for the year ended 31st December, 2015. The downward expectations for cotton prices and the wait-and-see atmosphere in the downstream textile business further adversely affected the Group's revenue and the borderline of the textile business.

The Group will continuously try to manage the gross profit margin by improving the operating efficiency as well as the factory utilization rate.

Net loss margin

Except for the provision made on inventory as at year end of approximately HK$280.8 million, the impairment loss made on property, plant and equipment and prepaid lease payments of approximately HK$140.1 million and impairment loss recognized on trade and other receivables of approximately HK$67.3 million and the impairment loss made on available-for-sale investment of HK$47.3 million, a net loss of approximately HK$415.6 million was from the core business of the Group.

With the overall unfavourable economic environment of the cotton yarn industry, our dyeing and spinning segments continuously suffered a loss for the year ended 31st December, 2015. On the other hand, with the intense competition from the neighbouring countries and the resulting decrease in the sales orders of sweaters, the net profit of the sweaters business has also decreased.

If the orders from sweaters business can be further increased and resumed to the optimum level, it is anticipated that the overall net profit margin for the year ended 31st December, 2016 will be improved. The Group will continuously strive for orders and use its best endeavours to overcome the challenges by sharpening its competitive edge.

Selling and distribution costs

Selling and distribution costs mainly included transportation costs, accessories and packing expenses. For the year ended 31st December, 2015, the Group's selling and distribution costs was approximately HK$61.6 million, representing 6.4% of the Group's turnover, which improved from that of last year of 8.3% of turnover.

Administrative expenses

Administrative expenses of approximately HK$135.0 million mainly consisted of staff cost, including employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented 14.1% of the Group's turnover.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which increased to approximately HK$52.9 million representing 5.5% of the Group's turnover. The finance cost increased significantly as compared with that of last year with the occurrence of event of default under the facilities advanced by banks to the Group in 2015.

Borrowings

As at 31st December, 2015, the Group had outstanding bank and other borrowings of approximately HK$997.8 million, in which approximately HK$9.9 million was classified as falling due more than one year and the remaining HK$987.9 million was classified as falling due within one year The amount decreased by approximately HK$141.5 million when comparing with the balance as at 31st December, 2014.

During the year and subsequently to 31st December 2015, the Group has breached certain of loan covenants of certain bank facilities and defaulted on the repayment of certain banking borrowings. Certain bankers of the Company (the "Bank") have therefore demanded in writing that the Group shall make immediate repayment of the aggregate amount of approximately HK$667,011,000 or they may consider commencing legal proceedings against the Group. The Group has been actively negotiating with the Banks for restructuring of the relevant borrowings, including rescheduling of the terms of repayments and/or the extension or revision of the relevant banking facilities.

As part of the negotiations, Addchance Dyeing Factory Limited ("Addchance Dyeing"), a company owned as to 60% by Dr. Sung Chung Kwun, the former Chairman and the beneficial owner of a substantial shareholder of the Company, and as to 40% by Mr. Sung Kim Ping, an executive director of the Company, has arranged the execution of second mortgage on its own property in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong, in favour of certain bankers to secure all the present and future debts owed by the Group to those bankers.

The restructuring of the loans from the Banks was still under negotiation.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2015, the Group's cash and cash equivalents have decreased from approximately HK$126.4 million to approximately HK$40.3 million. The Group's total assets was approximately HK$1,712.1 million as at year end.

More net cash was generated from the operating activities for the year ended 31st December, 2015 with the net effect of the worsening operating profit, the decrease in inventories and trade receivables and the settlement of the derivative financial instruments for the year. However, more cash was used in investing activities with the acquisition of the available-for-sale investment. With the decrease in net cash generated from financing activities, the net cash and cash equivalents decreased to approximately HK$40.3 million as at year end.

The Group mainly met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings. The Group will continue to focus on reducing the net gearing ratio by improving profitability, procuring the disposal of non-core properties and implementing tighter control over costs, working capital and capital expenditure.

To strengthen its cash resources and working capital position and to broaden its shareholders base such that the Group can make acquisitions or strategic investments when opportunities arise, on 24th December, 2014, the Company entered into a placing agreement with the placing agent, KGI Asia Limited (the "2014 Placing Agent"), pursuant to which the 2014 Placing Agent has agreed to place 88,000,000 ordinary shares of the Company held by Powerlink Industries Limited ("Powerlink Industries"), the substantial shareholder of the Company, to not less than six independent investors at the price of HK$1.05 per share. On the same date, the Company and Powerlink Industries entered into a subscription agreement for the subscription of up to 88,000,000 new ordinary shares of HK$0.01 each ("Subscription Shares") at the subscription price of HK$1.05 per share. The aggregate nominal value of the Subscription Shares amounted to HK$880,000. The subscription price represented a discount of approximately 11.76% to the closing price of HK$1.19 per share of the Company on 24th December, 2014. On 29th December, 2014, the placing was completed and 88,000,000 shares representing approximately 19.94% of the existing ordinary issued share capital of the Company have been placed to not less than six independent investors. The gross proceeds from the placing was approximately HK$92.4 million. The net proceeds from the placing after deduction of commission and other related expenses, which amounted to approximately HK$90.2 million, constituted a deposit (the "Deposit") payable by Powerlink Industries to the Company for the allotment and issue of the Subscription Shares as at 31st December, 2014. On 7th January, 2015, the Company allotted and issued 88,000,000 ordinary shares of HK$0.01 each of the Company at the price of HK$1.05 per share, to Powerlink Industries.

The net placing price was approximately HK$1.029 per placing share. The Deposit was applied as payment of the subscription price of the Subscription Shares and is used for general working capital of the Group. The number of 88,000,000 shares represented approximately 16.62% of the then existing issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

On 6th May, 2015, the Company entered into a placing agreement with Jin Hung Securities Limited (the “Bond Placing Agent”), pursuant to which the Bond Placing Agent has agreed to procure, on a best effort basis, independent placees (which may include the Bond Placing Agent and its affiliates) to subscribe in cash for the bonds in an aggregate principal amount of up to HK$200,000,000 during the placing period until ending on 6th May, 2016 (or such other period as may be agreed between the Company and the Bond Placing Agent in writing). The net proceeds from the issue of the bonds will be utilised as general working capital of the Group and as funds to finance any possible suitable acquisition and/or investment opportunities. Up to the date of this report, a bond of nominal value of HK$10,000,000 has been issued.

On 21st August, 2015, the Company entered into another placing agreement with the 2014 Placing Agent, pursuant to which the 2014 Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six individuals, all of which were independent third parties, to subscribe for up to 122,000,000 ordinary shares of HK$0.01 each at the placing price of HK$1.05 per placing share. The aggregate nominal value of the placing shares was HK$1,220,000. The placing price represented a discount of approximately 15.32% to the closing price of HK$1.24 per share of the Company as quoted on the Stock Exchange on 21st August, 2015. On 15th September, 2015, the placing was completed and 90,000,000 shares, representing approximately 12.75% of the then issued ordinary share capital of the Company as enlarged by the issue of the 90,000,000 placing shares, have been placed to not less than six placees at the placing price of HK$1.05 per placing share. The gross and net proceeds from the placing amounted to approximately HK$94.50 million and approximately HK$92.60 million, respectively. The net placing price was approximately HK$1.03 per placing share. The said proceeds are used as the general working capital and/or for future investments of the Group.

On 27th November, 2015, the Company entered into a subscription agreement, pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 2,010,000,000 shares to the subscriber at the price of HK$0.56 per share with gross proceeds of approximately HK$1,125.60 million. On 27th November, 2015, the Company also entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 1,300,000,000 shares at a price of HK$0.56 per share with gross proceeds of approximately HK$728 million. As at the date of this report, some conditions precedent to the subscription and the placing remain outstanding and both transactions have not yet been completed. Details of which have been disclosed in the announcements of the Company dated 5th January, 2016, 30th March, 2016 and 31st March 2016 and the circular of the Company dated 11th March, 2016.

The sales and purchases of the Group were evenly denominated in Hong Kong dollar, US dollar and Renminbi. Part of the effect of the appreciation of the Renminbi against the US dollar was hedged through our PRC operations while another part of that effect was mitigated through appropriate hedging arrangements. Fluctuations in foreign currencies such as the US dollar and the Renminbi remained a concern of the Group. To mitigate the foreign currency risk, the Group will enter into appropriate hedging arrangements from time to time.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2015 was improved to 101 days. With the written-down of stocks of approximately HK$280.8 million as at year end, those aged stocks were excluded and therefore resulted in the significant improvement on the stock turnover days. The Group will continuously monitor its inventory level to a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days was shorten by 33 days from 87 days last year to 54 days for the year ended 31st December, 2015. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and is expected to take into account various factors such as the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to its shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the cash required for the Group's operation in the second half of 2016, the Board of Directors of the Company does not recommend the payment of final dividend for the year ended 31st December, 2015.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st December, 2015, the Group had no material capital commitments. Save as disclosed in this report, the Group did not have any material outstanding contingent liabilities.

HUMAN RESOURCES

As at 31st December, 2015, the Group had 9,583 employees (31st December, 2014: 11,852). The total remuneration paid to the employees, including Directors' emoluments, amounted to approximately HK$263.5 million (year ended 31st December 2014: HK$299.1 million).

CORPORATE GOVERNANCE REPORT

The Company is committed to the implementations of good corporate governance practices and procedures.

None of the directors of the Company (the "Directors") is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions as set out in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31st December, 2015 (the "Relevant Period"), save for those deviations as set out below:

(a) the roles of chairman of the Board and chief executive officer of the Group were not separate;

(b) certain non-executive Director and independent non-executive Directors did not attend the general meeting of the Company;

(c) the chairman of the Board did not attend the annual general meeting of the Company;

(d) the composition of the Board, the audit committee, the remuneration committee and the nomination committee did not satisfy the requirements under the Listing Rules and Code Provision during certain period in the year ended 31st December, 2015;

The Company has adopted some of the recommended best practices as set out in the Corporate Governance Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with each of the Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code during the Relevant Period.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the board of Directors (the "Board") was chaired by Mr. Sung Kim Ping. There are (i) six executive Directors, namely Mr. Sung Kim Ping, Mr. Wong Chiu Hong, Mr. Tsang Fai, Mr. Lo Ping, Mr. Yeung Choi Yee and Mr. Zheng Jun, (ii) two non-executive Directors, namely Mr. Chui Chi Yun, Robert and Mr. Wu Kehao and (iii) four independent non-executive Directors, namely Ms. Huang Yunjie, Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu. The Directors' biographical information is set out on pages 27 to 30 of this report.

Code Provision A.2.1

Under Code Provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Sung Kim Wa was the chairman of the Board during the period between 1st January, 2015 and 8th July, 2015 and Mr. Sung Kim Ping was the chairman of the Board during the period between 9th July, 2015 and 31st December, 2015 and thereafter. There was no chief executive officer appointed by the Company and the day-to-day management of the Group was led by Mr. Sung Kim Wa and Mr. Sung Kim Ping during the reporting period. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group with strong and consistent leadership in the Company's decision making process and operational efficiency.

The Chairman assumes the leadership of the Board to ensure that the Board works efficiently and discharges its responsibilities and encourages all Directors to make full and active contribution to the Board's affairs for the best interests of the Company. The Chairman has designated the Company Secretary of the Company for compiling the agenda for each Board meeting and is primarily responsible for approving the agenda after having taken into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda.

During the Relevant Period:

- Ms. Sung Kit Ching resigned as an executive Director on 17th March, 2015;
- Mr. Chan Tsz Fu, Jacky retired as an independent non-executive Director on 29th May, 2015;
- Mr. Zhuang Zhongxi resigned as an independent non-executive Director on 15th June, 2015;
- Mr. Chan Shu Kin has been appointed as an independent non-executive Director on 15th June, 2015;
- Mr. Sung Kim Wa resigned as an executive Director on 9th July, 2015;
- Mr. Yeung Choi Yee has been appointed as an executive Director on 9th July, 2015;
- Dr. Tse Kwok Sang has been appointed as an independent non-executive Director on 9th July, 2015;
- Mr. Chiu Wai Piu has been appointed as an independent non-executive Director on 1st September, 2015;
- Mr. Wong King Yeung was appointed as an independent non-executive Director on 1st September, 2015 and resigned on 1st November, 2015;
- Mr. Zheng Jun has been appointed as an executive Director on 29th September, 2015;
- Mr. Wu Kehao has been appointed as a non-executive Director on 3rd November, 2015.

Mr. Sung Kim Ping, an executive Director and the Chairman of the Group, is the son of Dr. Sung Chung Kwun, the founder, the former Chairman, the former executive Director and the substantial shareholder of the Company.

Code Provision A.5.1

Pursuant to Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code, (i) the Board is required to have at least three independent non-executive Directors; (ii) at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) the Board is required to have independent non-executive Directors representing at least one-third of the Board; (iv) the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise; (v) the remuneration committee is required to be chaired by an independent non-executive Director and (vi) the nomination committee is required to be chaired by the chairman of the Board or an independent non-executive Director.

Mr. Chan Tsz Fu, Jacky retired as an independent non-executive Director and the chairman of each of the audit committee, remuneration committee and nomination committee upon the conclusion of the annual general meeting held on 29th May, 2015. Since the Company was still in the course of identifying suitable candidate at the material time to take up the vacancy left by Mr. Chan, upon conclusion of the annual general meeting, the Company temporarily did not satisfy the requirements prescribed under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code. On 15th June, 2015, Mr. Chan Shu Kin was appointed as an independent non-executive Director as well as the chairman of the audit committee and a member of each of the remuneration committee and nomination committee. However, Mr. Zhuang Zhongxi has resigned as an independent non-executive Director as well as a member of each of the audit committee, remuneration committee and nomination committee on the same date. Following the appointment of Mr. Chan Shu Kin, the Company satisfied the requirement prescribed under Rule 3.10(2) of the Listing Rules regarding an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

On 9th July, 2015, Dr. Tse Kwok Sang was appointed as an independent non-executive Director as well as the chairman of each of the remuneration committee and nomination committee and a member of audit committee. Following the appointment of Dr. Tse, the number of independent non-executive Directors and audit committee members fulfills the minimum number as required under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules, and the remuneration committee and the nomination committee of the Company were also chaired by an independent non-executive Director as required under Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code.

Board Meetings and General Meetings

During the Relevant Period, 26 Board meetings and 2 general meetings were held. The respective attendance of each member of the Board was as follows:–

	Board meetings	General meetings
Mr. Sung Kim Wa (resigned on 9th July, 2015)	7/11	0/2
Ms. Sung Kit Ching (resigned on 17th March, 2015)	2/4	0/1
Mr. Sung Kim Ping	21/26	1/2
Mr. Wong Chiu Hong	24/26	2/2
Mr. Tsang Fai	24/26	1/2
Mr. Lo Ping	26/26	1/2
Mr. Yeung Choi Yee (appointed on 9th July, 2015)	13/15	0/0
Mr. Zheng Jun (appointed on 29th September, 2015)	7/9	0/0
Mr. Chui Chi Yun Robert	25/26	1/2
Mr. Wu Kehao (appointed on 3rd November, 2015)	3/5	0/0
Mr. Chan Tsz Fu, Jacky (retired on 29th May, 2015)	6/7	0/2
Mr. Zhuang Zhongxi (resigned on 15th June, 2015)	6/10	0/2
Mr. Wong King Yeung (appointed on 1st September, 2015 and resigned on 1st November, 2015)	5/6	0/0
Ms. Huang Yunjie	14/26	1/2
Mr. Chan Shu Kin (appointed on 15th June, 2015)	8/16	0/0
Dr. Tse Kwok Sang (appointed on 9th July, 2015)	10/15	0/0
Mr. Chiu Wai Piu (appointed on 1st September, 2015)	9/11	0/0

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend the general meetings and develop a balanced understanding of the views of the shareholders.

