



S.A.S. Dragon Holdings Limited

(Stock Code: 1184)



Annual Report
2015



CONTENTS

Company Profile	2
Corporate Information	3
Group Structure	4
Financial Highlights	5
Chairman's Statement	6
Management Discussion and Analysis	9
Directors and Senior Management Profiles	10
Corporate Governance Report	12
Directors' Report	17
Independent Auditor's Report	26
Consolidated Statement of	
Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	33
Notes to the Consolidated Financial Statements	36
Financial Summary	111
Particulars of Investment Properties	112

COMPANY PROFILE

Established since 1981 and listed on the Hong Kong Stock Exchange in 1994, **S.A.S. GROUP** IS A LEADING ELECTRONIC SUPPLY CHAIN SERVICES PROVIDER IN THE GREATER CHINA REGION. The Group specializes in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products including chipset solutions, display panel, memory chips, light-emitting diode (“LED”) lighting solutions, power supply system solutions, multimedia system solutions, PEMCO and other premier solutions for a wide range of applications for mobile, consumer electronic, computer and networking, telecommunication, IoT home automation and LED lighting products. S.A.S. Group serves more than 100 famous semiconductor suppliers and over 10,000 electronics manufacturing services (“EMS”) providers, original equipment manufacturers, original design manufacturers and valued-added resellers and has more than 15 sales offices in China, Hong Kong and Taiwan.

2

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley *JP*
(*Chairman and Managing Director*)
Mr. Wong Sui Chuen
Mr. Lau Ping Cheung
Mr. Yim Tsz Kit, Jacky

Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian
Mr. Liu Chun Ning, Wilfred
Mr. Cheung Chi Kwan

AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)
Dr. Lui Ming Wah *SBS JP*
Mr. Cheung Chi Kwan

REMUNERATION COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Sui Chuen

NOMINATION COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)
Mr. Wong Sui Chuen
Mr. Cheung Chi Kwan

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

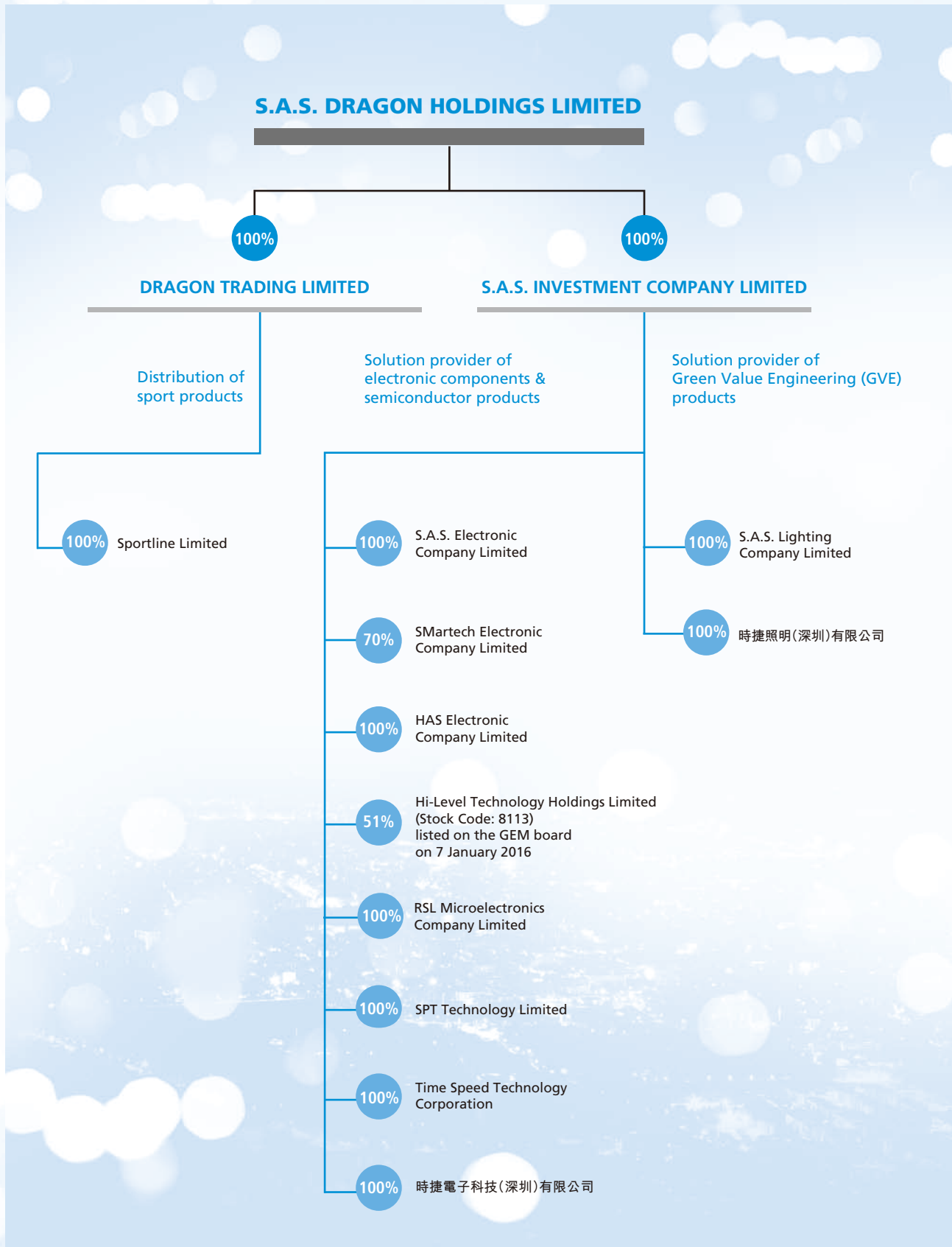
WEBSITE

<http://www.sasdragon.com.hk>

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1184

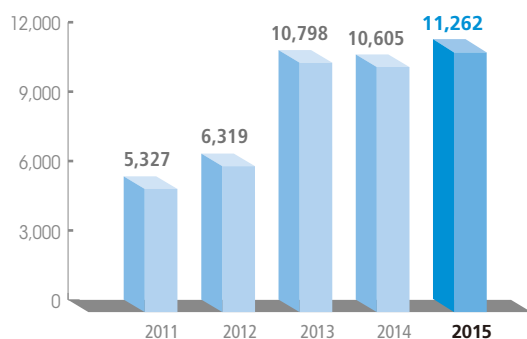
GROUP STRUCTURE



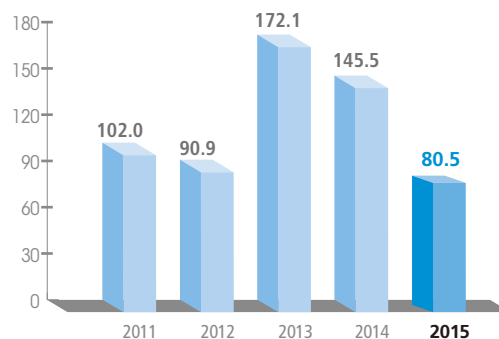
FINANCIAL HIGHLIGHTS

	2015	2014	Change
Revenue (HK\$ million)	11,262.1	10,605.4	+6%
Profit attributable to owners of the Company (HK\$ million)	80.5	145.5	-45%
Basic earnings per share (HK cents)	12.90	24.35	-47%
Dividend per share (HK cents)			
– Final proposed	4.50	9.00	-50%
– Interim paid	2.50	3.00	-17%
– Total	7.00	12.00	-42%

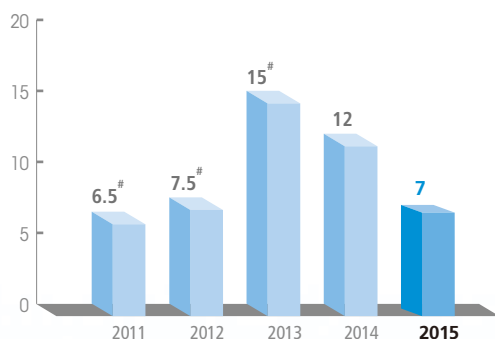
Revenue
(HK\$ million)



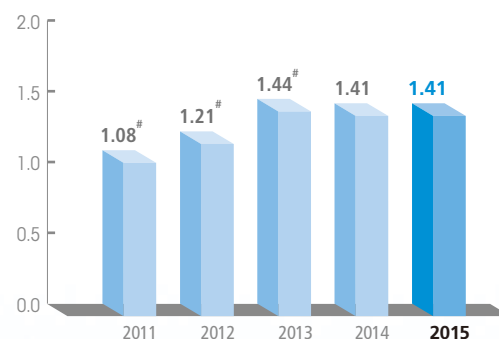
Profit attributable to owners of the Company
(HK\$ million)



Dividend per share
(HK cents)



Net asset value per share
(HK\$)



[#] As restated for the issue of the bonus shares on the basis of one bonus share for every one ordinary share held to shareholders on 11 June 2014.