Mr. Chan Tsz Fu, Jacky, Mr. Zhuang Zhongxi and Ms. Huang Yunjie (all being the independent non-executive Directors at the material time) were unable to attend the extraordinary general meeting of the Company held on 10th March, 2015 due to their other business engagements. Mr. Chan and Mr. Zhuang (both being the independent non-executive directors of the Company) and Mr. Chui Chi Yun, Robert (being the non-executive Director) were unable to attend the annual general meeting of the Company held on 29th May, 2015 due to other business commitments.

Code Provision E.1.2

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting.

Mr. Sung Kim Wa, the chairman of the Board at the material time, did not attend the annual general meeting due to his other prior business engagement. Three (out of five) executive Directors and a member of each of the audit, remuneration and nomination committees attended the annual general meeting. The Company considers that their presence is sufficient for addressing the queries from, and maintaining effective communication with, the shareholders attending the annual general meeting.

Directors' insurance

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the Relevant Period.

Roles of the Board and the management of the Group

The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company. The Board makes decisions on important matters, including but not limited to the approval of the overall business strategies and policies, business development, risk management, annual budgets, financial results, investment proposals, major acquisition, disposals and capital transactions, internal control, material funding decisions and major commitments relating to the Group's operations. The Board has established three committees, namely the audit committee, the remuneration committee and the nomination committee. The management of the Group is responsible for the day-to-day operations of the Group, which implements the business strategies and plans formulated and approved by the Board. Decisions on the Group's daily operations are delegated to the management of the Group.

Independent non-executive Directors

Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent. Mr. Chan Shu Kin is the independent non-executive Director with accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

During the Relevant Period, each of the non-executive Directors (including the independent non-executive Directors) is appointed for a specific term. The appointment of:

- Ms. Huang Yunjie is for a term of one (1) year commencing from 31st May, 2015;
- Mr. Chan Shu Kin is for a term of two (2) years commencing from 15th June, 2015;
- Mr. Tse Kwok Sang is for a term of two (2) years commencing from 9th July, 2015;
- Mr. Chiu Wai Piu is for a term of two (2) years commencing from 1st September, 2015;
- Mr. Wu Kehao is for a term of two (2) years commencing from 3rd November, 2015; and
- Mr. Chui Chi Yun, Robert is for a term of one (1) year commencing from 22nd December, 2015,

subject to retirement by rotation at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Remuneration Committee

The Company has established its remuneration committee (the "Remuneration Committee") in August 2005. As at the date of this report, the members of the Remuneration Committee comprise all the independent non-executive Directors, namely Dr. Tse Kwok Sang, Ms. Huang Yunjie, Mr. Chan Shu Kin and Mr. Chiu Wai Piu, with Dr. Tse Kwok Sang as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and members of the senior management of the Company, to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and members of the senior management of the Company, to assess the performance of the executive Directors and to approve the terms of the service contracts of the executive Directors. The terms of reference of the Remuneration Committee have been posted on the website of the Company and are available upon request. The Remuneration Committee will consult the Chairman about its proposals relating to the remuneration of other executive Directors. During the Relevant Period, 4 Remuneration Committee meetings were held. The respective attendance of each of the members of the Remuneration Committee was as follows:–

Mr. Chan Tsz Fu, Jacky (retired on 29th May, 2015)	1/1
Mr. Zhuang Zhongxi (resigned on 15th June, 2015)	1/1
Dr. Tse Kwok Sang (appointed on 9th July, 2015)	2/3
Ms. Huang Yunjie	3/4
Mr. Chan Shu Kin (appointed on 15th July, 2015)	3/3
Mr. Chiu Wai Piu (appointed on 1st September, 2015)	1/1
Mr. Wong King Yeung (appointed on 1st September, 2015 and resigned on 1st November, 2015)	0/0

Nomination Committee

The Company has established its nomination committee (the "Nomination Committee") in August 2005. As at the date of this report, the members of the Nomination Committee comprise all the independent non-executive Directors, namely Dr. Tse Kwok Sang, Ms. Huang Yunjie, Mr. Chan Shu Kin and Mr. Chiu Wai Piu, with Dr. Tse Kwok Sang as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee have been posted on the website of the Company and are available upon request. The Company has also adopted a board diversity policy. Board diversity comprises various aspects, including but not limited to gender, age, cultural and educational background, experience, professional qualifications, expertise, skills and the business plans of the Group at the material time. The Board considers that its existing composition satisfies the requirements of diversity under the board diversity policy of the Company. During the Relevant Period, 5 Nomination Committee meetings were held. The respective attendance of each of the members of the Nomination Committee was as follows:–

Mr. Chan Tsz Fu, Jacky (retired on 29th May, 2015)	0/0
Mr. Zhuang Zhongxi (resigned on 15th June, 2015)	0/0
Dr. Tse Kwok Sang (appointed on 9th July, 2015)	4/5
Ms. Huang Yunjie	4/5
Mr. Chan Shu Kin (appointed on 15th July, 2015)	5/5
Mr. Chiu Wai Piu (appointed on 1st September, 2015)	3/3
Mr. Wong King Yeung (appointed on 1st September, 2015 and resigned on 1st November, 2015)	1/1

Audit Committee

The Company has established its audit committee (the "Audit Committee") in August 2005. The Audit Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive Director with the appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Audit Committee comprise all the independent non-executive Directors, namely Mr. Chan Shu Kin, Ms. Huang Yunjie, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, with Mr. Chan Shu Kin as the Chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to review the relationship with the Auditors of the Company, review the financial information of the Group and oversee the Group's financial reporting system and internal control procedures. The terms of reference of the Audit Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, 2 Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:–

Mr. Chan Tsz Fu, Jacky (retired on 29th May, 2015)	1/1
Mr. Zhuang Zhongxi (resigned on 15th June, 2015)	1/1
Mr. Chan Shu Kin (appointed on 15th July, 2015)	1/1
Ms. Huang Yunjie	1/2
Dr. Tse Kwok Sang (appointed on 9th July, 2015)	1/1
Mr. Chiu Wai Piu (appointed on 1st September, 2015)	0/0
Mr. Wong King Yeung (appointed on 1st September, 2015 and resigned on 1st November, 2015)	0/0

During the year ended 31st December, 2015, the Audit Committee reviewed the Group's interim and annual accounts. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the six months ended 30th June, 2015 and for the year ended 31st December, 2015;

(b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;

(c) reviewed and recommended to the Board the audit scope and auditor's remuneration for the year ended 31st December, 2015.

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code Provision D.3.1 of the Corporate Governance Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

Continuous Professional Development

The Directors have been informed of the requirement under Code Provision A.6.5 of Corporate Governance Code as set out in Appendix 14 to the Listing Rules regarding continuous professional development. A summary of the training received by the Directors during the Relevant Period is as follows:

	Reading materials	Attending training	Attending briefings on the latest development of the Listing Rules
Mr. Sung Kim Wa (resigned on 9th July, 2015)	√	√	√
Ms. Sung Kit Ching (resigned on 17th March, 2015)	√	√	√
Mr. Sung Kim Ping	√	√	√
Mr. Wong Chiu Hong	√	√	√
Mr. Tsang Fai	√	√	√
Mr. Lo Ping	√	√	√
Mr. Yeung Choi Yee (appointed on 9th July, 2015)	√	√	√
Mr. Zheng Jun (appointed on 29th September, 2015)	√	√	√
Mr. Chui Chi Yun Robert	√	√	√
Mr. Wu Kehao (appointed on 3rd November, 2015)	√	√	√
Mr. Zhuang Zhongxi (resigned on 15th June, 2015)	√	√	√
Mr. Wong King Yeung (appointed on 1st September, 2015 and resigned on 1st November, 2015)	√	√	√
Ms. Huang Yunjie	√	√	√
Mr. Chan Shu Kin (appointed on 15th June, 2015)	√	√	√
Dr. Tse Kwok Sang (appointed on 9th July, 2015)	√	√	√
Mr. Chiu Wai Piu (appointed on 1st September, 2015)	√	√	√

COMPANY SECRETARY

The Company Secretary of the Company during the period between:

(a) 1st January, 2015 and 31st March, 2015 was Ms. Fung Ka Lai;

(b) 1st April, 2015 and 5th November, 2015 was Ms. Chang Kam Lai; and

(c) 6th November, 2015 and 31st December, 2015 and thereafter was Ms. Hui Wai Man, Shirley.

The biographical details of Ms. Hui Wai Man, Shirley, the current Company Secretary, are set out in the section headed "Directors and Senior Management" of this annual report. All the Company Secretaries took not less than 15 hours of relevant professional training in the year ended 31st December, 2015 as required by the Listing Rules.

INTERNAL CONTROL

The Board was responsible for overseeing the internal control of the Group. During the Relevant Period, the Directors had conducted at least semi-annually a review of the effectiveness of the system of internal control in respect of the financial, operational, compliance controls and risk management function of the Group and the Company considers them effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2015, the auditors of the Company received approximately HK$2,780,000 and HK$957,000 for audit service and non-audit service (including reporting work for the proposed share subscription and placing of new shares, taxation advisory services, and other professional services) respectively.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the auditors of the Company about their reporting responsibilities are set out on page 40 to 41 of this report.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company at Sung's Tower, 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

We always welcome Shareholders' views and input. Shareholders and other stakeholders may at any time address their concerns to the Company Secretary by mail, facsimile or email. The contact details are as follows:

Address:	Sung's Tower, 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong
Facsimile no.:	(852) 2480 0663
Email:	info@addchance.com.hk

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. The Company always endeavours to provide relevant information to existing and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and management of risk are made through various channels:

- the Company's annual general meeting and extraordinary general meeting;
- interim and annual results announcements published on the websites of the Company and the Stock Exchange;
- interim and annual reports of the Company delivered to all shareholders;
- regular press releases;
- timely update of the websites of the Stock Exchange and the Company;
- circulars and letters to Shareholders; and
- prompt news releases and announcements regarding major corporate actions and business initiatives.

The Company maintains a website at www.addchance.com.hk and www.irasia.com/listco/hk/addchance/index.htm where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted.

The Company is committed to ensuring that it is in full compliance with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

The Company did not amend its Articles of Association during the Relevant Period.

DIRECTORS

Executive Directors

Mr. SUNG Kim Ping (宋劍平先生), aged 46, is the Chairman and the executive Director of the Company. Mr. Sung is responsible for all the operations of the Group's sweater knitting section, including the supervision of the production, strategic development and sales and marketing. Mr. Sung has over 20 years of experience in textile industry and he joined the Group in from 1991 to 2004 and re-joined the Group in 2005. Mr. Sung has been a committee member of the Twelfth Chinese People's Political Consultative Conference of Fuzhou City, Fujian Province (中國人民政治協商會議福州市第十二屆委員會會員).

Mr. WONG Chiu Hong (王昭康先生), aged 64, is the Managing Director of the Group. Mr. Wong is responsible for the supervision of the operations, general administration, strategic development and marketing of the Group. Mr. Wong has over 30 years of experience in the textile dyeing industry with extensive experience in administrative management and dyeing techniques. Mr. Wong joined the Group as a general manager in May 1982, and was appointed a Director in December 1990. Mr. Wong has been a committee member of the Forth Chinese People's Political Consultative Conference of Yunfu City, Guangdong Province (中國人民政治協商會議雲浮市第四屆委員會委員) and the Eighth Chinese People's Political Consultative Conference of Luoding City, Guangdong Province (中國人民政治協商會議羅定市第八屆委員會委員), the Vice President of the Third Yunfu Overseas Friendship Association (雲浮海外聯誼會第三屆副會長). He was also awarded the title of "Excellent General Manager of Foreign Invested Enterprise (外商投資企業優秀總經理)"by the People's Government of Zhangjiagang City, Jiangsu Province in 2002 and 2003 consecutively.

Mr. TSANG Fai (曾暉先生), aged 43, has been elected as an executive Director of the Company on 31st May, 2013. Mr. Tsang is responsible for the operations and administration of the Group's sweater knitting section. Mr. Tsang obtained his Bachelor degree in Mathematical Science and Master degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively. He joined the Group in January 1999 as an Assistant to Sales Manager of Addchance and was appointed as the director of Chinakey (HK) Limited ("Chinakey") and the Assistant General Manager of the Group's sweater knitting section in June 2010 and January 2004 respectively.

Mr. LO Ping (盧平先生), aged 64, was appointed as an executive Director of the Company on 22nd December, 2014. Mr. Lo has been a senior consultant for leading gas companies in the development of China market for nearly 20 years. He is also the senior advisor to several Hong Kong accounting firms in relation to China business. He was a senior reporter of Ta Kung Pao (大公報) and the New Evening Post(新晚報) and the General Manager of Business of Hong Kong Commercial Daily. He is a Committee Member of Guangdong Foreign Traders Association (廣東外商公會) and a General Committee Member of Shenzhen General Chamber of Commerce (深圳總商會(工商聯)). He was a Deputy Chief Secretary of All China Youth Federation (中國青年企業家協會). Mr. Lo obtained a diploma from Royal School of Music in 1973, a diploma from Guangzhou Institute of Physical Education in 1976 and a certificate from Shanghai Institute of Finance & Trade Management College in 1988.

Mr. YEUNG Choi Yee (楊賽儀先生), aged 41, has been elected as an executive Director of the Company on 9th July 2015. Mr. Yeung is responsible for the supervision of the Group's Information Technology department, and the development of the Group's ISO9001 management system, quality system and technological research in the Group's yarn-dyeing section. Mr. Yeung obtained his Bachelor degree in Mathematical Science and Master degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively. He joined the Group in August 1998 as an Assistant to Managing Director and was appointed as the Quality Assurance Manager of the Group in November 2003.

Mr. ZHENG Jun (鄭軍先生), aged 46, was appointed as executive Director of the Company on 29th September 2015. He graduated from Guangdong Ocean University (formerly known as 湛江水產學院 (Zhanjiang Aquatic College*)) majoring in thermal power machinery and equipment in 1991. He was also a graduate from Lingnan College of Sun Yat-sen University majoring in world economy and trade in 2002. During the period between 1991 and 1996, Mr. Zheng served as the Business Manager of 廣東船舶燃料用品公司 (Guangdong Ship Fuel Supply Company*), a subsidiary of 南海石油聯合服務總公司 (South China Sea Oil Joint Service Company*). Mr. Zheng was also employed as the Business Manager of 粵海石化有限公司 (Guangdong Petrochemicals Company Limited*), a subsidiary of Guangdong Holdings Limited during the period between 1996 and 2001. During the period between 2001 and 2007, Mr. Zheng acted as the Senior Trade Manager of 泰山石油(新加坡)有限公司 (Titan Oil (Singapore) Company Limited*) and was responsible for the petroleum trading business of the said company in China. Mr. Zheng then served as the Senior Trade Manager of Greater China of Titan Petrochemicals Group Limited upon its listing on the Stock Exchange (Stock Code: 1192). In 2003, Mr.Zheng was appointed as the Managing Director of 廣州中陸石化有限公司 (Guangzhou Petroleum and Chemical Company Limited*), one of the largest fuel oil importers in the Pearl River Delta.

Non-executive Directors

Mr. CHUI Chi Yun, Robert (崔志仁先生), M.H., aged 59, was appointed as a non-executive Director of the Company on 22nd December, 2014. Mr. Chui is a practising Certified Public Accountant in Hong Kong and has worked in the accounting field for 35 years. He has obtained a Bachelor's degree in Commerce (Major in Accounting) from Concordia University and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Chui is now an independent non-executive director of each of Tse Sui Luen Jewellery (International) Limited (Stock Code: 417), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), Wing Lee Property Investments Limited (Stock Code: 864), and PPS International (Holdings) Limited (Stock Code: 8201) and was an independent non-executive director of 21 Holdings Limited (Stock Code: 1003) and Aurum Pacific (China) Group Limited (Stock Code: 8148), all of which are listed on the Stock Exchange. He is currently the Commissioner of the Hong Kong Road Safety Patrol and a member of the Road Safety Campaign Committee of the Road Safety Council. He is also a director of a number of private companies and associations.

Mr. WU Kehao (伍可好先生), aged 57, was appointed as a non-executive Director of the Company on 3rd November 2015. He graduated from Harbin Institute of Technology in 二系液壓 (Hydraulic system*) in 1982. He was also a graduate of 動力專業 (Faculty of Power*) from Shanghai Railway Institute (now known as Tongji University) in 1986. During the period between 1982 and 1983, Mr. Wu served as a teaching assistant at 上海水產大學 (Shanghai Ocean University), specializing in marine fisheries. Mr. Wu was also employed as the laboratory officer, engineer and lecturer of Shanghai Ocean University during the period between 1986 and 1992. During the period between 1992 and 1994, Mr. Wu acted as the foreign trade merchandiser of 四川省紡織品進出口公司 (Sichuan Textiles Import & Export Corporation) and was responsible for the cotton and fabric business of the corporation. Mr. Wu then served as the manager and the Deputy Managing Director of Yi Chuan Company Limited (益川有限公司) starting from 1994 till present. Mr. Wu was responsible for the sales of the textile raw materials and yarn of the corporation.

Independent non-executive Directors

Ms. HUANG Yunjie (黃韻婕小姐), aged 32, has been engaging in her own marketing business since 2010. She graduated from the University of Melbourne with a Bachelor of Commerce degree.

Mr. CHAN Shu Kin (陳樹堅先生), aged 61, was appointed as an independent non-executive Director of the Company on 15th June 2015. He is a certified public accountant and is a partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants. Mr. Chan has over 38 years of experience in the field of auditing, accounting as well as financial management. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of each of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Tax Advisor of the Taxation Institute of Hong Kong and the past president of the Society of Chinese Accountants and Auditors. Mr. Chan is currently an independent non-executive director of PetroAsian Energy Holdings Limited (Stock Code: 850) and PYI Corporation Limited (Stock Code: 498).

Dr. TSE Kwok Sang (謝國生先生), aged 59, was appointed as an independent non-executive Director of the Company on 9th July 2015. He holds a bachelor degree in Chemistry from The University of Hong Kong. He also holds a degree of Master of Business Administration, a master degree in Statistics and a Ph.D. degree in Finance from Michigan State University in the United States. Dr. Tse has also obtained the professional designation of Associate of the Society of Actuaries in the United States. Dr. Tse is currently the Associate Professor of Finance of the Faculty of Business and Economics of The University of Hong Kong. Before joining The University of Hong Kong, Dr. Tse was the Assistant Professor of Finance at the Hong Kong University of Science and Technology; prior to that, he was the Assistant Professor of Finance and Insurance at Indiana University in the United States. Dr. Tse is a Co-opted Executive Councilor of the New Territories Heung Yee Kuk. On 1st July 2010, Dr. Tse was appointed by the Chief Executive of the HKSAR Government as the Justice of the Peace. Dr. Tse is currently an independent non-executive director of Wing Lee Property Investments Limited (Stock Code: 864) and Sunlight Real Estate Investment Trust (Stock Code: 435) as well as AP Asset Management (HK) Limited.

Mr. CHIU Wai Piu (焦惠標先生), aged 68, was appointed as an independent non-executive Director of the Company on 1st September 2015. He is a very experienced and reputable journalist and has over 40 years of experience in journalism. He has been a reporter, an editor, the main news assignment editor, the local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General & Treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognised. Mr. Chiu served as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited (now known as U-Home Group Holdings Limited, Stock code: 2327), a company listed on the Main Board of the Stock Exchange, from September 2008 to September 2013. Mr. Chiu currently serves as the independent non-executive director of PetroAsian Energy Holdings Limited (Stock Code: 850), Gold Tat Group International Limited (Stock Code: 8266) and Global Strategic Group Limited (Stock Code: 8007), all of which are companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. LIN Chun Ming (連振明先生), aged 63, is the director of Chinakey and the Senior Manager of the sales department of the Group. Mr. Lin is responsible for the sales and marketing of the Group's yarn dyeing and sweater knitting sections. Mr. Lin obtained a Diploma in Business Management from the Hong Kong Baptist University in 1977. Mr. Lin has over 30 years of sales and marketing experience in the textile industry. Mr.Lin first joined the Group as a sales representative of Addchance in April 1985 but vacated in April 1990 and founded his own textile business, Lynn's Trading Company. He re-joined the Group in May 1996.

Ms. FUNG Ka Lai (馮嘉勵女士), aged 40, is the Financial Controller and Qualified Accountant of the Group responsible for textile business. Ms. Fung had over 15 years of experience in the field of auditing, accounting and corporate finance. Prior to joining the Group in January 2005, she worked in Deloitte Touche Tohmatsu for over 5 years and later joined St. Teresa's Hospital in 2003. Ms. Fung is responsible for financial management and formulation of business strategies for corporate restructuring of the Group. She has obtained a Bachelor degree in Accountancy from the City University of Hong Kong with first class honours. Ms. Fung is a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a practising certified public accountant in Hong Kong.

Ms. HUI Wai Man, Shirley (許惠敏女士), aged 48, is the Company Secretary of the Company from 6th November 2015. She is a practicing accountant in Hong Kong and is currently a director of a CPA firm and a securities firm. Ms. Hui is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. IP Siu Kay (葉兆基先生), aged 43, is the Financial Controller of the Group responsible for the natural gas business from 1st November 2015. Mr. Ip has years of experience in different areas such as accounting, auditing, taxation, company secretarial work, investor relations and corporate finance. He is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

The Directors present the 2015 annual report and the audited consolidated financial statements for the year ended 31st December, 2015.

BUSINESS REVIEW

A review of the Group's business and the analysis using the financial key performance indicators are set out on page 6 to 16 of this report under the paragraphs headed "Business Review and Prospects" and "Financial Review" in the section headed "Management Discussion and Analysis" of this report. In summary, (i) the Group recorded a gross loss of HK$499.93 million for the year ended 31 December 2015; (ii) production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group; (iii) the market demands from European customers decreased as a whole; (iv) the market condition for textile industry remained difficult in the year of 2015.

There are a number of principal risks and uncertainties facing the Group as follows: (i) termination of the reserve cotton policy in China and the absence of nationwide policy on full-scale direct subsidies, (ii) substantial fluctuation in exchange rates, (iii) the intensified international competition, (iv) rapid development of textile products in neighboring countries, such as Bangladesh. The above are not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. These may change over time as new risks and uncertainties emerge and others cease to be of concern.

Looking ahead, the global economy will remain uncertain. However, as necessity goods, the rigid demand for textile products will continue to exist. Demand for middle and high-end textile products is expected to grow with the growing China domestic consumption.

Particulars of the major suppliers and customers of the Group are set out on page 39 of this report. The Directors are in general satisfied with the relationships with the customers and suppliers.

The Company recognizes the importance of having good working relationship with its staff. The Group has not experienced any significant problems with its staff nor significant labour disputes or industrial actions. The Directors believe that the Group has good working relationship with its staff as a whole.

In respect of corporate social responsibility, our first green factory in Cambodia has commenced operation since the first quarter of 2013 and was established under the concept of reuse, reduce and recycle. By using environmental friendly materials and implementing green production processes, we aim to achieve better energy conservation and to minimize daily disposals. We have obtained the recognized environmental-related permits as planned.

Save and except for certain deviation from the Corporate Governance Code as set out under Appendix 14 to the Listing Rules, the Company has complied in all material respects with all relevant laws and regulations that have a significant impact on the Group.

Important event affecting the Group that has occurred since the end of the year ended 31 December 2015 was the approval from the independent shareholders for the subscription and the placing, and the transactions contemplated under the relevant agreements respectively including the grant of the subscription mandate and the placing mandate at the extraordinary general meeting which was held on 30th March 2016.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 42.

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2015.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

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

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2015 amounted to approximately HK$246,640,000 (2014: HK$360,829,000).

DIRECTORS

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

Executive directors:

Mr. Sung Kim Ping
Mr. Sung Kim Wa (resigned on 9th July, 2015)
Mr. Wong Chiu Hong
Ms. Sung Kit Ching (resigned on 17th March, 2015)
Mr. Tsang Fai
Mr. Lo Ping
Mr. Yeung Choi Yee (appointed on 9th July, 2015)
Mr. Zheng Jun (appointed on 29th September, 2015)

Non-executive Directors:

Mr. Chui Chi Yun, Robert
Mr. Wu Kehao (appointed on 3rd November, 2015)

Independent non-executive directors:

Ms. Huang Yunjie
Mr. Chan Shu Kin (appointed on 15th June, 2015)
Dr. Tse Kwok Sang (appointed on 9th July, 2015)
Mr. Chiu Wai Piu (appointed on 1st September, 2015)
Mr. Wong King Yeung (appointed on 1st September, 2015 and resigned on 1st November, 2015)
Mr. Chan Tsz Fu, Jacky (retired on 29th May, 2015)
Mr. Zhuang Zhongxi (resigned on 15th June, 2015)

In accordance with Article 87(1) of the Articles of Association of the Company, Mr. Sung Kim Ping and Ms. Huang Yunjie will retire from office by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 86(3) of the Articles of Association of the Company, Mr. Yeung Choi Yee, Mr. Zheng Jun, Mr. Wu Kehao, Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu who were directors appointed to fill a casual vacancy or as an addition to the Board, shall be required to retire and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Chiu Hong has entered into a service contract with the Company for a term of three years commencing from 1st September, 2005, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Mr. Tsang Fai has entered into a letter of appointment with the Company for a term of three years from 31st May, 2013 until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Ms. Huang Yunjie has entered into a letter of appointment with the Company for an initial term of 1 year commencing from 31st May, 2013 and automatically renewed annually thereafter.

Mr. Sung Kim Ping has entered into a letter of appointment with the Company for a term of three years from 17th April, 2014 until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Mr. Lo Ping has entered into a directors' service agreement for an initial term of three years from 22nd December, 2014 and shall continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Mr. Chan Shu Kin has entered into a letter of appointment with the Company for a term of two years from 15th June, 2015 to 14th June, 2017.

Mr. Yeung Choi Yee has entered into a director's service agreement with the Company for a term of three years commencing from 9th July 2015 to 8th July 2018.

Mr. Tse Kwok Sang has entered into a letter of appointment with the Company for a term of two years from 9th July, 2015 to 8th July, 2017.

Mr. Chiu Wai Piu has entered into a letter of appointment with the Company for a term of two years from 1st September, 2015 to 31st August, 2017.

Mr. Zheng Jun has entered into a director's service agreement with the Company for a term of three years commencing from 29th September 2015 to 28th September 2018.

Mr. Wu Kehao has entered into a letter of appointment with the Company for a term of two years from 3rd November, 2015 to 2nd November, 2017.

Mr. Chui Chi Yun, Robert has entered into a directors' service agreement with the Company for a term of one year from 22nd December, 2015 to 21st December 2016.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2015, the interests and short positions of the directors and chief executive of the Company in the share, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Capacity	Number of ordinary shares held	Percentage of shareholding
Mr. Wu Kehao	Beneficial owner	2,000	0.00%

Other than disclosed above, none of the directors or the chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2015.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") which enables the Company to grant options to eligible persons as incentive or rewards for their contributions to the Group. Pursuant to the Scheme, the Company may grant options to (a) any full time employee or director of any member of the Group; (b) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the option is offered to such part time employee; or (c) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 40,000,000 Shares. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12 month period must not exceed 1 per cent. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

The exercise period of an option under the Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Scheme does not require a minimum period for which an option must be held before an option can be exercised. Upon acceptance of the option, the eligible person shall pay HK$1.00 to the Company by way of consideration for the grant. The subscription price for the Shares subject to options will be a price determined by the Board and will be at least the highest of (i) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share. Subject to the termination provisions, the Scheme will remain valid for a period of 10 years commencing on 29th August, 2005. The Scheme has expired on 28th August, 2015.

No option was granted, exercised, cancelled or lapsed during the year. No option remained outstanding as at 31st December, 2015.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INDEMNITY

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices.

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31st December, 2015.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as provided in the paragraphs headed "Continuing Connected Transaction" below, no other transaction, arrangement or contract of significance to which the Company, its ultimate holding company, any of its fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTION

The related party transaction with Addchance Dyeing Factory Limited as disclosed in note 40 to the consolidated financial statements constituted a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out below. The said transaction has complied with the requirements under Chapter 14A of the Listing Rules.

2013 Tenancy Agreement

On 13th December, 2013, Addchance Dyeing Factory Limited and Addchance Limited entered into a tenancy agreement (the "2013 Tenancy Agreement") in respect of certain office premises at Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong (the "Premises").

Pursuant to the 2013 Tenancy Agreement, Addchance Dyeing Factory Limited, as landlord, agreed to lease to Addchance Limited, as tenant, the Premises for a term of 3 years commencing from 19th November, 2013 to 18th November, 2016 (both days inclusive). The monthly rent payable under the 2013 Tenancy Agreement shall be HK$470,000, exclusive of rates, management fees and air-conditioning charges. There was a rent free period from 19th November, 2013 to 31st December, 2013. During the term of the 2013 Tenancy Agreement, the parties may negotiate to review the rent for each of the years ending 18th November, 2015 and 18th November, 2016 with reference to the prevailing market rent at the material time. In the event that the parties wish to revise the rent, they shall jointly appoint an independent valuer to assess the prevailing market rent of the Premises at the material time, provided that the monthly rent for the years ending 18th November, 2015 and 18th November, 2016 shall not in any event be more than HK$510,000 and HK$560,000, respectively. As Addchance Limited is an indirect wholly-owned subsidiary of the Company and Addchance Dyeing Factory Limited is a company owned as to 60% by Dr. Sung Chung Kwun, the former chairman, a former executive director and the substantial shareholder of the Company and as to 40% by Mr. Sung Kim Ping, an executive director of the Company and the son of Dr. Sung Chung Kwun, the 2013 Tenancy Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

The terms of the 2013 Tenancy Agreement were arrived at based on arm's length negotiations and on normal commercial terms and with reference to the valuation prepared by an independent valuer dated 13th December, 2013. The Group are using the Premises for office purpose.

Details of the 2013 Tenancy Agreement have been disclosed in the announcement of the Company dated 13th December, 2013. During the year ended 31st December, 2015, the total rental expenses paid by the Group was approximately HK$5.64 million. Each of the independent non-executive directors of the Company has confirmed that the above continuing connected transaction has been entered into by the Group in the ordinary and usual course of its business on normal commercial terms and in accordance with the terms of the 2013 Tenancy Agreement which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed that the above continuing connected transaction (i) has received the approval of the board of directors (the "Board") of the Company and (ii) has been entered into in accordance with the relevant agreement governing the transaction.