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the consolidated results of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group achieved record high sales revenue of HK\$11,262,149,000, grew 6% from HK\$10,605,352,000 recorded last year. Gross profit was HK\$428,134,000, grew 6% from HK\$404,902,000 recorded last year. Gross profit margin was maintained at 3.8%, same as last year. However, mainly due to non-cash mark-to-market fair value losses and impairment loss of certain financial investments and instruments, the listing expenses incurred by Hi-Level Technology Holdings Limited ("Hi-Level Holdings") and the share of loss of Reachfull Investment Limited ("Reachfull"), net profit for the year was HK\$80,530,000, decreased by 45% compared with HK\$145,479,000 recorded last year. Basic earnings per share was HK12.90 cents (2014: HK24.35 cents).

6 The Group maintains a portfolio of listed equity securities in Hong Kong with a strategy to generate dividend income and capital gain. As of 31 December 2015, the Group's equity investments mainly comprised of listed shares of HSBC Holdings plc in the amount of HK\$23.5 million (acquired since 2009 and included in financial assets at fair value through profit and loss) and listed shares of PC Partner Group Limited in the amount of HK\$13.1 million (acquired in 2012 and included in available-for-sale investment) which were measured at fair value by reference to the quoted prices as at 31 December 2015. During the year under review, the Group recorded dividend income of HK\$2.5 million and disposal gain of HK\$2.3 million attributable to above equity investments. However, as a result of the volatile stock market condition in Hong Kong in the second half of 2015, the Group recorded non-cash loss on change in fair value of financial assets at fair value through profit and loss and non-cash impairment loss on available-for-sale investments of HK\$11.0 million in aggregate attributable to above equity investments. The Group is in the view that further material downside of above equity investments is limited.

DISTRIBUTION IN SPECIE

On 7 January 2016, the Group has successfully spun off its non-wholly-owned subsidiary, Hi-Level Holdings, through a separate listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. On 23 December 2015, the Board declared a distribution in specie of an aggregate of 45,000,000 ordinary shares of Hi-Level Holdings of HK\$0.01 each to the qualifying shareholders of the Company.

DIVIDEND

The Board has recommended a final dividend of HK4.5 cents per share for the year ended 31 December 2015 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK2.5 cents per share already paid, total dividend for the year will amount to HK7.0 cents (2014: HK12.0 cents).

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

Amid China's economic slowdown, thanks to the Group's strategy to focus on fast growing sectors and experience in managing a risk avoidance distribution model, the Group's core segment recorded sales revenue of HK\$11.2 billion for the year ended 31 December 2015, increased 6% from HK\$10.6 billion recorded last year.

Mobile Phone

According to International Data Corporation, the worldwide smartphone market shipped a total of 1,432 million units in 2015, up 10% from 1,302 million units shipped in 2014. Replacement of feature phones by smartphones and low-end smartphones by mid-grade smartphones in emerging markets and the increasing popularity of 4G smartphones in the PRC market are key drivers of smartphone growth. However, keen competition and growth slowdown in the smartphone market brought forward market consolidation and many small manufacturers were forced to exit the market.

During the year under review, amid the challenging smartphone market, the Group recorded revenue growth in mobile phone segment by delivering boarder range of competitive products such as larger and high resolution panels, larger storage memory, high resolution camera modules, fingerprint sensors, force touch sensors, mobile payment security ICs, multi-function motion sensors and related IC drivers to those branded handset manufacturers, design houses and module factories in the Greater China region.

Consumer Electronic



During the year under review, the Group's recorded revenue growth in consumer electronics segment by delivering competitive high resolution thin film transistor (TFT) panel including high definition (HD), full high definition (FHD) and 4k resolution, dynamic random access memory (DRAM) and Flash memory, system on chip (SoC), video and audio coder-decoder (CODEC), and power management chipset in wearable health care equipment, set-top box, smart TV, home appliance, and automobile markets.

7

Internet of Things (IoT)

In 2015, the IoT market is blooming very fast from consumer market to commercial and industrial markets. The Group has built up a competitive team to support Zigbee and WiFi SoC and module solutions to home appliance, health care, security, lighting, and industrial control markets.

Green Value Engineering (GVE)

In 2015, we restructure our LED lighting team under GVE business unit which GVE's mission is to be a leading innovator to deliver environmental-friendly and commercially-viable products to our target customers by leveraging our engineering expertise under our own brands of "Light in Motion"  and "Life in Motion" .

According to a research company, the adoption of LED lighting over global lighting market has rose to 28% by end of 2015 mainly due to LED's outstanding energy efficiency and drop of LED price in recent years. During the year under review, our GVE team has received high recognition and achieved record high revenue by completing over 300 commercial indoor and outdoor LED design and installation projects for international hotel chains, shopping malls, retail shops and offices in the Asia Pacific region.

Moving forward, we will explore more green innovative products to achieve our mission.

Cloud Computing

Since 2014, through the Group's associate, Reachfull, the Group partners with TCL Group and Cisco to develop an enterprise cloud services platform in the PRC. It's first product, "Sky-Tech WebEx", a cloud-based multi-terminal video communications platform has been launched in September 2015 and received positive responses from enterprise users. Other than video conference, its application will be further extended to various areas such as online education, long-distance customer service support and long-distance medial services soon.

CHAIRMAN'S STATEMENT

E-Commence

In order to provide comprehensive online and offline services to our customers, the Group started to develop its own transaction-based e-commerce platform "sasdragonmall.com" in 2015 and targeted to launch such platform in 2016.

Properties investment

As of 31 December 2015, the Group carried the 7 units of investment properties (31 December 2014: 6 units). The aggregate carrying value of investment properties amounted to HK\$299 million (31 December 2014: HK\$270 million).

The above investment properties altogether generated rental income of HK\$8.2 million (2014: HK\$6.7 million) with an annualized return of 2.7% (2014: 2.5%).

OUTLOOK

Looking in 2016, although we expect uncertainties will remain in the economy of the world and the PRC, we are still cautiously optimistic about our business outlook.

As we enter the age of smart things, smart homes and smart cities, we believe those IT hardware likes smartphones, consumer electronics, control devices for smart home and building, storage and networking products will be the core for our future smarter world by IoT and we are bullish for the future demand of electronic components, smart home, cloud-related services, GVE and other innovative products.

8

At the same time, the Group will continue to deepen its sales penetration in Hon Hai Group and expected to get more order allocation from Hon Hai Group.

We have confidence that the Group will maintain competitive in the Greater China region by virtue of our economies of scales, solid long-term customer relations supported by our strong localized sales and engineers, competent inventory management and other value added services. Meanwhile, the Group will continue to adopt measures to reduce expenditure, control costs in a proactive manner with the aim of strengthening the operation efficiency of the Group.