The other related party transaction with Dr. Sung Chung Kwun as disclosed in note 40 to the consolidated financial statements constituted an exempt continuing connected transaction.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON IN SHARES AND UNDERLYING SHARES

As at 31st December, 2015, the following substantial shareholders and other person (other than a director or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Interests of Substantial shareholders

Name	Capacity	Number of shares	Percentage of shareholding
Powerlink Industries Limited ("Powerlink")	Beneficial owner	112,800,000	15.98%
Dr. Sung Chung Kwun	Interest in controlled corporation	112,800,000	15.98%

Save as disclosed above, as at 31st December, 2015, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

NON-COMPETITION DEED

In accordance with the terms of a deed of non-competition undertakings in favour of the Company dated 20th September, 2005 (the "Non-competition Deed"), Mr. Wong Chiu Hong has provided with the Company an annual confirmation in respect of his compliance with the terms of the Non-competition Deed. Under the terms of the Non-competition Deed, he has undertaken to the Company to, among others, procure that he or any of his associates will not directly or indirectly be interested in any business which may compete with or similar to the business of the Group from time to time.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The remuneration of the non-executive directors (including the independent non-executive directors) of the Company are recommended by the Remuneration Committee.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 40% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 16% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 14% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 4% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2015.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

MR. SUNG KIM PING
CHAIRMAN

Hong Kong, 31st March, 2016

Deloitte.
德勤

TO THE MEMBERS OF ADDCHANCE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Addchance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 113, which comprise the consolidated statement of financial position as at 31st December, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 International Financial Reporting Standards and the applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to notes 1 and 32 to the consolidated financial statements which indicate that during the year, and as at 31st December, 2015, the Group has breached certain terms and defaulted on the repayment of certain banking facilities. Certain bankers of the Company have therefore demanded in writing that the Group shall make immediate payment of an aggregate amount of approximately HK$667,011,000 that has been defaulted for repayment. Furthermore, the Group incurred a loss of approximately HK$951,129,000 for the year ended 31st December, 2015 and as at that date, the Group's current liabilities exceeded its current assets by approximately HK$564,911,000. In order to improve the liquidity and financial position of the Group, the Group has entered into a conditional subscription agreement and a conditional placing agreement pursuant to which the estimated maximum net proceeds of approximately HK$1,098 million and HK$684 million are expected to be received by the Group from the subscriber and the placees, respectively, on or before 30th June, 2016 upon completion of the subscription and the placing. However, the completion of the subscription and the placing is subject to the completion of the conditions as set out in note 1 to the consolidated financial statements, which have not yet been completed at the date of this report, and accordingly, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31st March, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	7	961,072	1,016,283
Cost of sales	12	(1,461,004)	(944,027)
Gross (loss) profit		(499,932)	72,256
Other income, gains (losses) and impairment losses	9	(212,222)	7,008
Selling and distribution costs		(61,559)	(84,182)
Administrative expenses		(135,039)	(131,031)
Finance costs	10	(52,902)	(44,782)
Loss before tax		(961,654)	(180,731)
Income tax credit (expense)	11	10,525	(3,527)
Loss for the year	12	(951,129)	(184,258)
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(33,247)	31,918
Total comprehensive expense for the year		(984,376)	(152,340)
Loss per share, in HK cents	16		
Basic		(155.05)	(41.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	–	329
Property, plant and equipment	18	585,736	802,644
Prepaid lease payments	19	60,992	68,412
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment	20	14,806	15,186
Deposit paid for acquisition of investment	21	40,000	–
Available-for-sale investment	21	130,000	–
Club debenture	22	–	1,070
Other assets	23	10,989	16,095
		842,523	903,736
CURRENT ASSETS			
Prepaid lease payments	19	1,533	1,608
Inventories	25	403,149	1,030,633
Trade receivables, bills receivable and other receivables, deposits and prepayments	26	206,780	359,277
Amounts due from related companies	27	4,943	4,002
Tax recoverable		983	913
Pledged bank deposits	28	49,125	67,487
Bank balances and cash	28	94,119	145,676
		760,632	1,609,596
Assets classified as held for sale	29	108,963	128,360
		869,595	1,737,956
CURRENT LIABILITIES			
Trade payable, bills payable and other payables	30	155,935	277,431
Amount due to a related company	27	20,950	–
Deposit received from transfer of the operation rights of a subsidiary	29	236,056	236,056
Derivative financial instruments	31	–	20,042
Tax liabilities		4,572	5,393
Bank and other borrowings – due within one year	32	934,171	1,119,947
Bank overdrafts	32	53,772	19,310
Amount due to a shareholder of the Company	33	29,050	–
		1,434,506	1,678,179
NET CURRENT (LIABILITIES) ASSETS		(564,911)	59,777
TOTAL ASSETS LESS CURRENT LIABILITIES		277,612	963,513

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
CAPITAL AND RESERVES			
Share capital	*34*	7,057	4,413
Reserves		256,534	943,404
		263,591	947,817
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	*32*	9,861	–
Deferred tax liabilities	*24*	4,160	15,696
		14,021	15,696
		277,612	963,513

The consolidated financial statements on pages 42 to 113 were approved and authorised for issue by the board of directors on 31st March, 2016 and are signed on its behalf by:

MR. SUNG KIM PING
DIRECTOR

MR. WONG CHIU HONG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2015

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 *(Note a)*	Special reserves HK$'000 *(Note b)*	Statutory reserves HK$'000 *(Note c)*	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1st January, 2014	4,413	134,054	78,270	24,673	13,827	181,148	672,595	1,108,980
Exchange differences arising on translation of foreign operations	–	–	–	–	–	31,918	–	31,918
Loss for the year	–	–	–	–	–	–	(184,258)	(184,258)
Total comprehensive expense for the year	–	–	–	–	–	31,918	(184,258)	(152,340)
Transfer to statutory reserves	–	–	–	–	446	–	(446)	–
Dividend recognised as distribution *(note 15)*	–	–	(8,823)	–	–	–	–	(8,823)
At 31st December, 2014	4,413	134,054	69,447	24,673	14,273	213,066	487,891	947,817
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(33,247)	–	(33,247)
Loss for the year	–	–	–	–	–	–	(951,129)	(951,129)
Total comprehensive expense for the year	–	–	–	–	–	(33,247)	(951,129)	(984,376)
Issue of new shares, net of transaction costs	1,780	181,050	–	–	–	–	–	182,830
Issue of consideration shares in an acquisition of interest in an available-for-sale investment, net of transaction costs	864	116,456	–	–	–	–	–	117,320
Transfer to statutory reserves	–	–	–	–	854	–	(854)	–
At 31st December, 2015	7,057	431,560	69,447	24,673	15,127	179,819	(464,092)	263,591

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2015

Notes:

(a) The contributed surplus of the Group represent (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited (being the holding company of companies comprising the group before group reorganisation carried out in 2005), over the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation; and less (ii) dividend paid approved by shareholders pursuant to the memorandum and articles of association of the Company.

(b) Special reserves of the Group represent (i) the difference between the nominal value of share capital issued by Interlink Atlantic Limited, the Company's subsidiary, and the nominal value of the share capital of subsidiaries acquired by Interlink Atlantic Limited on 23rd September, 2005; and (ii) the contribution from non-controlling interests of net assets value shared by them to Dr. Sung Chung Kwun, the shareholder of Interlink Atlantic Limited.

(c) The Group's statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's subsidiaries established in the People's Republic of China ("PRC") and Macau under PRC or Macau laws and regulations. In accordance with relevant PRC and Macau Company Laws and Regulations, the PRC and Macau companies are required to transfer 10% to 25% of their profit after taxation computed in their statutory financial statements presented under the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves until the reserve balance reaches 50% of their paid-in capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(961,654)	(180,731)
Adjustments for:		
Finance costs	52,902	44,782
Bank interest income	(3,005)	(2,957)
Depreciation of property, plant and equipment	79,866	84,542
Depreciation of investment properties	21	52
Amortisation of prepaid lease payments	1,533	1,605
Amortisation of other assets	55	158
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments	2,017	(3,276)
Gain on disposal of investment properties and prepaid lease payments	(3,978)	(15,864)
Gain on disposal of club debenture	(2,930)	–
Gain on disposal of assets classified as held for sale	(11,853)	–
Loss on partial surrender of an insurance policy	674	–
Write-down of inventories	280,790	29,618
Impairment losses recognised on property, plant and equipment and prepaid lease payments	140,137	10,193
Impairment losses recognised on trade and other receivables	67,299	11,733
Impairment loss recognised on available-for-sale investment	47,320	–
Change in fair value of derivative financial instruments	(93)	197
Interest income on other assets	(486)	(354)
Operating cash flows before movements in working capital	(311,385)	(20,302)
Decrease (increase) in inventories	334,158	(169,947)
Decrease in trade receivables, bills receivable and other receivables, deposits and prepayments	80,506	288,635
Increase in amounts due from related companies	(941)	(459)
Placement of pledged bank deposits	(12,893)	(32,231)
Withdrawal of pledged bank deposits	29,568	12,821
Decrease in trade payable, bills payable and other payables	(19,458)	(17,828)
Settlement of derivative financial instruments	(19,949)	–
Cash generated from operations	79,606	60,689
Income tax paid	(1,902)	(1,241)
NET CASH FROM OPERATING ACTIVITIES	77,704	59,448

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Acquisition of available-for-sale investment	*21*	(60,000)	–
Deposit paid for acquisition of investment	*21*	(40,000)	–
Purchase of property, plant and equipment		(28,898)	(97,853)
Interest received		3,005	2,957
Proceeds on disposal of club debenture	*22*	4,000	–
Proceeds from redemption of other asset	*23*	4,863	–
Proceeds on disposal of investment properties and prepaid lease payments	*17*	5,462	17,307
Proceeds on disposal of property, plant and equipment and prepaid lease payments		15,385	23,805
Proceeds on disposal of assets classified as held for sale		20,000	–
Acquisition of prepaid lease payments		–	(12,602)
Deposit received from transfer of the operation rights of a subsidiary	*29*	–	51,282
Deposits received from disposal of property, plant and equipment and prepaid lease payments		–	11,538
NET CASH USED IN INVESTING ACTIVITIES		(76,183)	(3,566)
FINANCING ACTIVITIES			
Repayments of bank borrowings		(850,319)	(2,205,849)
Interest paid		(52,902)	(44,782)
Net proceeds from other borrowings		9,861	–
Advance from a related company		20,950	–
Advance from a shareholder of the Company		29,050	–
Net proceeds from issue of shares		92,609	–
New bank borrowings raised		664,543	2,171,005
Deposit received from share subscription		–	90,221
Dividend paid		–	(8,823)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(86,208)	1,772
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(84,687)	57,654
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,332)	3,763
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		126,366	64,949
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		40,347	126,366
Cash and cash equivalents represented by:			
Bank balances and cash		94,119	145,676
Bank overdrafts		(53,772)	(19,310)
		40,347	126,366

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9th June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" of the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 41.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$564,911,000 as at 31st December, 2015. During the year and subsequently to 31st December 2015, the Group has breached certain of loan covenants of certain bank facilities and defaulted on the repayment of certain banking borrowings. Certain bankers of the Company (the "Banks") have therefore demanded in writing that the Group shall make immediate repayment of the aggregate amount of approximately HK$667,011,000 or they may consider commencing legal proceedings against the Group. The Group has been actively negotiating with the Banks for restructuring of the relevant borrowings, including rescheduling of the terms of repayments and/or the extension or revision of the relevant banking facilities.

As part of the negotiations, Addchance Dyeing Factory Limited ("Addchance Dyeing"), a company owned as to 60% by Dr. Sung Chung Kwun, the former Chairman and the beneficial owner of a substantial shareholder of the Company, and as to 40% by Mr. Sung Kim Ping, an executive director of the Company, has arranged the execution of second mortgage on its own property in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong, in favour of certain bankers to secure all the present and future debts owed by the Group owed to those bankers.

Up to the date these consolidated financial statements were authorised for issuance, the restructuring of the loans from the Banks is still under negotiation.

On 27th November 2015, the Company and Rongsheng Asset Management Co., Limited (the "Subscriber"), an independent third party of the Group, entered into the conditional subscription agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 2,010,000,000 subscription shares to the Subscriber at the subscription price of HK$0.56 per subscription share (the "Subscription"). The estimated net proceeds from the Subscription is approximately HK$1,098 million.

On the same date, the Company and Qian Hai Securities Limited (the "2015 Placing Agent"), an independent third party of the Group, entered into the conditional placing agreement (as supplemented by a supplemental placing agreement), pursuant to which the Company has conditionally agreed to place through the 2015 Placing Agent, on a best effort basis, up to 1,300,000,000 placing shares at a price of HK$0.56 per placing share (the "Placing"). The estimated net proceeds from the Placing is approximately HK$684 million.

Ordinary resolutions in relation to the Subscription and the Placing have been approved in an extraordinary general meeting of the Company convened on 30th March, 2016.

1. GENERAL AND BASIS OF PREPARATION – continued

As at the date these consolidated financial statements were authorised for issuance, the following conditions precedent set out in the conditional subscription agreement have not yet been fulfilled or waived by the relevant parties (if so allowed) under the agreement:

- the approval from the Stock Exchange for the listing of shares to be issued under the Subscription;
- the Company is not rendered to be unable to meet the minimum public float requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") by reason of the Subscription;
- there being no suspension on the trading of shares of the Company on the Stock Exchange for more than five consecutive business days prior to the completion of the Subscription, other than suspension due to the execution of the subscription agreement or as agreed by the Subscriber;
- the obtaining of all approval and consent for the transactions contemplated under the subscription agreement, the compliance of all applicable laws and regulations relevant to the Subscription by the parties involved and the performance of all necessary legal procedures;
- no order, judgement, limitations nor decision has been made, issued or ordered by any judicial governmental or regulatory authorities to restrict or prohibit the transactions contemplated under the subscription agreement;
- no application made by any third party to any court or governmental authorities claiming or threatening to claim for material compensation, to restrict or prohibit the transactions contemplated under the subscription agreement, or to declare the transactions to be illegal;
- the representations, warranties and undertakings given by the Company in relation to the Subscription is not materially misleading up to the completion of the Subscription;
- the performance of all the relevant obligations and undertakings under the subscription agreement by the Company and the Subscriber, respectively;
- the satisfaction of the Subscriber for no material adverse change in the prospects, operation, financial and other aspects of the Company (and any development or event leading thereto) up to the completion of the Subscription;
- the satisfaction of the Subscriber for the due diligence results on the legal and financial aspects of the Group; and
- the provision of legal opinions by the Company in relation to the Group in Hong Kong, Macau and the Cayman Islands, to the Subscriber, in such form and substance to the satisfaction of the Subscriber.

1. GENERAL AND BASIS OF PREPARATION – continued

As at the date these consolidated financial statements were authorised for issuance, the following conditions precedent set out in the conditional placing agreement have not yet been fulfilled:

- the approval from the Stock Exchange for the listing of shares to be issued under the Placing; and
- the obtaining by all parties involved of all necessary consents or approvals (if any) from the relevant authorities in respect of the entry and consummation of the placing agreement and the transactions contemplated thereunder.

The directors of the Company consider that, upon completion of the Subscription and/or the Placing, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Based on the facts and circumstances as made available thereto, the directors of the Company are of the opinion that both the Subscription and the Placing will be completed. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis at least in the coming twelve months taking into consideration the estimated maximum net proceeds of approximately HK$1,782 million from the share subscription and share placements expected to be completed on or before 30th June, 2016. However, should neither the Subscription nor the Placing be completed and the Group is unable to find alternative sources of funding, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]

1 *Effective for annual periods beginning on or after 1st January, 2018*
2 *Effective for first annual IFRS financial statements beginning on or after 1st January, 2016*
3 *Effective for annual periods beginning on or after 1st January, 2019*
4 *Effective for annual periods beginning on or after 1st January, 2016*
5 *Effective for annual periods beginning on or after a date to be determined*
6 *Effective for annual periods beginning on or after 1st January, 2017*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRS 9 Financial Instruments – continued

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company will assess the impact of the application of IFRS 9. It is not practicable to provide a reasonable estimate of the effect of the application of IFRS 9 until the Group performs a detail review.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersedes the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 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 of those goods or services. Specially, IFRS 15 introduces a 5-step 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 the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company will assess the impact of the application of IFRS 15. It is not practicable to provide a reasonable estimate of the effect of the application of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of IFRS 16. It is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance ("HKCO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31st December, 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new HKCO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31st December, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st December, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor HKCO or Listing Rules but not under the new HKCO or amended Listing Rules are not disclosed in these consolidated financial statements.

The principal accounting policies are set out below.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification, except if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

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

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

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

Borrowing costs

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

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

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax – continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Intangible assets – club debenture

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use on disposal. Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale ("AFS") financial assets.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

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 (including trade receivables, bills receivable and other receivables, amounts due from related companies, deposit placed in life insurance policies, pledged bank deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group designated the equity investment in an unlisted entity as AFS financial assets on initial recognition.