With over 35 years of experience, industry expertise and wide market recognition received, the Group is in a better position to deal with all the challenges ahead. To be the leading electronic component distributor in Hong Kong, we will continue to pursue a healthy and sustainable business growth and are confident to generate more returns to our shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

Yim Yuk Lun, Stanley JP
Chairman

Hong Kong, 29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2015, the Group's current ratio was 104% (31 December 2014: 116%). The Group's net gearing ratio was 97% (31 December 2014: 107%), defined as the Group's net borrowings (calculated as total bank borrowings minus cash and bank balances (including pledged bank deposits) minus financial assets at fair value through profit or loss) of HK\$969,389,000 (31 December 2014: HK\$1,068,077,000) over total equity of HK\$1,000,589,000 (31 December 2014: HK\$1,000,744,000).

The Group recorded debtors turnover of approximately 37 days for the year under review (2014: 47 days) based on the amount of trade and bills receivables as at 31 December 2015 divided by sales for the respective year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 23 days and 24 days respectively for the year under review (2014: approximately 31 days and 26 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2015, divided by cost of sales for the respective year and multiplied by 365 days.

In 2015, the Group generated net operating cash inflow of HK\$642,564,000 compared with net operating cash outflow of HK\$716,119,000 in 2014.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2015, the Group employed approximately 450 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

PLEDGE OF ASSETS

At 31 December 2015, certain of the Group's assets (including investment properties, leasehold land and buildings, bank deposits, trade receivables and investments held-for-trading) with the carrying value of totaling approximately HK\$515 million were pledged to secure general banking facilities granted to the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley JP, aged 56, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for our Group's management team. Mr. Yim was appointed as a chairman and executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange on 1 October 2015. Mr. Yim has been an independent director of Innolux Corporation (stock code: 3481), a company listed on the Taiwan Stock Exchange, since 1 July 2013. He is currently the vice chairman of the Hong Kong Electronic Industries Association, a member of Hong Kong Professionals and Senior Executives Association, a member of Yan Chai Hospital Advisory Board, a member of the Chinese People's Political Consultative Conference Shanghai Committee, a member of the Chinese People's Political Consultative Conference Yunfu Committee, the chairman of Fight Crime Committee of Tsuen Wan District and a member of Tsuen Wan District Junior Police Call Honorary President Council.

Mr. Wong Sui Chuen, aged 62, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

10 *Mr. Lau Ping Cheung*, aged 45, was appointed as an Executive Director of the Company in 2011. He joined S.A.S. Electronic Company Limited, a wholly owned subsidiary of the Company in 2002 and is currently the Sales Vice President of S.A.S. Electronic Company Limited. Mr. Lau was appointed as a non-executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange on 1 October 2015. He graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering and got his Master's degree in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and The University of Warwick in 2003. He has over twenty years experience in electronic field on sales, marketing and R&D project development.

Mr. Yim Tsz Kit, Jacky, aged 31, was appointed as an Executive Director of the Company in 2013. He joined the Group in 2009 and is currently as the Director of S.A.S. Lighting Company Limited. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the Group, he was working in banking industry. He is a son of Mr. Yim Yuk Lun, Stanley JP, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Independent Non-Executive Directors

Dr. Lui Ming Wah SBS JP, aged 78, was appointed as an Independent Non-Executive Director of the Company in 1994. He is currently the independent non-executive director of AV Concept Holdings Limited, Glory Mark Hi-Tech (Holdings) Limited, Gold Peak Industries (Holdings) Limited and L.K. Technology Holdings Limited, all being listed companies in the Hong Kong Stock Exchange and a director of Asian Citrus Holding Limited, a listed company in the London Stock Exchange and Hong Kong. Dr. Lui holds a Master's degree in applied science from the University of New South Wales, Australia and a Doctorate in engineering from the University of Saskatchewan, Canada. Dr. Lui is currently the managing director of Keystone Electronics Company Limited. Dr. Lui is the Hon. Chairman of the Hong Kong Electronic Industries Association Limited and Hon. President of CMA.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Wong Tak Yuen, Adrian, aged 61, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontario, London, Canada. Mr. Wong has over twenty years experience in the financial industry.

Mr. Liu Chun Ning, Wilfred, aged 54, was appointed as an Independent Non-Executive Director of the Company in 2001. He is a non-executive director of Liu Chong Hing Investment Limited, a listed company in the Hong Kong Stock Exchange. He was appointed as executive director of Chong Hing Bank Limited during 1998 to February 2014 and independent non-executive director of Get Nice Holdings Limited during May 2002 to August 2014, whose shares are listed in the Hong Kong Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Cheung Chi Kwan, aged 56, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

SENIOR MANAGEMENT

Mr. Wang Yi, Michael, aged 49, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 49, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than sixteen years management experience in electronics field on sales and marketing.

Mr. Chang Wei Hua, Benson, aged 51, joined the Group in 2007 as the Director and General Manager of Hi-Level Technology Limited. He was appointed as an executive Director and chief executive officer of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange on 1 October 2015. He graduated from Tunghnan University in Taiwan with a Bachelor's degree in Electronics Engineering. Mr. Chang has over fifteen years of experience in corporate management and business development. He also has over twenty-five years of extensive experience in sales, marketing and undertaking R & D projects within the electronics field.

Mr. Wei Wei, aged 46, joined the Group in 2007 as the Director and Executive Vice President of Hi-Level Technology Limited. He was appointed as an executive Director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange on 1 October 2015. He graduated from Huazhong University of Science and Technology in Wuhan, Hubei with a Bachelor's degree in Electronics Engineering. He has over twenty years of management experience within the electronics field in sales, marketing and undertaking R & D projects.

Mr. Chin Kan Tak, Danny, aged 59, joined the Group in 1990 as the Chief Operation Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wong Wai Tai, Peter, aged 44, joined the Group in 2005 as the Company Secretary and Chief Financial Officer of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years experience in accounting, auditing, taxation and financial management.

CORPORATE GOVERNANCE REPORT

The Group continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company complied with the applicable code provisions in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2015, except for the deviations from code provisions A.1.8, A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

The Board currently consists of 4 executive directors, namely Mr. Yim Yuk Lun, Stanley *JP*, Mr. Wong Sui Chuen, Mr. Lau Ping Cheung and Mr. Yim Tsz Kit, Jacky and 4 independent non-executive directors ("INEDs") (collectively the "Directors"), namely Dr. Lui Ming Wah *SBS JP*, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred and Mr. Cheung Chi Kwan. Mr. Yim Tsz Kit, Jacky is a son of Mr. Yim Yuk Lun, Stanley *JP*, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Directors and Senior Management Profiles" of this report) for the year ended 31 December 2015 fell within the following bands:

	Number of individual 2015
HK\$1,000,001 to HK\$1,500,000	3
Exceeding HK\$1,500,000	1

12

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Company has received annual confirmation of independence from the four INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent within the definition of the Listing Rules.

During the year, all Directors have received regular updates on the changes and developments in the relevant laws and regulations applicable to the Directors. Additionally, trainings have been attended by all Directors covering the updates on the Companies Ordinance, the Listing Rules and/or accounting reporting standards.

CORPORATE GOVERNANCE REPORT

Under the code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Yim Yuk Lun, Stanley *JP* acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group. Mr. Yim is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors, namely Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Dr. Lui Ming Wah *SBS JP*. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2015 to review the interim and final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company.

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2015, the Group has engaged the external auditors, Deloitte Touche Tohmatsu, to provide the following services and their respective fees charged are set out as below:

Type of Services	Amount HK\$'000
Audit fee	2,329
Non-audit and tax related services	187

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, namely Mr. Wong Sui Chuen, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian, majority of whom are independent non-executive directors, and is chaired by Mr. Wong Tak Yuen, Adrian.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and to review the specific remuneration packages of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. One meeting has been held during the year under review.