Equity Investments held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30-120 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payable, bills payable and other payables, amount due to a related company, amount due to a shareholder, bank and other borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an internal part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The gain or loss arising on remeasurement is recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-operating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated useful lives and impairment of property, plant and equipment and prepaid lease payments

Management estimate the useful lives of various categories of property, plant and equipment and prepaid lease payment according to the industrial experiences and norm. If the actual useful lives of property, plant and equipment and prepaid lease payment are less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

When there is indication that an item of the property, plant and equipment and prepaid lease payment has suffered an impairment loss, management of the Group will assess impairment and estimate the recoverable amounts of those assets. The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount. In determining the value in use, the management of the Group estimates the future cash flows expected to be generated from those asset and the discount rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Due to the recurring operating loss and net operating cash outflow of the Group's textile business and absence of future development plan in certain locations in the PRC, the directors of the Company conducted a review of the Group's property, plant and equipment and prepaid lease payments as at 31st December, 2015 and recognised an aggregate impairment loss of approximately HK$140,137,000 for the year ended 31st December, 2015 (2014: HK$10,193,000). As at 31st December, 2015, the carrying amount of property, plant and equipment and prepaid lease payments net of impairment amounted to approximately HK$585,736,000 and HK$62,525,000 respectively (2014:HK$802,644,000 and HK$70,020,000 respectively) (see notes 18 and 19).

Estimated impairment on trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31st December, 2015, an impairment loss of trade and other receivables of approximately HK$67,299,000 (2014: HK$11,733,000) has been made after considering that the asset's carrying amount is less than the present value of estimated future cash flows. As at 31st December, 2015, the carrying amount of trade and other receivables is approximately HK$206,780,000 (2014: HK$359,277,000, net of allowance for doubtful debts of HK$9,438,000).

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Estimated impairment on inventories

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of net realisable value. The amount of the impairment loss is measured as the difference between the inventories' carrying amount and the expected net realisable value. Where the net realisable value is less than expected, a material impairment loss may arise. During the year ended 31st December, 2015, an impairment loss of inventories of approximately HK$280,790,000 (2014: HK$29,618,000) has been made after considering the facts as above. As at 31st December, 2015, the carrying amount of inventories is approximately HK$403,149,000 (2014: HK$1,030,633,000).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. 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 Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports to the board of directors of the Company every half year to explain the cause of fluctuations in the fair value of the assets.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 6 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Completion of the transfer of the operation rights of a subsidiary

As disclosed in note 29, the Group entered into an operation right transfer agreement with a third party during the year ended 31st December, 2012 to transfer the operating rights of a subsidiary. The total consideration of the transfer is approximately HK$554,321,000 and is payable by six installments within five years from 31st December, 2012. All of the conditions precedent set out in the agreement have not yet been met as at 31st December, 2015. The Company is actively negotiating with the acquirer for the total consideration of the transaction, schedules or settlements of the outstanding balance. Based on these circumstances, the directors of the Company anticipate that the occurrence of the transfer is highly probable in 2016. The deposits of HK$236,056,000 received as at 31st December, 2015 have been classified as current liabilities.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes the bank and other borrowings, amount due to a related company and amount due to a shareholder of the Company as disclosed in notes 32, 27 and 33 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves, less the accumulated losses.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debt or redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables		
Trade receivables, bills receivable and other receivables	183,838	289,910
Amounts due from related companies	4,943	4,002
Pledged bank deposits	49,125	67,487
Bank balances and cash	94,119	145,676
Other assets	9,320	13,438
	341,345	520,513
Available-for-sale investment	130,000	–
Financial liabilities		
Amortised cost		
Trade payable, bills payable and other payables	96,869	107,898
Amount due to a related company	20,950	–
Bank and other borrowings	944,032	1,119,947
Bank overdrafts	53,772	19,310
Amount due to a shareholder of the Company	29,050	–
	1,144,673	1,247,155
Derivative financial instruments	–	20,042

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivable and other receivables, amounts due from related companies, deposit placed in life insurance policies, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, amount due to a related company, amount due to a shareholder of the Company, bank and other borrowings, bank overdrafts and derivative financial instruments. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Also, certain trade receivables, bills receivable, other receivables, bank balances, trade payables, bills payable, other payables and bank borrowings of the Group are denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
United State dollars ("USD")	97,507	141,360	558,782	646,784
Renminbi ("RMB")	502	640	168	–
Euro ("EUR")	4,518	168	–	–

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to the EUR and RMB.

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that Hong Kong dollars is pegged to USD. A negative number below indicates an increase in post-tax loss where Hong Kong dollars strengthen 5% against the relevant currencies. For a 5% (2014: 5%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the profit of loss, and the balances below would be opposite.

	RMB		EUR	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Loss for the year	(17)	(27)	(226)	(7)

For foreign currency forward contracts of buying USD and selling RMB, if RMB strengthen 5% against USD, the post-tax loss for the year ended 31st December, 2014 would increase by approximately HK$1,044,000. For 5% weakening of RMB against USD, the post-tax loss for the year ended 31st December, 2014 would decrease by HK$945,000. No sensitivity analysis was prepared for the year ended 31st December, 2014 in relation to foreign currency forward contracts of buying USD and selling Hong Kong dollars as the directors consider that the Group's exposure is insignificant on the ground that Hong Kong dollars is pegged to USD.

In management's opinion, a sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year ended 31st December, 2014.

The Group has not entered into any foreign currency forward contract as at 31st December, 2015.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings and interest rate swap as set out in notes 32 and 31, respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, bills payable and bank borrowings as set out in notes 28, 30 and 32, respectively.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR"), London Interbank Offered Rate ("LIBOR") and International Swaps and Derivatives Association Swap Rate ("HKD-ISDA-Swap Rate") arising from the Group's variable-rate bank balances, bills payable and bank borrowings and interest rate swaps.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable-rate bills payable and bank borrowings at the end of reporting period. The analysis is prepared assuming financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2015 would increase/decrease by approximately HK$2,753,000 (2014: HK$2,183,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

No sensitivity analysis was prepared in relation to the cash flow interest rate risk of variable-rate bank balances as the directors consider the exposure is limited.

For interest rate swap, 50 basis point increase or decrease is used for the year ended 31st December, 2014. If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2014 would decrease/increase by approximately HK$4,489,000. The Group has not entered into any interest rate swap contract at 31st December, 2015.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate bank borrowings and maturation of all interest rate swap.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk

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

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

At 31st December, 2015, the Group has a concentration of credit risk to its five largest customers which comprised approximately HK$73,235,000 (2014: HK$49,847,000) of the Group's trade receivables. Management identified such concentration of credit risk by considering (i) the number of counterparties; (ii) similar characteristics of these customers such as garment and apparel retailing and wholesale industry and regions within Europe and China and (iii) the amount of risk exposure associated with the trade receivables. The Group normally grant a credit term of 30-120 days to these customers. By reviewing the regular subsequent settlement of these trade receivables, the directors are of opinion that the default risk of these trade receivables are manageable. Other than that, the Group does not have any other significant concentration of credit risk.

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

Liquidity risk

The Group's current liabilities exceeded its current assets by approximately HK$564,911,000 as at 31st December, 2015 and recorded a post-tax loss of HK$951,129,000 for the year ended 31st December, 2015. The Group is exposed to liquidity risk if it is not able to raise sufficient fund to meet its financial obligations.

The directors of the Company have given careful consideration to the future liquidity of the Group, details of which are set out in notes 1.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause and amounts being demanded by the Banks for immediate repayment are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2015							
Non-derivative financial liabilities							
Trade payable, bills payable and other payables	–	64,876	31,993	–	–	96,869	96,869
Amount due to a related company	–	20,950	–	–	–	20,950	20,950
Bank borrowings							
– variable rate	3.8	446,801	42,273	8,434	–	497,508	496,801
– fixed rate	6.6	252,954	50,627	143,495	–	447,076	437,370
Other borrowings							
– fixed rate	10.6	–	–	–	19,900	19,900	9,861
Bank overdrafts	5.5	53,772	–	–	–	53,772	53,772
Amount due to a shareholder of the Company	–	29,050	–	–	–	29,050	29,050
		868,403	124,893	151,929	19,900	1,165,125	1,144,673

Bank loans with scheduled repayment dates set out in the loan agreements after one year but with a repayment on demand clause and bank loans being demanded by the Banks for immediate repayment are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31st December, 2015, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$36,875,000 and HK$667,011,000 respectively. If the bank loans with repayment on demand clause will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, at that time, the aggregate principal and interest cash outflows will amount to HK$41,669,000.

6. FINANCIAL INSTRUMENTS – continued

(c) Fair value

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Financial assets/ financial liabilities	Fair value of assets (liabilities) as at 31st December,		Fair value hierarchy	Valuation technique(s) and key input(s)
		2015 HK$'000	2014 HK$'000		
1)	13% private equity investments classified as AFS in the consolidated statement of financial position	130,000	–	Level 3	Discounted cash flow. Future cash flows are estimated based on revenue growth rates and operating margin, discounted by weighted average cost of capital which is determined using a Capital Asset Pricing Model.
2)	Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	–	(1)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3)	Interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	–	(20,041)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

6. FINANCIAL INSTRUMENTS – continued

(c) Fair value – continued

Fair value hierarchy as at 31st December, 2015

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets			
Available-for-sale investment	–	–	130,000

Fair value hierarchy as at 31st December, 2014

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial liabilities			
Derivative financial instruments			
Foreign currency forward contracts	–	1	–
Interest rate swap	–	20,041	–
	–	20,042	–

There was no transfer between Level 1, 2 and 3 for both years.

The fair value of financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rates that reflect the credit risk of counterparties, and forward exchange rates and forward interest rates that reflect the market risk.

Reconciliation of Level 3 fair value measurements

	Available-for sale investment HK$'000
At 1st January, 2015	–
Purchases	177,320
Impairment loss included in profit or loss, included in the other income, gains (losses) and impairment losses	(47,320)
At 31st December, 2015	130,000

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

An analysis of the Group's revenue for the year is as follows:

	2015 HK$'000	2014 HK$'000
Production and sale of cotton yarn	67,932	114,470
Production and sale of knitted sweaters	587,942	541,105
Production and sale of dyed yarns	262,245	307,105
Provision of dyeing services	33,017	39,908
Trading of cotton and yarns	9,936	13,695
	961,072	1,016,283

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

Specifically, the Group's operating and reportable segments under IFRS 8 are as follows:

1. Production and sale of cotton yarn

2. Production and sale of knitted sweaters

3. Production and sale of dyed yarns

4. Provision of dyeing services

5. Trading of cotton and yarns

8. SEGMENT INFORMATION – continued

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31st December, 2015

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Total for reportable segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	67,932	587,942	262,245	33,017	9,936	961,072	–	961,072
Inter-segment sales	23,722	–	269,335	8,969	140,353	442,379	(442,379)	–
Segment revenue	91,654	587,942	531,580	41,986	150,289	1,403,451	(442,379)	961,072
SEGMENT LOSS	(94,338)	(654,701)	(86,484)	(4,579)	(43,213)	(883,315)	–	(883,315)
Unallocated expenses								(16,809)
Other income, gains (losses) and impairment losses								(8,628)
Finance costs								(52,902)
Loss before tax								(961,654)

For the year ended 31st December, 2014

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Total for reportable segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	114,470	541,105	307,105	39,908	13,695	1,016,283	–	1,016,283
Inter-segment sales	77,443	–	410,159	10,248	228,182	726,032	(726,032)	–
Segment revenue	191,913	541,105	717,264	50,156	241,877	1,742,315	(726,032)	1,016,283
SEGMENT (LOSS) PROFIT	(38,885)	3,875	(65,621)	(2,085)	(33,007)	(135,723)	–	(135,723)
Unallocated expenses								(12,033)
Other income and gains (losses)								11,807
Finance costs								(44,782)
Loss before tax								(180,731)

8. SEGMENT INFORMATION – continued

Segment revenue and results – continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the loss before tax of each segment without allocation of central administration costs, directors' salaries, change in fair value of derivative financial instruments, other income and other gains (losses) not attributable to segment (loss) profit and finance costs. This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and performance assessment.

Inter-segment sales were charged at cost plus margin basis.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31st December, 2015

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Total HK$'000
ASSETS						
Segment assets	281,534	704,359	191,318	34,993	60,792	1,272,996
Available-for-sale investment						130,000
Assets classified as held for sale						108,963
Deposit paid for acquisition of an available-for-sale investment						40,000
Unallocated corporate assets						160,159
CONSOLIDATED TOTAL ASSETS						1,712,118
LIABILITIES						
Segment liabilities	16,919	49,162	240,195	11,843	73,872	391,991
Unallocated corporate liabilities						1,056,536
CONSOLIDATED TOTAL LIABILITIES						1,448,527

8. SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

As at 31st December, 2014

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Total HK$'000
ASSETS						
Segment assets	378,580	1,414,376	282,989	39,121	162,694	2,277,760
Assets classified as held for sale						128,360
Unallocated corporate assets						235,572
CONSOLIDATED TOTAL ASSETS						2,641,692
LIABILITIES						
Segment liabilities	22,384	74,292	321,913	13,276	81,622	513,487
Unallocated corporate liabilities						1,180,388
CONSOLIDATED TOTAL LIABILITIES						1,693,875

For the purposes of monitoring segment performances and allocating resources among segments, all assets are allocated to operating segments other than investment properties, other assets, club debenture, amounts due from related companies, tax recoverable, available-for-sale investment, deposit paid for acquisition of an available-for-sale investment, assets classified as held for sale, pledged bank deposits and bank balances and cash on the basis of the revenue earned by individual reportable segments; and all liabilities are allocated to operating segments other than bank and other borrowings, bank overdrafts, amount due to a related company, amount due to a shareholder of the Company, tax liabilities, derivative financial instruments and deferred tax liabilities in proportion to segment assets. This is the measure reported to the chief operating decision makers, the executive directors of the Company, for the purpose of resource allocation and performance assessment.

8. SEGMENT INFORMATION – continued

Other segment information

The following amounts were provided to the chief operating decision makers, the executive directors of the Company, for the purposes of performance assessment and resource allocation:

For the year ended 31st December, 2015

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets (note)	27	24,743	3,582	203	343	–	28,898
Depreciation of property, plant and equipment	22,227	45,491	8,764	3,169	215	–	79,866
Amortisation of prepaid lease payments	637	508	367	21	–	–	1,533
Loss on disposal of property, plant and equipment and prepaid lease payments	–	–	–	–	–	2,017	2,017
Impairment losses recognised on property, plant and equipment and prepaid lease payments	30,139	103,770	5,152	786	290	–	140,137
Impairment losses recognised on available-for-sale investment	–	–	–	–	–	47,320	47,320
Write-down of inventories	12,909	233,175	8,132	774	25,800	–	280,790
Impairment losses recognised on trade and other receivables	–	66,349	–	137	813	–	67,299

8. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31st December, 2014

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets (Note)	783	97,458	21,424	948	227	–	120,840
Depreciation of property, plant and equipment	22,522	50,366	9,752	1,742	160	–	84,542
Amortisation of prepaid lease payments	653	537	385	22	8	–	1,605
Gain on disposal of property, plant and equipment and prepaid lease payments	–	–	–	–	–	3,278	3,278
Impairment losses recognised on property, plant and equipment	10,193	–	–	–	–	–	10,193
Impairment losses recognised on trade and other receivables	1,289	240	5,016	741	4,447	–	11,733
Write-down of inventories	1,339	22,019	2,000	–	4,260	–	29,618

Note: Non-current assets excluded financial assets

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
PRC	315,226	377,909	422,384	523,154
Hong Kong	89,236	130,501	56,334	25,480
Other Asian countries	51,753	90,572	233,805	355,102
Arabian Peninsula	165,568	1,023	–	–
Europe	196,060	384,630	–	–
North America	143,073	29,599	–	–
Australia	156	2,049	–	–
	961,072	1,016,283	712,523	903,736

Note: Non-current assets excluded financial assets.

Included in revenue for customers located in Europe, amounts of approximately HK$64,662,000 (2014: HK$7,940,000), HK$56,242,000 (2014: HK$6,421,000) and HK$42,138,000 (2014: HK$222,171,000) were arising from sales to customers based in Russia, Spain and United Kingdom, respectively.

8. SEGMENT INFORMATION – continued

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2015 HK$'000	2014 HK$'000
Customer A from segment of production and sale of knitted sweaters	157,160	169,953
Customer B from segment of production and sale of knitted sweaters (note)	100,578	N/A

Note: The corresponding amount is less than 10% of the total sales for the year ended 31st December, 2014.

9. OTHER INCOME, GAINS (LOSSES) AND IMPAIRMENT LOSSES

Other income, gains (losses) and (impairment losses) comprises:

	2015 HK$'000	2014 HK$'000
Gain on disposal of investment properties and prepaid lease payments	3,978	15,864
Gain on disposal of club debenture	2,930	–
Change in fair value of derivative financial instruments	93	(197)
Gain on disposal of assets classified as held for sale	11,853	–
Net exchange gains (losses)	3,842	(6,615)
Bank interest income	3,005	2,957
Interest income on other assets	486	354
Rental income	2,580	2,225
Income from sales of scrap materials	7,914	7,878
Sundry income	8,544	3,190
Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments	(140,137)	(10,193)
Impairment loss recognised on available-for-sale investment (note 21)	(47,320)	–
Impairment losses recognised on trade and other receivables (note 26)	(67,299)	(11,733)
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	(2,017)	3,278
Loss on partial surrender of an insurance policy (note 23)	(674)	–
	(212,222)	7,008

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank and other borrowings	52,902	44,782

11. INCOME TAX (CREDIT) EXPENSE

	2015 HK$'000	2014 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	–	971
– Underprovision in prior years	223	102
PRC Enterprise Income Tax		
– Current year	788	1,950
– Overprovision in prior years	–	(91)
	1,011	2,932
Deferred taxation (note 24)		
– Current year	(11,536)	595
	(10,525)	3,527

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in Cambodia, the profit generated from Cambodian subsidiaries of the Company are entitled to exemption from the Cambodian Income Tax until 2018.

11. INCOME TAX (CREDIT) EXPENSE – continued

The tax (credit) charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	(961,654)	(180,731)
Taxation at the domestic income tax rate of 16.5% (note)	(158,673)	(29,821)
Tax effect of income not taxable for tax purpose	(7,736)	(3,517)
Tax effect of expenses not deductible for tax purpose	8,008	5,204
Underprovision in prior years	223	11
Tax effect of other deductible tax differences not recognised	48,719	8,505
Utilisation of tax losses previously not recognised	(434)	(154)
Tax effect of tax losses incurred by Cambodian subsidiaries not recognised	72,247	4,989
Tax effect of other tax losses not recognised	26,853	17,647
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	268	663
Income tax (credit) expense for the year	(10,525)	3,527

Note: The Hong Kong Profits Tax rate of 16.5%, being the tax rate in the jurisdiction where the operations of the Group is substantially based, is used.

12. LOSS FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 13)	7,639	8,056
Other staff costs	247,738	280,901
Retirement benefits scheme contributions, excluding directors	8,091	10,182
Total staff costs	263,468	299,139
Auditor's remuneration	2,780	2,300
Cost of inventories recognised as an expense	1,180,214	914,409
Write-down of inventories (included in cost of sales)	280,790	29,618
Depreciation of investment properties	21	52
Depreciation of property, plant and equipment	79,866	84,542
Amortisation of prepaid lease payments	1,533	1,605
Amortisation of other assets	55	158
Gross rental income from investment properties (as included in other income, gains (losses) and impairment losses)	(2,580)	(2,225)
Less: direct operating expenses from investment properties that generated rental income during the year	262	256
	(2,318)	1,969

Note: The unfavourable economic environments of the textile industry continued to put strong downward pressures on the selling prices of the Group's textile products and the customers' tendency to minimise stocks reduced their orders placed with the Group. The aged and obsolete inventories of the Group have therefore been written down to their net realisable value and recognised as an expense in the year ended 31st December, 2015.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 17 (2014: 11) directors were as follows:

For the year ended 31st December, 2015

	Executive Directors								Non Executive Directors		Independent Non Executive Directors							
	Mr. Wong Chiu Hong	Ms. Sung Kit Ching (note i)	Mr. Sung Kim Ping	Mr. Sung Kim Wa note (ii)	Mr. Tsang Fai	Mr. Lo Ping	Mr. Zheng Jun (note iii)	Mr. Yeung Choi Yee (note iv)	Mr. Chui Chi Yun, Robert	Mr. Wu Kehao (note v)	Mr. Wong King Yeung (note vi)	Mr. Chan Tsz Fu, Jacky (note vii)	Ms. Huang Yunjie	Mr. Zhuang Zhongxi (note viii)	Mr. Chiu Wai Piu (note ix)	Dr. Tse Kwok Sang (note iv)	Mr. Chan Shu Kin (note x)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Directors																		
– fees	-	-	-	-	-	-	60	-	600	39	26	-	160	77	80	115	131	1,288
– salaries and other benefits	1,320	330	1,500	692	720	1,200	-	314	-	-	-	68	-	-	-	-	-	6,144
– bonus	-	-	-	-	94	-	-	-	-	-	-	4	-	-	-	-	-	98
– retirement benefit scheme contributions	18	5	18	10	18	19	-	9	-	-	-	4	8	-	-	-	-	109
	1,338	335	1,518	702	832	1,219	60	323	600	39	26	76	168	77	80	115	131	7,639

For the year ended 31st December, 2014

	Executive Directors							Non Executive Director	Independent Non Executive Directors			
	Mr. Wong Chiu Hong	Mr. Ip Siu Lam (note xi)	Ms. Sung Kit Ching	Mr. Sung Kim Ping	Mr. Sung Kim Wa	Mr. Tsang Fai	Mr. Lo Ping (note xii)	Mr. Chui Chi Yun, Robert (note xii)	Mr. Chan Tsz Fu, Jacky	Ms. Huang Yunjie	Mr. Zhuang Zhongxi	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Directors												
– fees	–	–	–	–	–	–	32	16	156	156	156	516
– salaries and other benefits	1,320	540	1,320	1,320	1,320	720	–	–	–	–	–	6,540
– bonus	180	60	180	180	180	96	–	–	4	2	2	884
– retirement benefit scheme contributions	17	17	17	17	17	17	–	–	7	7	–	116
	1,517	617	1,517	1,517	1,517	833	32	16	167	165	158	8,056

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The bonus payment for both years was determined at the discretion of the remuneration committee.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – continued

Notes:

i. Ms. Sung Kit Ching resigned as a director on 17th March, 2015.

ii. Mr. Sung Kim Wa resigned as a director on 9th July, 2015.

iii. Mr. Zheng Jun was appointed as a director on 29th September, 2015.

iv. Dr. Tse Kwok Sang and Mr. Yeung Choi Yee were appointed as directors on 9th July, 2015.

v. Mr. Wu Kehao was appointed as a director on 3rd November, 2015.

vi. Mr. Wong King Yeung was appointed as a director on 1st September, 2015 and resigned as a director on 1st November, 2015.

vii. Mr. Chan Tze Fu, Jacky retired as a director on 29th May, 2015.

viii. Mr. Zhuang Zhongxi resigned as a director on 15th June, 2015.

ix. Mr. Chiu Wai Pui was appointed as a director on 1st September, 2015.

x. Mr. Chan Shu Kin was appointed as a director on 15th June, 2015.

xi. Mr. Ip Siu Lam resigned as a director on 18th December, 2014.

xii. Mr. Lo Ping and Mr. Chui Chi Yun, Robert were appointed as directors on 22nd December, 2014.

xiii. No Chief Executive is appointed by the Company and the day-to-day management of the Group is led by Mr. Sung Kim Ping, the Chairman of the Board.

No directors waived any emoluments in any of the years.

Save as disclosed in note 40, the Company has not entered into transaction, arrangement or contract in which a director of the Company or a connected entity of a director of the Company has a material interest.

14. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2014: four) are currently directors of the Company whose emoluments as the capacity of directors of the Company are included in the disclosure in note 13 above. The emoluments of the remaining two (2014: one) individuals are as follows:

	2015 HK$'000	2014 HK$'000
Employee		
– salaries and other benefits	2,400	1,800
– bonus	–	200
– retirement benefit scheme contributions	36	–
	2,436	2,000

Included above is the emolument of an individual who has resigned as a director of the Company during the year ended 31st December, 2015 and remained to be employed by the Group. The emoluments of this individual in the capacity as a director of the Company is included in note 13 and the amount in the table above include the emoluments for the same individual as an employee of the Group.

The total emoluments of the two (2014: one) individual(s) for the entire year were within the following band:

	2015 No. of employee	2014 No. of employee
HK$1,000,001 to HK$1,500,000	2	–
HK$1,500,001 to HK$2,000,000	–	1

During the year ended 31st December, 2015 and 31st December, 2014, no emoluments were paid by the Group to the five highest paid individuals or directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividend recognised as distribution during the year		
– nil (2014: 2013 Final dividend of HK2.0 cents per share)	–	8,823

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2015 or the year ended 31st December, 2014.

16. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the loss for the year attributable to the owners of the Company of approximately HK$951,129,000 (2014: HK$184,258,000) and on the weighted average number of shares in issue during the year of approximately 613,416,000 (2014: 441,250,000).

No diluted loss per share is presented as the Company had no potential ordinary shares outstanding during any time in both years.

17. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1st January, 2014	2,706
Disposals	(2,183)
At 31st December, 2014	523
Disposals	(523)
At 31st December, 2015	–
ACCUMULATED DEPRECIATION	
At 1st January, 2014	926
Provided for the year	52
Eliminated on disposals	(784)
At 31st December, 2014	194
Provided for the year	21
Eliminated on disposals	(215)
At 31st December, 2015	–
CARRYING VALUES	
At 31st December, 2015	–
At 31st December, 2014	329

During the year ended 31st December, 2015, all of the Group's investment properties (and the associated prepaid lease payments) have been disposed of to an independent third party for a consideration of approximately HK$5,462,000 and a gain on disposal of approximately HK$3,978,000 has been recognised in profit or loss. The fair value of the Group's investment properties (and the associated prepaid lease payments) at 31st December, 2014 was approximately HK$6,470,000. The fair value as at 31st December, 2014 has been arrived at based on a valuation carried out by Vigers Appraisal & Consulting Limited, independent valuers not connected with the Group. The valuation was determined based on the basis of capitalisation of net rental income derived from the existing tenancy and made allowance for reversionary income potential of the properties.

The above investment properties were depreciated on a straight-line basis at a rate of 1.8% to 2% per annum, which was based on the relevant lease term.

All investment properties as at 31st December, 2014 were situated on land outside Hong Kong under long-term lease.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1st January, 2014	436,772	1,022,033	29,029	23,700	6,605	30,645	1,548,784
Exchange adjustments	13,119	32,247	588	792	254	891	47,891
Additions	644	4,139	55	1,120	–	91,895	97,853
Transfer	52,120	666	–	–	–	(52,786)	–
Disposals	(26,974)	(124,200)	–	(1,340)	–	–	(152,514)
Transfer to assets classified as held for sale	(17,732)	–	–	–	–	(4,120)	(21,852)
At 31st December, 2014	457,949	934,885	29,672	24,272	6,859	66,525	1,520,162
Exchange adjustments	(7,763)	(14,607)	(251)	(386)	(171)	(596)	(23,774)
Additions	–	21,670	1,097	–	–	6,131	28,898
Transfer	32,973	–	–	–	–	(32,973)	–
Disposals	–	(75,662)	(699)	(1,447)	–	–	(77,808)
At 31st December, 2015	483,159	866,286	29,819	22,439	6,688	39,087	1,447,478
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2014	112,233	568,979	22,873	21,607	66	–	725,758
Exchange adjustments	10,719	21,694	441	721	3	–	33,578
Provided for the year	16,621	64,622	1,626	1,261	412	–	84,542
Eliminated on disposals	(25,609)	(104,651)	–	(1,340)	–	–	(131,600)
Transfer to assets classified as held for sale	(4,953)	–	–	–	–	–	(4,953)
Impairment losses recognised in profit or loss	–	–	–	–	–	10,193	10,193
At 31st December, 2014	109,011	550,644	24,940	22,249	481	10,193	717,518
Exchange adjustments	(1,751)	(9,814)	(203)	(322)	(2)	–	(12,092)
Provided for the year	18,788	57,920	1,679	1,088	391	–	79,866
Eliminated on disposals	–	(58,469)	(622)	(1,315)	–	–	(60,406)
Impairment losses recognised in profit or loss	90,319	38,807	2,065	4	5,457	204	136,856
At 31st December, 2015	216,367	579,088	27,859	21,704	6,327	10,397	861,742
CARRYING VALUES							
At 31st December, 2015	266,792	287,198	1,960	735	361	28,690	585,736
At 31st December, 2014	348,938	384,241	4,732	2,023	6,378	56,332	802,644

18. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 20 to 25 years
Plant and machinery	10%-20%
Furniture and fixtures	4%-30%
Motor vehicles	30%
Leasehold improvements	12%

During the year, the directors of the Company conducted a review of the Group's property, plant and equipment and prepaid lease payment and determined that a number of these assets were impaired, due to the recurring operating loss and net cash outflow arised from the Group's textile business and absence of future development plan in certain locations in the PRC. The recoverable amount of an asset is determined at the higher of value in use and fair value less cost of disposal. Taking into account the estimated value in use and fair value less cost of disposal, the directors of the Company determined to recognise impairment losses of approximately HK$136,856,000 (2014: HK$10,193,000) in respect of property, plant and equipment. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value less cost of disposal has been arrived at based on a valuation carried out by Vigers Appraisal & Consulting Limited. The fair values of the prepaid lease payments were determined based on the direct comparison method, which makes reference to the recent transactions for similar lands in the proximity and adjusted for a number of unobservable inputs, between the comparable lands and the subject matters. For buildings, plant and equipment, the fair values were determined based on the replacement cost method, with adjustments to reflect comparable utility and age, etc. The fair value measurements for the Group's property, plant and equipment and prepaid lease payments (as set out in note 19) is categorised as Level 3 (see note 3).

19. PREPAID LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Analysed for reporting purposes as:		
Current asset	1,533	1,608
Non-current asset	60,992	68,412
	62,525	70,020

As mentioned in note 18, impairment losses of approximately HK$3,281,000 (2014: nil) have been recognised in respect of prepaid lease payments (see note 18 for details).

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

The amount represents the deposits paid for the acquisition of prepaid lease payments and property, plant and equipment for the Group's expansion of business.

21. AVAILABLE-FOR-SALE INVESTMENT

	2015 HK$'000	2014 HK$'000
Unlisted, equity security, at fair value	130,000	–

On 13th March, 2015, an indirect wholly-owned subsidiary of the Company (the "Purchaser") entered into an agreement, pursuant to which the Purchaser has conditionally agreed to acquire and Hong Jun Global Limited ("Hong Jun"), an independent third party of the Group, has conditionally agreed to sell 130 shares in the share capital of Coulman International Limited (the "Target Company"), representing 13% of the equity interest in the Target Company. The Target Company is an investment holding company incorporated in the British Virgin Islands ("BVI") and its non wholly-owned subsidiaries operate in natural gas business, including construction of pipelines, selling and distribution of natural gas, operation of fueling stations as well as installation of natural gas equipment in the PRC.

The consideration for the acquisition is HK$177,320,000 and has been settled by the combination of cash of HK$60,000,000 and an aggregate of 86,480,909 new ordinary shares of HK$0.01 each of the Company, representing approximately 16.3% of the existing issued share capital of the Company at the date of the acquisition. The consideration shares were issued at the issue price of HK$1.3566 per share, which was arrived with reference to the average of the closing prices of the Company's shares for the last five consecutive trading days on the Stock Exchange before the date of the acquisition agreement, and a discount of 5%. The fair value of the available-for-sale investment on the initial recognition has been determined by reference to the valuation of the Target Company prepared by Cushman & Wakefield Valuation Advisory Services (HK) Limited (later being acquired by DTZ Debenham Tie Leung Limited) under the discounted cash flow method, based on the estimated future cash flows of the Target Company discounted at the current market rate of return for similar financial assets, as of the date of the acquisition, to which the directors of the Company had made reference in determining the consideration for the acquisition. The acquisition was completed on 24th April, 2015 and the new ordinary shares of the Company had been issued on the same date.