NOMINATION COMMITTEE

14

The Nomination Committee comprises 3 members namely Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Cheung Chi Kwan, majority of whom are independent non-executive directors and is chaired by Mr. Wong Tak Yuen, Adrian. One meeting has been held during the year under review.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, to review the structure, size and composition of the Board and to assess the independence of the independent non-executive Directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to sets out the approach to achieve diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

BOARD AND COMMITTEE ATTENDANCE

The Board held eleven meetings during the year.

Details of the attendance of each of the Directors at board meeting, committees meetings and annual general meeting (the "AGM") during the year are set out in the table below:

15

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Number of Meeting(s)	11	2	1	1	1
Executive Directors					
Yim Yuk Lun, Stanley <i>JP</i>	11/11	N/A	N/A	N/A	1/1
Wong Sui Chuen	11/11	N/A	1/1	1/1	1/1
Lau Ping Cheung	11/11	N/A	N/A	N/A	1/1
Yim Tsz Kit, Jacky	11/11	N/A	N/A	N/A	0/1
Lock Shui Cheung (resigned on 30 June 2015)	6/11	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Dr. Lui Ming Wah <i>SBS JP</i>	10/11	2/2	1/1	N/A	0/1
Wong Tak Yuen, Adrian	10/11	2/2	1/1	1/1	1/1
Liu Chun Ning, Wilfred	10/11	N/A	N/A	N/A	0/1
Cheung Chi Kwan	10/11	2/2	N/A	1/1	1/1

In respect of the code provision A.6.7 of the Code, two non-executive directors were unable to attend the AGM meeting of the Company held on 19 May 2015 due to their unexpected business engagement.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority for the achievement of business objectives, safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with relevant legislation and regulations. The system is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against the risks of material misstatement, fraud or losses.

SHAREHOLDERS' RIGHT

(i) Procedures by which shareholders can convene a Special General Meetings ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(ii) Procedures for putting forward proposals at General Meetings ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong not less than six weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The request will be verified with the Company's Share Registrars and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

(iii) Shareholders' Enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at www.sasdragon.com.hk. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. All shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 28.

On 7 January 2016, the Group has successfully spun off its non-wholly-owned subsidiary, Hi-Level Technology Holdings Limited ("Hi-Level Holdings"), through a separate listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and 45,000,000 ordinary shares of Hi-Level Holdings of HK\$0.01 each in issue were distributed in specie by the Company to the qualifying shareholders of the Company.

An interim dividend of HK2.5 cents per share, amounting to approximately HK\$15,607,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK4.5 cents per share to the shareholders on the register of members on 27 May 2016. Dividend warrants will be dispatched on 6 June 2016.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2015 has been stated in the Chairman's Statement and Management Discussion and Analysis on pages 6 to 9 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 19% and 50%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 20% and 38%, respectively, of the Group's total sales for the year.

Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), a shareholder holding more than 5% of the Company's share capital, was one of the Group's five largest suppliers. Save for this company, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

DIRECTORS' REPORT

INVESTMENT PROPERTIES

At 31 December 2015, the investment properties of the Group were revalued by an independent firm of professional property valuers at HK\$299,498,000. The revaluation resulted in a surplus of HK\$18,452,000 and is recognised in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 15 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2015 are set out on page 112.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and warrants of the Company are set out in notes 29 and 30(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2015, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK\$156,709,000 (2014: HK\$125,926,000) as disclosed in note 40 to the consolidated financial statements.

18

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 9 of this report.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Using LED lamps, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

COMPLIANCE WITH REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and other applicable local laws and regulations in various jurisdictions.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need.

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group's approach to tackle them:

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

19

Foreign exchange risk

The Group has foreign currency sales and purchases, bank deposits and borrowings primary in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk related to its payables denominated in foreign currencies.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley *JP* (*Chairman and Managing Director*)

Wong Sui Chuen

Lau Ping Cheung

Yim Tsz Kit, Jacky

Lock Shui Cheung (resigned on 30 June 2015)

Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*

Wong Tak Yuen, Adrian

Liu Chun Ning, Wilfred

Cheung Chi Kwan

Mr. Lock Shui Cheung who resigned as director as mentioned above wish to devote more time to his personal commitments following his resignation. He has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company need to be brought to the attention of the members of the Company.

20 In accordance with Clause 87 of the Company's Bye-Laws, Mr. Yim Yuk Lun, Stanley *JP*, Mr. Wong Sui Chuen and Mr. Cheung Chi Kwan retire and, being eligible, offer themselves for re-election at the annual general meeting.

The term of office for all remaining directors is the period up to his retirement by rotation in accordance with the above Bye-Laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

There were no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries or fellow subsidiaries, entered into or existed during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley JP	Beneficial owner	41,664,000	6.67%
	Held by controlled corporation (Note (i))	227,542,800	36.45%
		<u>269,206,800</u>	<u>43.12%</u>
Wong Sui Chuen	Beneficial owner	1,824,000	0.29%
Lau Ping Cheung	Beneficial owner	1,400,000	0.22%
Lock Shui Cheung (Note (ii))	Beneficial owner	1,000,000	0.16%

Notes:

- (i) These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Yim Yuk Lun, Stanley JP.
- (ii) Mr. Lock Shui Cheung resigned as the executive director of the Company on 30 June 2015.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2015.

DIRECTORS' REPORT

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 30(a) to the consolidated financial statements.

During the year, the movements in the share options to subscribe for the Company's shares were as follows:

	Exercise Price HK\$	Outstanding as at 1.1.2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31.12.2015	Closing price on the date of grant HK\$	Weighted average closing price of shares immediately before the date on which the share options were exercised
Employees	2.60	3,800,000	–	–	(190,000)	3,610,000	2.57	N/A

- 22 Share options granted in September 2014 under the Company's share option scheme are exercisable during the period from 25 September 2015 to 24 September 2017 in two batches.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company, or 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, and none of the directors or their spouses or children under the age of eighteen had right to subscribe for the securities of the Company, or had exercised any such right during the year.

EQUITY-LINKED AGREEMENTS

Other than the Company's share option scheme disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Hon Hai	Held by controlled corporation (Note)	124,000,000	19.86%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	124,000,000	19.86%

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2015. 23

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2015, the Group entered into a number of connected transactions and continuing connected transactions with Hon Hai (being the substantial shareholder of the Company) and its subsidiaries (which are regarded as connected persons as defined in the Listing Rules).

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2015:

Pursuant to the conditional master agreement entered into among the Company and Hon Hai on 12 November 2012 which governs the sales and purchases of electronic components to be made for the next 3 financial years during the period between 1 January 2012 and 31 December 2015 (as amended by the respective agreement dated 23 November 2006, 18 November 2009 and 9 April 2010).

The current conditional master agreement (2015 renewal) was entered into on 9 November 2015 which governs the sales and purchases of electronic components and other products to be made for the next 3 financial years commencing from 1 January 2016 to 31 December 2018. Further details of the said agreement were set out in the announcement of the Company dated 9 November 2015 and the circular of the Company dated 17 December 2015.

The said agreement and the proposed sale and purchase caps were duly approved by the shareholders of the Company on 6 January 2016.

DIRECTORS' REPORT

During the year under review, the total purchase and sale transactions was HK\$684 million and HK\$1,208 million respectively within the approved purchase and sale caps for the year ended 31 December 2015.

Save as disclosed above and save for those connected transactions for the year disclosed in note 38 to the consolidated financial statements:

- (i) no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 38 to the consolidated financial statements and, in their opinion, these transactions were entered into by the Group:

- (i) in the ordinary course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

24

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in note 38 to the consolidated financial statements in accordance with Main Board Listing Rule 14A.56.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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 securities.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible employees, details of the scheme is set out in note 30(a) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2015.

25

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$344,000.