The actual performance of the Target Company was less favourable than its estimate and an impairment loss of HK$47,320,000 has been made for the year ended 31st December, 2015 and have been included in profit or loss in the other income, gains (losses) and impairment losses line item, with reference to a valuation carried out by DTZ Debenham Tie Leung Limited for the Target Company using the discounted cash flow method.

On 23rd October 2015, the Purchaser entered into a non-legally binding memorandum of understanding ("MOU") in relation to the possible acquisition of 38% of the equity interest in the Target Company from another independent third party, Kai Lian Group Limited ("Kai Lian"). Upon signing of the MOU, the Purchaser is required to pay a refundable deposit in the amount of HK$40,000,000 as part of the consideration of the possible acquisition. If a formal agreement is not entered into on or before 20th April, 2016 or such later date as the Purchaser and Kai Lian may agree, the MOU shall cease and Kai Lian shall refund the refundable deposit to the Purchaser.

22. CLUB DEBENTURE

The club debenture as at 31st December, 2014 represented the club membership of Aberdeen Marine Club. The club debenture was disposed of to an independent third party during the year for a cash consideration of HK$4,000,000 and the gain on disposal has been included in profit or loss in other income, gains (losses) and impairment losses line item.

23. OTHER ASSETS

During the year ended 31st December, 2012, some subsidiaries of the Company (the "Subsidiaries") entered into life insurance policies with HSBC Life (International) Limited to insure two then executive directors, Sung Kim Ping and Sung Kim Wa (resigned during the year ended 31st December, 2015). Under the policies, the beneficiary and policy holders are the Subsidiaries, and the total insured sum is approximately USD7,800,000 (equivalent to HK$60,840,000). The Subsidiaries paid an upfront payment of approximately USD2,038,000 (equivalent to HK$15,899,000). The Subsidiaries may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the accumulation of premium paid plus accumulated guaranteed interest earned and minus certain charges and surrender amounts in accordance with terms of the policies (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteen policy year, a pre-determined specified surrender charge would be imposed on the Subsidiaries.

At the inception date, the upfront payment was separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit is measured at cost adjusted for interest and return recognised for each year. The insurance company will grant the Subsidiaries a guaranteed interest rate of 4% per annum for the first year, and a return of a minimum guaranteed interest rate of 2% per annum for the next 34 years, on the Cash Value before deduction of any surrender amounts.

During the year ended 31st December, 2015, the Subsidiaries requested a partial surrender of the policy that represented 23% of the total insured sum, and received cash of HK$4,863,000. The relevant carrying value was HK$5,537,000 and a loss of HK$674,000 has been included in profit or loss for the year ended 31st December, 2015 (see note 9).

The directors of the Company expect that the Group is unlikely to surrender the remaining life insurance policies in the foreseeable future, and the amounts have been classified as non-current assets.

24. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Unrealised profit on inventories HK$'000	Withholding tax on undistributed profits of subsidiaries HK$'000	Total HK$'000
At 1st January, 2014	10,097	(36)	1,964	3,076	15,101
Charge to profit or loss	8	36	294	257	595
At 31st December, 2014	10,105	–	2,258	3,333	15,696
Charge (credit) to profit or loss	(10,024)	–	(1,896)	384	(11,536)
At 31st December, 2015	81	–	362	3,717	4,160

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$18,326,000 as at 31st December, 2015 (2014: HK$31,074,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the Law on Taxation of Cambodia, withholding tax is imposed on dividends declared in respect of profits earned by Cambodian subsidiaries from 1st June, 1998 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Cambodian subsidiaries amounting to approximately HK$357,152,000 as at 31st December, 2015 (2014: HK$529,324,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Included in unrecognised tax losses are losses of approximately HK$257,567,000 (2014: HK$215,262,000) that will expire between 2016 to 2020 (2014: 2015 to 2019). Other losses of approximately HK$291,072,000 (2014: HK$213,612,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

25. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	55,078	159,119
Work in progress	283,110	660,939
Finished goods	64,961	210,575
	403,149	1,030,633

26. TRADE RECEIVABLES, BILLS RECEIVABLE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group generally allows credit period ranged from 30 days to 120 days to its trade customers.

Trade receivables of approximately HK$138,054,000 and bills receivable of approximately HK$4,246,000 (2014: HK$178,711,000 and HK$63,469,000, respectively) and their aged analysis, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

	2015 HK$'000	2014 HK$'000
Trade and bills receivables (gross), aged:		
0-30 days	63,774	104,704
31-60 days	21,315	43,395
61-90 days	16,028	36,751
91-120 days	24,472	16,797
Over 120 days	16,711	49,971
	142,300	251,618
Less: Allowance for doubtful debts	–	(9,438)
Trade and bills receivables, net	142,300	242,180
Prepaid expenses	14,534	49,459
VAT receivables	6,722	18,302
Deposits	1,686	1,558
Others	41,538	47,778
	206,780	359,277

Before accepting any new customer, the Group will assess and understand the potential customer's credit quality and defines its credit limits. Credit limits attributed to each customer are reviewed regularly.

26. TRADE RECEIVABLES, BILLS RECEIVABLE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Ageing of trade receivables which are past due but not impaired

	2015 HK$'000	2014 HK$'000
Over 120 days	16,711	49,971
Less: allowance for doubtful debts on trade receivables	–	(9,438)
	16,711	40,533

The Group has not provided for impairment loss on trade receivables of approximately HK$16,711,000 (2014: HK$40,533,000) which are past due but not impaired as these receivables relate to debtors who have made historical regular repayments. The Group does not hold collateral over these trade receivables.

Movement in the allowance for doubtful debts

	2015 HK$'000	2014 HK$'000
At 1st January	9,438	9,438
Allowance recognised on trade receivables	–	5,481
Amounts written off during the year as uncollectible	(9,438)	(5,481)
At 31st December	–	9,438

The Group does not hold any collateral over these balances.

The Group has recognised impairment losses in respect of advances to a subcontractor of approximately HK$67,299,000 during the year ended 31st December, 2015 (2014: nil) in view of the difficulties encountered on collection of the amount due from that subcontractor during the year.

The amount of the Group's trade receivables, bills receivable and other receivables denominated in currency other than the functional currency of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
USD	78,714	119,059
RMB	12	–
EUR	4,514	–
	83,240	119,059

26. TRADE RECEIVABLES, BILLS RECEIVABLE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Bills receivable discounted to banks with full recourse

	2015 HK$'000	2014 HK$'000
Carrying amount of transferred assets	–	54,985
Carrying amount of associated liabilities	–	(54,985)
Net position	–	–

Included in trade receivables, bills receivable and other receivables, deposits and prepayments was bills receivable of approximately HK$54,985,000 as at 31st December, 2014 (2015: nil) representing bills discounted with full recourse with maturity period of no more than 90 days. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Amounts due from related companies

Details of the amounts due from related companies are as follows:

	Notes	2015 HK$'000	2014 HK$'000	Maximum amount outstanding during the year HK$'000
Addchance Dyeing		4,852	3,911	4,852
Anford Trading Limited ("Anford")	*(i)*	52	52	52
Trenex (Hong Kong) Limited ("Trenex")	*(ii)*	20	20	20
Soundyet Enterprises Limited ("Soundyet")	*(ii)*	19	19	19
		4,943	4,002	

Amount due to a related company

Details of the amounts due a related company is as follow:

	Notes	2015 HK$'000	2014 HK$'000
Herojoy Trading Limited ("Herojoy")	*(iii)*	20,950	–

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES – continued

The amounts due from (to) related companies are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, the amount is expected to be settled within one year from the end of the reporting period.

Notes:

(i) Dr. Sung Chung Kwun and Mr.Wong Chiu Hong have controlling interests in Anford.

(ii) Dr. Sung Chung Kwun, Mr. Sung Kim Wa, Mr. Wong Chiu Hong and Mr. Sung Kim Ping have controlling interests in Trenex and Soundyet. Mr. Sung Kim Wa was the former director of the Company and Mr. Sung Kim Ping is the director of the Company.

(iii) Dr. Sung Chung Kwun has controlling interests in Herojoy.

28. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The amount carries interest at variable interest rates ranged from 0.01% to 0.50% per annum (2014: 0.01% to 0.42% per annum).

Pledged bank deposits are pledged to secure the bank borrowings granted to the Group. Included in pledged bank deposits is the amount of approximately HK$42,250,000 (2014: HK$35,256,000) that carries interest at fixed interest rate of 2% per annum (2014: 2% per annum) and the remaining balances are non-interest bearing.

The amount of the Group's bank balances and cash and pledged bank deposits denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
USD	9,473	8,863
RMB	490	640
EUR	4	168
	9,967	9,671

29. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHTS OF A SUBSIDIARY

(i) As disclosed in the announcement made by the Company dated 25th September, 2012 (the "Announcement"), the Group entered into an operation rights transfer agreement (the "Agreement") with an independent third party (the "Acquirer"), for the transfer of the operation rights of 100% interest in a subsidiary, Good Spread Industrial Limited ("Good Spread"), the immediate holding company of another wholly owned subsidiary, Luoding Addchance Limited, for a cash consideration of approximately HK$554,321,000, which will be payable by six instalments within five years from 31st December, 2012, with the first two instalments of approximately HK$184,774,000 in total being received in 2012 and 2013 and the remaining four instalments with an aggregate amount of approximately HK$369,547,000 scheduled to be received under the Agreement from 30th January, 2014 to 30th July, 2016.

Subject to fulfilment of all conditions precedent set out in the Agreement, the Acquirer can, within 60 days from the date when the Group has received the full amount of the first three instalments of the consideration which should have taken place on 30th January, 2014 in accordance with the Agreement, subscribe for 99.999% of the enlarged issued share capital of new shares of Good Spread with an exercise price of HK$1 per share.

During the year ended 31st December, 2013, the Company borrowed approximately HK$184,774,000, amount equal to the third and the fourth installments in total, from a bank and the Acquirer agreed to transfer fund to the Company to repay the loan when they fall due in December 2014. This arrangement of fund transfer would replace the third and the fourth instalments which should originally be payable on 30th January, 2014 and 30th November, 2014, respectively. Due to the above arrangement, the third instalment was considered not yet have been received and pre-requisite conditions precedent set out in the Agreement (the "Conditions") was considered not yet have been fulfilled on 30th January, 2014.

During the year ended 31st December, 2014, the Acquirer failed to transfer the agreed fund to the Company and transferred only approximately HK$51,282,000 to the Company for the settlement of the bank loan while the maturity date of the remaining bank loan of approximately HK$134,492,000 was agreed by the Company and the bank, to be extended to December 2015 and the Conditions was considered not yet have been fulfilled on 31st December, 2014.

During the year ended 31st December, 2015, no amount of the above bank loan was repaid and the maturity date of the outstanding bank loan of approximately HK$134,492,000 was agreed by the Company and the bank, to be further extended to December 2016. The Company is actively negotiating with the Acquirer for, among others, the repayment of bank loan, reduction of the total consideration to the settled and the schedules for settlements of the above sums. Based on these circumstances, the directors of the Company consider that the disposal will take place within twelve months from the end of the current reporting period. Accordingly, the assets of Good Spread and Luoding Addchance Limited have continued to be classified as assets held for sale as at 31st December, 2015 and are separately presented in the consolidated statement of financial position. The deposits and monies received so far from the Acquirer of approximately HK$236,056,000 (2014: HK$236,056,000) in total received as at 31st December, 2015 has been classified as current liabilities.

(ii) During the year ended 31st December, 2014, the Group entered into a sale agreement to dispose of property, plant and equipment and prepaid lease payments held by a subsidiary, Wu Zhou Addchance Textile Factory Limited, with carrying amounts of approximately HK$16,899,000 and HK$2,498,000, respectively, and deposit of approximately HK$11,538,000 has been received by the Group. The assets, which are expected to be sold within twelve months, have been classified as assets held for sale and the deposit received has been classified as current liabilities as at 31st December, 2014. The disposal has been completed during the year and the gain on disposal of approximately HK$11,853,000 has been included in profit or loss in the other income and other gains (losses) line item for the year ended 31st December, 2015.

29. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHTS OF A SUBSIDIARY – continued

Assets classified as held for sale as at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
Property, plant and equipment	33,408	50,307
Prepaid lease payments	75,555	78,053
	108,963	128,360

30. TRADE PAYABLES, BILLS PAYABLE AND OTHER PAYABLES

The following is an aged analysis of trade payables and bills payable presented based on the invoice dates at the end of reporting period:

	2015 HK$'000	2014 HK$'000
Aged:		
0-60 days	31,993	41,119
61-90 days	11,573	5,601
Over 90 days	19,200	38,202
	62,766	84,922
Receipt in advance from customers	4,667	7,933
Accrued expenses	50,992	54,680
VAT tax payables	3,407	7,417
Deposits received from disposal of assets classified as held for sale	–	11,538
Deposit received from share subscription	–	90,221
Other payables	34,103	20,720
Trade payables, bills payable and other payables shown under current liabilities	155,935	277,431

The average credit period on purchases of goods is 60 days to 90 days.

At the end of 2014, bills payable of approximately HK$19,026,000 carried interest at rates based on HIBOR ranging from 2.00% to 2.50% per annum for the year ended 31st December, 2014, and were repayable on demand or within four months. All bills payable were settled during the year.

30. TRADE PAYABLES, BILLS PAYABLE AND OTHER PAYABLES – continued

Included in other payables as at 31st December, 2015 is interest payable on bank borrowings of HK$13,614,000 (2014: nil).

The Group's trade and other payables that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
USD	18,853	7,320

31. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2015 HK$'000	2014 HK$'000
Derivatives not accounted for using hedge accounting:		
Foreign currency forward contracts	–	1
Interest rate swaps	–	20,041
	–	20,042

The Group had entered into some foreign currency forward contracts and interest rate swaps with monthly net-settlement as at 31st December, 2014. All derivative financial instruments were matured or terminated during the year. Fair value gain of approximately HK$93,000 (2014: loss of HK$197,000) have been recognised in profit or loss account for the year ended 31st December, 2015 (see note 9).

Major terms of foreign currency forward contracts as at 31st December, 2014 were as follows:

Notional amount	Maturity	Forward exchange rates
Buy USD in aggregate notional amount of USD2,000,000	Ranging from 2nd January, 2015 to 29th December, 2015	HK$/USD ranging from 7.74 to 7.78
Buy USD in aggregate notional amount of USD3,000,000	Ranging from 3rd February, 2016 to 28th October, 2016	RMB/USD ranging from 6.10 to 6.35

Major terms of interest rate swaps as at 31st December, 2014 were as follows:

Notional amount	Maturity	Swap
HK$300,000,000	6th May, 2015	From HIBOR to 2.73%
HK$75,000,000	29th September, 2015	From HKD-ISDA-Swap Rate to 1.55%

32. BANK AND OTHER BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank overdrafts	53,772	19,310
Bank borrowings		
– Bank loans	529,892	905,113
– Trust receipt loans	404,279	214,834
	934,171	1,119,947
Bonds	9,861	–
	997,804	1,139,257
Analysed as:		
Secured	671,753	689,739
Unsecured	326,051	449,518
	997,804	1,139,257
Fixed-rate	447,231	456,169
Variable-rate	550,573	683,088
	997,804	1,139,257
Carrying amount are repayable, based on scheduled repayment dates set out in the loan agreements, as follows:		
Within one year	284,057	1,113,632
Repayable within one year and being demanded by the Banks for immediate repayment	666,204	–
Repayable more than one year, but being demanded by the Banks for immediate repayment	807	–
Repayable more than one year but not more than five years from the end of the reporting period, but contain a repayment on demand clause		
– More than one year but not exceeding two years	36,875	21,362
– More than two years but not more than five years	–	4,263
More than five years	9,861	–
	997,804	1,139,257
Less: Amount due and repayable within one year shown under current liabilities		
– bank and other borrowings-due within one year	(934,171)	(1,119,947)
– bank overdrafts	(53,772)	(19,310)
	(987,943)	(1,139,257)
Amount shown under non-current liabilities	9,861	–

32. BANK AND OTHER BORROWINGS – continued

Bank overdrafts and trust receipt loans are repayable on demand. Bonds are unsecured and carry effective interest rates ranging from 10.47% to 10.63% and due in 2022. The secured bank loans are secured by the Group's certain prepaid lease payments, property, plant and equipment, trade and bills receivable, pledged bank deposits, other assets, corporate guarantee given by the Company and a property owned by Addchance Dyeing. Details of which are set out in notes 37 and 40.