AUDITOR

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

Signed on behalf of the Board

YIM YUK LUN, STANLEY JP
CHAIRMAN AND MANAGING DIRECTOR
Hong Kong, 29 March 2016

INDEPENDENT AUDITOR'S REPORT



德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF S.A.S. DRAGON HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 110, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

26 AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	7	11,262,149	10,605,352
Cost of sales		(10,834,015)	(10,200,450)
Gross profit		428,134	404,902
Other income		6,588	4,512
Other gains and losses	10	(36,725)	951
Distribution and selling expenses		(54,320)	(51,322)
Administrative expenses		(205,504)	(161,959)
Net increase in fair value of investment properties	15	18,452	40,994
Share of loss of associates	18	(6,425)	(45)
Share of profit of joint ventures	19	6,031	4,897
Finance costs	8	(30,227)	(24,419)
Profit before tax		126,004	218,511
Income tax expense	9	(28,392)	(33,457)
Profit for the year	10	97,612	185,054
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
28 Fair value (loss) gain on available-for-sale investments		(4,312)	1,012
Reclassification adjustment on disposal of available-for-sale investment		(2,269)	–
Reclassification adjustment on impairment of available-for-sale investment		5,569	–
Exchange differences arising on translation of foreign operations:			
– subsidiaries		(8,143)	(1,793)
– joint ventures		(114)	(146)
Other comprehensive expense for the year		(9,269)	(927)
Total comprehensive income for the year		88,343	184,127
Profit for the year attributable to:			
Owners of the Company		80,530	145,479
Non-controlling interests		17,082	39,575
		97,612	185,054
Total comprehensive income attributable to:			
Owners of the Company		71,964	144,675
Non-controlling interests		16,379	39,452
		88,343	184,127
Earnings per share (HK cents)	14		
– basic		12.90	24.35
– diluted		12.90	24.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Non-current Assets			
Investment properties	15	299,498	269,856
Property, plant and equipment	16	395,097	150,480
Goodwill	17	15,050	16,419
Interests in associates	18	12,298	18,723
Interests in joint ventures	19	5,450	22,522
Available-for-sale investments	20	22,054	34,544
Club memberships	21	3,278	3,278
Deposit paid for acquisition of property, plant and equipment	37	140,392	35,878
Deferred tax assets	31	5,405	5,284
		898,522	556,984
Current Assets			
Inventories	22	668,775	859,599
Trade and other receivables	23	1,248,767	1,429,008
Bills receivable	23	15,612	46,592
Derivative financial instruments	27	114	612
Financial assets at fair value through profit or loss	24	33,797	41,807
Taxation recoverable		5,592	5,485
Pledged bank deposits	25	21,513	13,553
Bank balances and cash	25	658,131	803,067
		2,652,301	3,199,723
Current Liabilities			
Trade and other payables	26	758,853	623,067
Bills payable	26	34,021	171,021
Derivative financial instruments	27	53,611	22,941
Tax liabilities		11,933	6,982
Bank borrowings – due within one year	28	1,682,830	1,926,504
		2,541,248	2,750,515
Net Current Assets		111,053	449,208
Total assets less current liabilities		1,009,575	1,006,192
Non-current Liabilities			
Deferred tax liabilities	31	8,986	5,448
Net Assets		1,000,589	1,000,744

29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTE	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Capital and Reserves			
Share capital	29	62,428	62,428
Share premium and reserves		820,223	818,834
Equity attributable to owners of the Company		882,651	881,262
Non-controlling interests		117,938	119,482
Total Equity		1,000,589	1,000,744

The consolidated financial statements on pages 28 to 110 were approved and authorised for issue by the Board of Directors on 29 March 2016 and are signed on its behalf by:

Yim Yuk Lun, Stanley *JP*
DIRECTOR

Wong Sui Chuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company												Non-controlling interests	Total	
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Other reserve	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Share option reserve	Warrant reserve	Retained profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000 (note iv)	HK\$'000 (note ii)	HK\$'000 (note iii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	26,494	38,634	1,109	11,145	-	13,519	37,347	1,549	5,860	-	6,140	620,750	762,547	115,852	878,399
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	145,479	145,479	39,575	185,054
Fair value gain on available-for-sale investments	-	-	-	-	-	-	-	1,012	-	-	-	-	1,012	-	1,012
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	-	-	(1,670)	-	-	-	(1,670)	(123)	(1,793)
- joint ventures	-	-	-	-	-	-	-	-	(146)	-	-	-	(146)	-	(146)
Total comprehensive income for the year	-	-	-	-	-	-	-	1,012	(1,816)	-	-	145,479	144,675	39,452	184,127
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,900)	(22,900)
Dividends paid (note 13)	-	(92,082)	-	-	-	-	-	-	-	-	-	-	(92,082)	-	(92,082)
Exercise of warrants	4,720	86,380	-	-	-	-	-	-	-	-	(6,140)	-	84,960	-	84,960
Bonus share issued	31,214	(31,214)	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	400	-	-	400	-	400
Acquisition of additional interest in S.A.S. Energy Management Company Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	(581)	(581)
Acquisition of additional interest in Time Speed Technology Corporation	-	-	-	-	(19,238)	-	-	-	-	-	-	-	(19,238)	(12,341)	(31,579)
At 31 December 2014	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	2,561	4,044	400	-	766,229	881,262	119,482	1,000,744
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	80,530	80,530	17,082	97,612
Fair value loss on available-for-sale investments	-	-	-	-	-	-	-	(4,312)	-	-	-	-	(4,312)	-	(4,312)
Reclassification adjustment on disposal of available-for-sale investments	-	-	-	-	-	-	-	(2,269)	-	-	-	-	(2,269)	-	(2,269)
Reclassification adjustment on impairment of available-for-sale investments	-	-	-	-	-	-	-	5,569	-	-	-	-	5,569	-	5,569
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	-	-	(7,440)	-	-	-	(7,440)	(703)	(8,143)
- joint ventures	-	-	-	-	-	-	-	-	(114)	-	-	-	(114)	-	(114)
Total comprehensive income for the year	-	-	-	-	-	-	-	(1,012)	(7,554)	-	-	80,530	71,964	16,379	88,343
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,940)	(17,940)
Dividends paid (note 13)	-	-	-	-	-	-	-	-	-	-	-	(71,792)	(71,792)	-	(71,792)
Realised on disposal of an associate	-	-	-	-	-	-	-	-	(34)	-	-	17	(17)	17	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	1,234	-	-	1,234	-	1,234
At 31 December 2015	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	1,549	(3,544)	1,634	-	774,984	882,651	117,938	1,000,589

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

Notes:

- (i) The capital reserve of the Group represents the aggregate of:
- (a) the reserve of HK\$10,445,000 arising on the acquisition of shares in subsidiaries from non-controlling shareholders pursuant to a previous group reorganisation; and
 - (b) the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a previous group reorganisation, and the nominal value of the Company's shares issued in exchange of HK\$700,000.
- (ii) The contributed surplus of the Group represents the net aggregate of:
- (a) the credit arising from the reduction of the nominal value of the consolidated shares from HK\$1.00 each to HK\$0.10 each by cancelling HK\$0.90 paid up on each issued share, after a transfer of HK\$10,565,000 towards the elimination of the accumulated losses of the Company as at 31 December 1997, of HK\$70,510,000.
 - (b) the credit arising from cancellation of the share premium account of HK\$237,881,000, after a transfer of HK\$180,003,000 towards the elimination of the accumulated losses of the Company as at 31 December 2002, of HK\$57,878,000; and
 - (c) the distribution to shareholders from 2003 to 2010 of HK\$114,869,000.
- (iii) The property revaluation reserve includes an amount of HK\$23,780,000 (2014: HK\$23,780,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. The remaining balance of HK\$13,567,000 (2014: HK\$13,567,000) represents revaluation surplus arising from certain of the Group's land and building carried at revalued amount prior to 30 September 1995. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.
- (iv) Other reserve includes the difference between the acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	126,004	218,511
Adjustments for:		
Finance costs	30,227	24,419
Net loss on fair value change of derivative financial instruments	24,379	11,569
Depreciation of property, plant and equipment	16,742	16,854
Allowance of trade receivables	11,196	997
Allowance of (reversal of allowance of) inventories	9,686	(350)
Share of loss of associates	6,425	45
Impairment loss on available-for-sale investment	5,569	–
Change in fair value of financial assets at fair value through profit or loss	5,438	(795)
Impairment loss on goodwill	1,369	–
Expenses recognised in respect of equity settled share-based payments	1,234	400
Loss (gain) on disposal of financial assets at fair value through profit or loss	104	(4,323)
Net increase in fair value of investment properties	(18,452)	(40,994)
Share of profit of joint ventures	(6,031)	(4,897)
Dividend income from equity investments	(2,532)	(2,152)
Gain (loss) on disposal of available-for-sale investments	(2,269)	1
Trade receivables recovered	(1,381)	(496)
Interest income	(574)	(457)
Gain on disposal of property, plant and equipment	(26)	(4,439)
Impairment loss on interest in an associate	–	117
Gain on bargaining purchase	–	(87)
Operating cash flows before movements in working capital	207,108	213,923
Decrease (increase) in trade and other receivables	258,871	(502,236)
Decrease (increase) in inventories	254,404	(198,475)
Increase (decrease) in trade and other payables	50,961	(124,399)
Decrease (increase) in bills receivable	30,980	(19,744)
Decrease in bills payable	(137,000)	(31,256)
Cash generated from (used in) operations	665,324	(662,187)
Hong Kong Profits Tax paid	(18,350)	(51,342)
The PRC Enterprise Income Tax ("EIT") paid	(2,590)	–
Taiwan Corporate Income Tax paid	(1,820)	(2,590)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	642,564	(716,119)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
INVESTING ACTIVITIES			
Acquisition of additional interest in SPT Technology Limited	34	32,061	–
Dividend received from joint venture		17,489	–
Proceeds from (investment in) redemption of structured deposits		17,220	(17,640)
Refund of deposit paid for acquisition of property, plant and equipment		13,598	–
Proceeds on disposal of available-for-sale investment		8,178	9
Proceed from and settlement of derivative financial instruments		6,789	9,299
Dividend received from equity investments		2,532	2,152
Proceeds on disposal of financial assets at fair value through profit or loss		1,363	22,642
Interest received		574	457
Proceeds on disposal of property, plant and equipment		136	15,341
Payment for additions to property, plant and equipment		(238,933)	(5,907)
Deposit paid for acquisition of property, plant and equipment		(140,392)	(22,280)
Deposit paid for investment in available-for-sale investment		(18,720)	–
Investment in financial assets at fair value through profit or loss		(16,115)	–
Payment for additions to investment properties under development		(10,977)	(4,155)
34 Withdrawal (placement) of pledged bank deposits		(7,960)	(400)
Payment for acquisition of additional interest in Time Speed Technology Corporation	41	–	(31,579)
Payment for acquisition of an associate	18	–	(18,720)
Investment in held-for-trading investment		–	(16,850)
Payment for acquisition of additional interest in S.A.S. Energy Management Company Limited	41	–	(494)
NET CASH USED IN INVESTING ACTIVITIES		(333,157)	(68,125)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	(11,150,574)	(10,136,754)
Dividends paid	(71,792)	(92,082)
Interest paid	(30,227)	(24,419)
Dividend paid to non-controlling shareholders	(17,940)	(22,900)
Bank borrowings raised	10,816,591	11,163,909
Proceeds from exercise of warrants	–	84,960
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(453,942)	972,714
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(144,535)	188,470
CASH AND CASH EQUIVALENTS AT 1 JANUARY	803,067	614,989
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(401)	(392)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	658,131	803,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on 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 disclosed in the “Corporate Information” section to the annual report.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs 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.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

- ¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ³ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 (2014) *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 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.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally 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 HKFRS 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, HKFRS 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 attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

37

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 9 (2014) *Financial Instruments* (Continued)

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on amounts reported in respect of the Group’s available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

38

HKFRS 15 *Revenue from Contracts with Customers*

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

The core principle of HKFRS 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 for those goods or services. Specifically, the Standard 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 HKFRS 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 in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the disclosures made in the Group’s consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or 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.

39

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 financial statements is determined on such a basis except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 where 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. Specifically, 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.

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

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presently separately from the Group's equity therein.

Change in the Group's ownership interest in existing subsidiary

Change in the Group's ownership interest in subsidiary that does not result in the Group losing control over the subsidiary is accounted for as equity transaction. The carrying amount of the Group's interest and the non-controlling interest are adjusted to reflect the change in its relative interest in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business or an associate is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

41

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

42

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, deemed cost or valuation less subsequent accumulated depreciation and accumulated impairment losses, if any.

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 *Property, Plant and Equipment* from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

Buildings under development for future owner-occupied purpose

Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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 disposal. 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 property) is included in the profit or loss in the period in which the property is derecognised.

Impairment losses on tangible assets other than club memberships (see the accounting policy in respect of club memberships below)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

Recoverable amount is the higher of fair value less costs of disposal 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-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or losses, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

45

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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.

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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each 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 on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences arising on monetary items receivable from or payable to a foreign operation for which settlement is neither likely to occur (therefore forming part of the initially net investment in a foreign operation) which are recognised in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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) using exchange rates 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 (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as expenses 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.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because 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 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

47

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests 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 rates (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.

48

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

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Club memberships

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club memberships *(Continued)*

If an impairment loss subsequently reverses, the carrying amount of the club memberships 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 those club memberships in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method for electronic products and a weighted average cost method for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

49

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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, other than those financial assets classified as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on derecognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 6 to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment 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 of financial assets below).

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 available-for-sale 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 all 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; or
- disappearance of an active market for that financial asset because of financial difficulties.

51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Trade receivables that are assessed not to be impaired individually are, in addition, 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 (ranging from 30 days to 120 days), or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 losses 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 available-for-sale 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 directly in other comprehensive income and accumulated in the investment revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, bills payable and bank borrowings) 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 integral 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.

53

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30(a).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

54

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Warrants granted to directors

For grants of warrants that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of warrants granted at the date of grant is recognised as an expense in full at the grant date when the warrants granted vest immediately, with a corresponding increase in equity (warrant reserve).

When warrants are exercised, the amount previously recognised in warrant reserve will be transferred to share premium. When the warrants are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, 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 associated 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that:

- (i) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties in Hong Kong, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties in Hong Kong.
- (ii) the Group's investment properties in PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. As a result, the Group is subject to income taxes on the rental income of its investment properties in the People's Republic of China (the "PRC") and deferred taxes on changes in fair value of the investment properties are recognised.

55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Key sources of estimation uncertainty

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

Estimated impairment of trade 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. As at 31 December 2015, the carrying value of trade receivables is approximately HK\$1,116,409,000 (2014: HK\$1,327,104,000) (net of allowance of approximately HK\$11,614,000 (2014: HK\$6,556,000)).

Estimated impairment of inventories

The management reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2015, the carrying value of inventories is approximately HK\$668,775,000 (2014: HK\$859,599,000) (net of allowance for inventories of approximately HK\$43,525,000 (2014: HK\$33,839,000)).