As at 31st December, 2015, the Group breached certain of loan covenants of certain bank facilities. The Group has also failed to make repayment of certain bank borrowings when they became due in the current year. The Banks have, as set out in note 1, demanded in writing that the Group shall make immediate repayment of the amounts that has been overdued or they may consider commencing legal proceedings against the Group. The aggregate balances of the relevant bank borrowings as at 31st December, 2015 was approximately HK$667,011,000. The Group has been actively negotiating with the Banks for the terms of repayments. Up to the date these consolidated financial statements were authorised for issuance, the restructuring of the loans from the Banks is still under negotiation.

On 8th June, 2015, Addchance Dyeing has arranged the execution of second mortgage in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong in favour of the Banks to secure all present and future debts owed by the Group to the Banks. There is no fixed term for the second mortgage and will be released upon the full repayment of all debts owed to the Banks and all facilities provided by the Banks having being terminated.

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
USD-borrowings:		
– Bank loans	166,438	483,509
– Trust receipt loans	373,491	155,955
	539,929	639,464

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2015 HK$'000	2014 HK$'000
On demand or within one year	437,370	456,169
More than five years	9,861	–
	447,231	456,169

The Group's variable-rate borrowings are on demand or due within one year and carry interests at rates based on HIBOR or LIBOR.

32. BANK AND OTHER BORROWINGS – continued

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2015	2014
Fixed-rate borrowings	4.6% to 8.4%	6.0% to 8.3%
Variable-rate borrowings	1.80% to 6.75%	1.34% to 6.75%

33. AMOUNT DUE TO A SHAREHOLDER OF THE COMPANY

The entire amount as at 31st December, 2015 was advanced from Dr. Sung Chung Kwun and is unsecured, non-interest bearing and repayable on demand.

34. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January, 2014, 31st December, 2014 and 31st December, 2015	10,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2014 and 31st December, 2014	441,250,000	4,413
Placements of new shares (note i)	178,000,000	1,780
Issue of consideration shares in an acquisition (note ii)	86,480,909	864
At 31st December, 2015	705,730,909	7,057

34. SHARE CAPITAL – continued

Notes:

(i) On 24th December, 2014, the Company entered into a placing agreement with the placing agent, KGI Asia Limited (the "2014 Placing Agent"), pursuant to which the 2014 Placing Agent has agreed to place 88,000,000 shares of the Company held by Powerlink Industries Limited ("Powerlink Industries"), the substantial shareholder of the Company, to not less than six independent investors at the price of HK$1.05 per share. On the same date, the Company and Powerlink Industries entered into a subscription agreement for the subscription of up to 88,000,000 new shares ("Subscription Shares") at the subscription price of HK$1.05 per share. On 29th December, 2014, the placing was completed and 88,000,000 shares represented approximately 19.94% of the existing issued share capital of the Company have been placed to not less than six independent investors. The gross proceeds from the placing was approximately HK$92.4 million. The net proceeds from the placing after deduction of commission and other related expenses, which amounted to approximately HK$90.2 million, constituted a deposit (the "Deposit") payable by Powerlink Industries to the Company for the allotment and issue of the Subscription Shares as at 31st December, 2014. On 7th January, 2015, the Company allotted and issued 88,000,000 ordinary shares of HK$0.01 each of the Company at the price of HK$1.05 per share, to Powerlink Industries. The Deposit was applied as payment of the subscription price of the Subscription Shares and is used for general working capital of the Group. The number of 88,000,000 shares represented approximately 16.62% of the then existing issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

On 21st August, 2015, the Company entered into another placing agreement with the 2014 placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not less than six individuals, all of which were independent third parties, to subscribe for up to 122,000,000 placing shares at the placing price of HK$1.05 per placing share. On 15th September, 2015, the placing was completed and 90,000,000 shares, represented approximately 12.75% of the then issued share capital of the Company as enlarged by the issue of the 90,000,000 placing shares, have been placed to not less than six placees at the placing price of HK$1.05 per placing share. The gross and net proceeds from the placing amounted to approximately HK$94.50 million and approximately HK$92.60 million, respectively.

(ii) As set out in note 21, the Purchaser acquired 13% of the Target Company during the year ended 31st December, 2015 and the consideration has been partially settled by the issue of an aggregate of 86,480,909 new ordinary shares of HK$0.01 each in the share capital of the Company. The acquisition was completed on 24th April, 2015 and the new ordinary shares have been issued.

35. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and consultants and advisers ("Eligible Persons") of the Group.

Pursuant to the terms of the Scheme which will expire on 28th August, 2015, the board of directors of the Company may grant options to Eligible Persons to subscribe for shares in the Company at a consideration of HK$1 per grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date the options are granted.

The share option scheme was lapsed on 28th August, 2015 and no options were outstanding at 31st December, 2015 or 31st December, 2014 under the Scheme. No options were granted, exercised, cancelled or lapsed during both years.

36. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2015 HK$'000	2014 HK$'000
Office premises	6,922	6,757

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	5,955	6,508
In the second to fifth year inclusive	4,706	9,474
Over five years	206	1,472
	10,867	17,454

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for an average term of two to ten years with fixed rental.

The Group as lessor

Property rental income earned during the year was approximately HK$2,580,000 (2014: HK$2,225,000). All of the properties held have committed tenants for the next five years.

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015 HK$'000	2014 HK$'000
Within one year	–	1,340
In the second to fifth year inclusive	–	1,304
Over five years	–	2,097
	–	4,741

37. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks for the bank borrowings and credit facilities granted to the Group:

	2015 HK$'000	2014 HK$'000
Prepaid lease payments (Note)	99,997	101,258
Property, plant and equipment	69,081	76,750
Trade and bills receivables	–	71,853
Pledged bank deposits	49,125	67,487
Other assets	10,989	16,095
	229,192	333,443

Note: At 31st December, 2015, prepaid lease payments of approximately HK$75,555,000 (2014: HK$78,053,000) included in assets classified as held for sale (see note 29).

38. CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment and contracted for but not provided in the consolidated financial statements	–	1,620

39. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The qualified employees employed by the operations in the PRC are members of the state-managed retirement benefits schemes operated by the PRC. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC is to make the required contributions under the schemes.

During the year, the retirement benefit scheme contributions amounted to approximately HK$8,200,000 (2014: HK$10,298,000).

40. RELATED PARTY DISCLOSURES

Details of the balances with related parties are set out in notes 27 and 33.

During the year, the Group entered into the following transactions with related parties:

Related parties	Nature of transactions	2015 HK$'000	2014 HK$'000
Dr. Sung Chung Kwun	Rental expense paid by the Group	889	889
	Proceeds received by the Group from sales of investment property and prepaid lease payments	–	10,790
Addchance Dyeing Factory Limited	Rental expense paid by the Group	5,640	5,640
RC Corporate Services Limited ("RC") (note)	Services fee paid by the Group	1,037	–
RCK Consulting Limited ("RCK") (note)	Services fee paid by the Group	60	–

Note: Mr. Chui Chi Yan, Robert, a non executive director of the Company, has substantial interests in RC and RCK.

In addition, Addchance Dyeing has arranged the execution of second mortgage in respect of its properties in favour of certain of the Banks to secure the borrowings granted to the Group, as set out in notes 1 and 32.

Key management compensation

	2015 HK$'000	2014 HK$'000
Salaries and other short-term employee benefits	9,778	9,663

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2015 and 2014 are as follows:

Name of subsidiary	*Notes*	Place and date of incorporation/ operation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2015	2014	2015	2014	
Interlink Atlantic Limited		BVI 24th November, 1999	Ordinary share US$1	100%	100%	–	–	Investment holding
Addchance Limited		Hong Kong 2nd October, 1981	Ordinary shares HK$1,500,000	–	–	100%	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services, trading of cotton raw white yarn and fancy yarn and property holding
Chinakey (Hong Kong) Limited		Hong Kong 22nd October, 1997	Ordinary shares HK$1,000,000	–	–	100%	100%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited		Hong Kong 12th March, 1997	Ordinary shares HK$10,000	–	–	100%	100%	Trading of knitted sweaters
Charm Shine (Macau) Wool Yarn Industrial Limited		Macau 15th September, 1987	MOP500,000	–	–	100%	100%	Trading of dyed yarn and raw white yarn
Mei Pan Dyeing Factory Limited	*(iii)*	Hong Kong 1st May, 1987	Ordinary shares HK$1,240,000 Ordinary Shares A HK$760,000	–	–	–	100%	Investment holding
King On (China) Limited		Hong Kong 3rd October, 2007	Ordinary shares HK$10,000	–	–	100%	100%	Property holding
張家港互益染整有限公司 Zhangjiagang Addchance Dyeing & Finishing Co., Ltd.	*(i)*	PRC 9th March, 2001	Registered capital US$35,044,000	–	–	100%	100%	Manufacturing of dyed yarn and provision of dyeing services
羅定互益染廠有限公司 Luoding Addchance Dyeing Factory Ltd.	*(i)*	PRC 6th November, 1986	Registered capital US$24,124,000	–	–	100%	100%	Provision of yarn dyeing services
張家港互益紡織有限公司 Zhangjiagang Addchance Spinnery Co., Ltd.	*(i)*	PRC 12th December, 2003	Registered capital US$12,000,000	–	–	100%	100%	Manufacturing of knitted sweaters and provision of knitting services
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd.	*(i)*	PRC 27th September, 2003	Registered capital US$2,000,000	–	–	100%	100%	Provision of knitting services
廣西梧州互益紡織有限公司 Wu Zhou Addchance Textile Factory Limited	*(i)*	PRC 16th December, 2005	Registered capital US$3,500,000	–	–	100%	100%	Manufacturing of knitted sweaters
安慶市宿松互益精紡有限公司 An Qing Su Song Addchance Spinning Company Limited	*(i)*	PRC 14th April, 2007	Registered capital US$10,000,000	–	–	100%	100%	Manufacturing of cotton yarn

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Particulars of the Company's principal subsidiaries at 31st December, 2015 and 2014 are as follows:

Name of subsidiary	*Notes*	Place and date of incorporation/ operation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2015	2014	2015	2014	
新疆博樂互益紡織有限公司 Xinjiang Bole Addchance Textiles Limited	*(i)*	PRC 3rd April, 2007	Registered capital US$15,000,000 Paid up capital US$13,200,000	–	–	100%	100%	Manufacturing of cotton yarn
Chung Yick Textile Factory Limited (Formerly known as Full Fortune Knitting Ltd.)	*(ii)*	Cambodia 30th July, 2007	Registered capital US$7,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Dignity Knitter Limited	(ii)	Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Great Honour Textile Factory Limited		Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Ecobase Factory Limited		Cambodia 1st January, 2014	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Endless Rich Limited		BVI 2nd January, 2015	Registered capital US$1	–	–	100%	–	Investment in natural gas business
Eternity Fortune Holdings Limited		BVI 2nd January, 2015	Registered capital US$100	–	–	100%	–	Investment holding

Notes:

(i) These companies are wholly-foreign owned enterprise.

(ii) The registered capital has not yet been paid up as at 31st December, 2015.

(iii) Ordinary Shares A shall enjoy all rights, interest, privileges and have the same preference and priority as that of the ordinary shares. Ordinary Shares A shall not be transferable nor can be charged, sold, encumbered, mortgaged or otherwise alienated during life time of Dr. Sung Chung Kwun.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Except Interlink Atlantic Limited, Endless Rich Limited and Eternity Fortune Holdings Limited, all the above subsidiaries operate in their places of incorporation or establishment. Interlink Atlantic Limited, Endless Rich Limited and Eternity Fortune Holdings Limited, incorporation in BVI, operates in Hong Kong.

All subsidiaries are limited liability companies. None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong and PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2015	2014
Inactive	Hong Kong	3	1
	PRC	2	2
	BVI	2	–
		7	3
Investment holding	BVI	3	1
	Hong Kong	1	–
		4	1
		11	4

42. SUMMARISED FINANCIAL POSITION OF THE COMPANY

The Company's summarised financial position at the end of the reporting period are as follows:

	2015 HK$'000	2014 HK$'000
Non-current Asset		
Interests in subsidiaries, unlisted	419,207	641,677
Current Asset		
Bank balances and cash	10,827	262
Current Liabilities		
Other payables	5	90,226
Amount due to a subsidiary	33	20,033
Bank and other borrowings – due within one year	166,438	166,438
	166,476	276,697
Net Current Liabilities	(155,649)	(276,435)
Total Assets less Current Liabilities	263,558	365,242
Capital and Reserves		
Share capital	7,057	4,413
Reserves *(note)*	246,640	360,829
	253,697	365,242
Non-current Liability		
Bank and other borrowings - due after one year	9,861	–
	263,558	365,242

The Company's statement of financial position was approved and authorised for issue by the board of directors on 31st March, 2016 and are signed on its behalf by:

MR. SUNG KIM PING
DIRECTOR

MR. WONG CHIU HONG
DIRECTOR

42. SUMMARISED FINANCIAL POSITION OF THE COMPANY – continued

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2014	134,054	235,895	(293)	369,656
Loss and total comprehensive expense for the year	–	–	(4)	(4)
Dividend recognised as distribution	–	(8,823)	–	(8,823)
At 31st December, 2014	134,054	227,072	(297)	360,829
Loss and total comprehensive expense for the year	–	–	(411,695)	(411,695)
Issue of new shares	181,050	–	–	181,050
Issue of consideration shares, net of transaction costs, in an acquisition of interest in an available-for-sale investment	116,456	–	–	116,456
At 31st December, 2015	431,560	227,072	(411,992)	246,640

The contributed surplus of the Company represents (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited, over the nominal value of the share capital of the Company issued in exchange in prior years thereof and less (ii) dividends paid.

43. COMPARATIVE FIGURES

In order to confirm with current year's presentation, other income, other gains and losses and some expenses in administrative expenses for the year ended 31st December, 2014 have been reclassified to other income, gains (loss) and impairment losses.

FINANCIAL SUMMARY

For the year ended 31st December, 2015

RESULTS

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000
Turnover	1,291,790	1,450,209	1,401,667	1,016,283	961,072
Profit (loss) before tax	93,291	28,655	61,328	(180,731)	(961,654)
Income tax (expense) credit	(3,038)	1,906	(1,873)	(3,527)	10,525
Profit (loss) for the year	90,253	30,561	59,455	(184,258)	(951,129)
Profit (loss) attributable to:					
Owners of the Company	89,939	32,139	59,455	(184,258)	(951,129)
Non-controlling interests	314	(1,578)	–	–	–
	90,253	30,561	59,455	(184,258)	(951,129)

ASSETS AND LIABILITIES

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000
Total assets	2,215,760	2,514,351	2,691,972	2,641,692	1,712,118
Total liabilities	(1,179,292)	(1,437,015)	(1,582,992)	(1,693,875)	(1,448,527)
	1,036,468	1,077,336	1,108,980	947,817	263,591
Equity attributable to owners of the Company	1,034,847	1,077,293	1,108,980	947,817	263,591
Non-controlling interests	1,621	43	–	–	–
	1,036,468	1,077,336	1,108,980	947,817	263,591