Income tax

As at 31 December 2015, unused tax losses of the Group amounted to approximately HK\$107,997,000 (2014: HK\$98,330,000), of which approximately HK\$21,173,000 (2014: HK\$25,385,000) has been recognised as a deferred tax asset. No deferred tax asset has been recognised in respect of the remaining losses of approximately HK\$86,824,000 (2014: HK\$72,945,000) due to unpredictability of future profit streams. In addition, for the deductible temporary differences in relation to allowance for doubtful debts and inventories of the Group which amounted to approximately HK\$15,673,000 (2014: HK\$10,150,000), a deferred tax asset has been recognised in respect of approximately HK\$6,866,000 (2014: HK\$5,888,000). No deferred tax asset has been recognised in respect of the remaining amount of approximately HK\$8,807,000 (2014: HK\$4,262,000). In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Financial assets		
Fair value through profit or loss Held-for-trading	33,797	24,315
Designated at FVTPL	–	17,492
Loans and receivables (including cash and cash equivalents)	1,890,559	2,238,191
Available-for-sale investments	22,054	34,544
Derivative financial instruments	114	612
Financial liabilities		
Amortised cost	2,428,937	2,679,376
Derivative financial instruments	53,611	22,941

57

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bills receivable, derivative financial instruments, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables, bills payable and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price 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 in a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign currency trade and other receivables, bills receivable, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables, bills payable and bank borrowings, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary liabilities (including intercompany payables within the Group) and monetary assets at the end of reporting period are as follows:

	Liabilities		Assets	
	31.12.2015 HK\$'000	31.12.2014 HK\$'000	31.12.2015 HK\$'000	31.12.2014 HK\$'000
United States dollars ("USD")	290,609	133,699	233,552	268,102
Renminbi ("RMB")	–	–	8,118	17,080

58

Included in above are the Group's foreign currency denominated monetary assets designated at FVTPL at the reporting date which are as follows:

	Assets	
	31.12.2015 HK\$'000	31.12.2014 HK\$'000
USD	8,246	8,414

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider for further usage of hedging instruments when the need arise.

No sensitivity analysis is presented for USD denominated financial assets and liabilities in which the functional currency of the respective group entities is HKD as HKD is currently pegged to USD. Management considers that the exposure to exchange fluctuation in respect of USD is limited.

The Group is mainly exposed to the fluctuation in HKD against RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD (excluding financial assets at fair value through profit or loss). 5% (2014: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% (2014: 5%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances and cash. 5% (2014: 5%) strengthening of RMB against HKD will increase the Group's profit for the year by the following amount. For 5% (2014: 5%) weakening of RMB against HKD, there would be an equal and opposite impact on the profit and the balance below would be negative.

	RMB	
	2015	2014
	HK\$'000	HK\$'000
Increase in profit	339	713

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 25 and 28 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable-rate bank borrowings.

59

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis points increase and 5 basis points decrease (2014: 20 basis points increase and 5 basis points decrease) are used. For variable-rate bank borrowings, 20 basis points (2014: 20 basis points) increase or decrease is used.

If interest rates had been 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings (2014: 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings) and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease by approximately HK\$2,381,000 if interest rate is higher/increase; would increase by approximately HK\$2,955,000 if interest rate is lower (2014: decrease by approximately HK\$3,280,000/increase by approximately HK\$3,503,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

(iii) Other price risk

The Group is exposed to other price risk through its investments in listed equity securities, unlisted equity funds and structured deposits classified as financial assets designated at FVTPL, and club debenture and listed equity securities classified as available-for-sale investments. For the available-for-sale investments stated at cost, the exposure to other price risk is not measurable as the range of reasonable fair value estimates is significant, accordingly, sensitivity analysis is not presented. The management manages the other price risk exposure by maintaining a portfolio of investments with different risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the market prices of the respective listed equity instruments, the quoted price of the equity funds, and the mark to market valuation amount of the structured deposits provided by financial institutions (which are the counterparties of the structured deposits) had been 5% (2014: 5%) higher/lower and all other variables were held constant:

- post-tax profit for the year would increase/decrease by approximately HK\$1,411,000 (2014: HK\$1,745,000) as a result of the changes in fair value of financial assets through profit or loss; and
- the investment revaluation reserve would increase/decrease by approximately HK\$803,000 (2014: HK\$1,427,000) stated at fair value as a result of the changes in fair value of available-for-sale investments.

Credit risk

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

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

The credit risk on structured deposits classified as financial assets at FVTPL, bank balances, bank deposits and bills receivable is limited because the counterparties are banks with high credit ratings.

61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group has concentration of credit risk on its largest customer which represents 24% (2014: 25%) of the total trade receivables balances.

Other than concentration of credit risk on bank balances and structured deposits classified as financial assets at fair value through profit or loss, which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk on other financial assets and trade receivables, with exposure spread over a number of counterparties and customers.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available unutilised overdraft and bank loan facilities of approximately HK\$24,000,000 (2014: HK\$24,000,000) and HK\$8,020,295,000 (2014: HK\$4,131,608,000), respectively.

62

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

In addition, the liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the timing of the expected cash flows of the contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2015 HK\$'000
31.12.2015							
Non-derivative financial liabilities							
Trade and other payables	-	658,255	44,984	1,842	7,005	712,086	712,086
Bills payable	-	34,021	-	-	-	34,021	34,021
Bank borrowings – variable rate	*1.64	1,682,830	-	-	-	1,682,830	1,682,830
		2,375,106	44,984	1,842	7,005	2,428,937	2,428,937
Derivatives – net settlement							
Foreign exchange forward contracts	-	-	-	-	53,611	53,611	53,611

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
31.12.2014							
Non-derivative financial liabilities							
Trade and other payables	-	542,613	32,083	626	6,529	581,851	581,851
Bills payable	-	171,021	-	-	-	171,021	171,021
Bank borrowings – variable rate	*1.57	1,926,504	-	-	-	1,926,504	1,926,504
		2,640,138	32,083	626	6,529	2,679,376	2,679,376
Derivatives – net settlement							
Foreign exchange forward contracts	-	-	-	-	22,941	22,941	22,941

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2015, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK\$1,682,830,000 (2014: HK\$1,926,504,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause, all such bank loans have been classified as current liabilities.

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2015							
Bank borrowings – variable rate	1.64	990,987	285,651	128,225	289,313	1,694,176	1,682,830
As at 31 December 2014							
Bank borrowings – variable rate	1.57	1,742,470	86,448	100,476	–	1,929,394	1,926,504

The amount included above for variable interest rate non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input
	31.12.2015 HK\$'000	31.12.2014 HK\$'000			
Financial assets designated at fair value through profit or loss					
Listed equity securities	25,551	15,901	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity funds	8,246	8,414	Level 1	Quoted bid prices in an active market	N/A
Structured deposit	–	17,492	Level 2	By comparing the quoted prices in market at the end of the reporting period from different sources	N/A
Available-for-sale investments					
Club debenture	2,997	2,997	Level 2	By comparing the quoted prices in market at the end of the reporting period from different sources	N/A
Listed equity securities	13,057	25,547	Level 1	Quoted bid price in an active market	N/A
Derivative financial instruments					
Foreign currency forward contracts (note)	Assets	Assets	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.	N/A
	114	612			
	Liabilities	Liabilities			
	53,611	22,941			

Note: At 31 December 2015, the Company's foreign currency forward contracts as set out in note 27 to the consolidated financial statements also expose the Company to market risk arising from changes in foreign exchange rates risk. Based on the terms of these contracts, if at 31 December 2015, (i) RMB had weakened against US\$ by 5% and all other variables were held constant, the Company's post-tax profit for the year would have been decreased by approximately HK\$6,168,000 (2014: increased by approximately HK\$23,868,000) and (ii) RMB had strengthened against US\$ by 5% and all other variables were held constant, the Company's post-tax profit for the year would have been decreased by approximately HK\$336,000 (2014: increased by approximately HK\$22,026,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used involves multiple variables and certain variables are interdependent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

There were no transfers between Levels 1, 2 and 3 in both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost, using the discounted cash flows analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties, recognised in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in mobile phone products, consumer electronic products, computer and networking products, telecommunication products and light-emitting diode ("LED") lighting products, distribution of sport products and properties investments.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

66

Revenue from major business products and services

The following is an analysis of the Group's revenue from its major business products and services:

	2015 HK\$'000	2014 HK\$'000
Distribution of electronic components and semiconductor products	11,247,895	10,576,635
Distribution of sport products	6,074	22,030
Rental income from investment properties	8,180	6,687
	11,262,149	10,605,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in different places of domicile, including the People's Republic of China (the "PRC"), Hong Kong and Taiwan.

The following is an analysis of the Group's revenue by the geographical locations of customers and properties for rental income for the year:

	Sales revenue by Geographical market	
	2015 HK\$'000	2014 HK\$'000
The PRC	8,526,505	7,515,998
Hong Kong	2,473,006	2,499,782
Taiwan	151,046	447,229
United States of America	42,712	–
Singapore	40,731	1,729
Thailand	4,098	9,532
Republic of Korea	3,294	1,747
Macao Special Administrative Regions of the PRC	110	93,657
Japan	–	11,909
India	–	4,503
Others	20,647	19,266
	11,262,149	10,605,352

67

The following is an analysis of the carrying amount of non-current assets excluding financial instruments and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2015 HK\$'000	2014 HK\$'000
Hong Kong	566,043	354,268
The PRC	303,725	161,725
Taiwan	365	233
Others	930	930
	871,063	517,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	2015 HK\$'000	2014 HK\$'000
Customer A	2,272,503	1,668,897
Customer B	N/A*	1,124,178

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	29,541	24,419
– not wholly repayable within five years	686	–
	30,227	24,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. TAXATION

	2015 HK\$'000	2014 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– current year	16,922	23,000
– underprovision in prior years	1,150	168
PRC EIT		
– current year	4,944	2,830
Taiwan Corporate Income Tax		
– current year	1,959	2,802
	24,975	28,800
Deferred tax (note 31)		
– current year	3,417	4,657
	28,392	33,457

69

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%.

Corporate Income Tax in Taiwan is charged at 17%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. TAXATION (Continued)

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

	2015 HK\$'000	2014 HK\$'000
Profit before tax	126,004	218,511
Tax at Hong Kong Profits Tax rate of 16.5%	20,791	36,054
Tax effect of expenses not deductible for tax purpose	3,695	2,558
Tax effect of income not taxable for tax purpose	(3,300)	(7,422)
Tax effect of share of profit of joint ventures	(995)	(808)
Underprovision in prior years	1,150	168
Tax effect of share of loss of associates	1,060	7
Tax effect of tax losses/deductible temporary differences not recognised	3,682	88
Utilisation of tax losses/deductible temporary differences previously not recognised	(642)	(92)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,951	2,904
Tax charge for the year	28,392	33,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. PROFIT FOR THE YEAR

	2015 HK\$'000	2014 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remunerations		
– salaries and other benefits	83,852	76,257
– performance related incentive payments	12,534	12,888
– retirement benefits scheme contributions	10,734	8,539
– share-based payment expenses	1,234	400
	108,354	98,084
Auditor's remuneration	2,329	1,415
Depreciation of property, plant and equipment	16,742	16,854
Listing expenses (included in administrative expenses)	10,643	–
Allowance of trade receivables, net	9,815	501
Cost of inventories recognised as an expense (including allowance of (reversal of allowance of) inventories of HK\$9,686,000 (2014: (HK\$350,000)))	10,834,015	10,200,450
Interest income	(574)	(457)
Dividend income from equity investments	(2,532)	(2,152)
Rental income from investment properties, net of outgoings of HK\$11,000 (2014: Nil)	(8,180)	(6,687)
The following items are included in other gains and losses:		
Net loss on fair value change of derivative financial instruments	24,379	11,569
Impairment loss on available-for-sale investments	5,569	–
Change in fair value of financial assets at fair value through profit or loss	5,438	(795)
Net foreign exchange loss (gain)	2,161	(3,081)
Impairment loss on goodwill	1,369	–
Loss (gain) on disposal of financial assets at fair value through profit or loss	104	(4,323)
(Gain) loss on disposal of available-for-sale investments	(2,269)	1
Gain on disposal of property, plant and equipment	(26)	(4,439)
Impairment loss on interest in an associate	–	117
	36,725	(951)

71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the directors of the Company were as follows:

2015

	Yim Yuk Lun, Stanley <i>JP</i> HK\$'000	Yim Tsz Kit, Jacky HK\$'000	Wong Sui Chuen HK\$'000	Lock Shui Cheung HK\$'000 (note ii)	Lau Ping Cheung HK\$'000	Dr. Lui Ming Wah, <i>SBS JP</i> HK\$'000	Wong Tak Yuen, Adrian HK\$'000	Liu Chun Ning, Wilfred HK\$'000	Cheung Chi Kwan HK\$'000	Total HK\$'000
Fees	-	-	-	-	-	50	50	-	100	200
Other emoluments										
Salaries and other benefits	4,320	792	792	282	1,140	-	-	-	-	7,326
Retirement benefits scheme contributions	216	18	18	14	18	-	-	-	-	284
Performance related incentive payments (note i)	3,000	132	132	70	190	-	-	-	-	3,524
Total emoluments	7,536	942	942	366	1,348	50	50	-	100	11,334

2014

	Yim Yuk Lun, Stanley <i>JP</i> HK\$'000	Yim Tsz Kit, Jacky HK\$'000	Wong Sui Chuen HK\$'000	Lock Shui Cheung HK\$'000	Lau Ping Cheung HK\$'000	Dr. Lui Ming Wah, <i>SBS JP</i> HK\$'000	Wong Tak Yuen, Adrian HK\$'000	Liu Chun Ning, Wilfred HK\$'000	Cheung Chi Kwan HK\$'000	Total HK\$'000
Fees	-	-	-	-	-	50	50	-	100	200
Other emoluments										
Salaries and other benefits	4,320	720	756	480	1,080	-	-	-	-	7,356
Retirement benefits scheme contributions	216	16	17	24	17	-	-	-	-	290
Performance related incentive payments (note i)	4,000	60	126	780	572	-	-	-	-	5,538
Total emoluments	8,536	796	899	1,284	1,669	50	50	-	100	13,384

Notes:

- (i) Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.
- (ii) Mr. Lock Shui Cheung resigned as executive director on 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Mr. Yim Yuk Lun, Stanley JP is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive Officer.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2015 and 2014, no directors waived any emoluments.

12. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, three (2014: three) were directors of the Company whose remunerations are set out in note 11 above. The remuneration of the remaining two (2014: two) individuals are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	2,146	2,063
Performance related incentive payments	350	382
Retirement benefits scheme contributions	36	34
	2,532	2,479

73

Their remunerations were within the following bands:

	2015 No. of employees	2014 No. of employees
Not exceeding HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	2	2

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Dividends recognised as distribution during the year:		
2015 Interim dividend of HK2.50 cents (2014: 2014 interim dividend of HK3.00 cents) per share	15,607	18,728
2014 Final dividend of HK9.00 cents (2014: 2013 final dividend of HK10.00 cents [#] and special dividend of HK1.75 cents [#]) per share	56,185	73,354
	71,792	92,082

Subsequent to the end of the reporting period, a final dividend of HK4.50 cents per share in respect of the year ended 31 December 2015 (2014: final dividend of HK9.00 cents per share in respect of the year ended 31 December 2014) has been proposed by the directors and are subject to approval by the shareholders in the forthcoming general meeting.

[#] As restated for the bonus shares issued on 11 June 2014.

74 14. EARNINGS PER SHARE

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

	2015 HK\$'000	2014 HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	80,530	145,479
	2015 '000	2014 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	624,281	597,534

During the year ended 31 December 2015 and 2014, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. INVESTMENT PROPERTIES

	Completed investment properties HK\$'000	Investment properties under development HK\$'000	Total HK\$'000
FAIR VALUE			
At 1 January 2014	192,600	–	192,600
Reclassified from construction in progress	–	22,772	22,772
Reclassified from prepaid lease payment (note)	–	9,335	9,335
Additions to investment properties under development for the year	–	4,155	4,155
Transfer upon completion	28,021	(28,021)	–
Net increase in fair value recognised in profit or loss	39,149	1,845	40,994
At 31 December 2014	259,770	10,086	269,856
Additions to investment properties under development for the year	–	12,606	12,606
Net increase in fair value recognised in profit or loss	4,300	14,152	18,452
Exchange realignment	(1,170)	(246)	(1,416)
At 31 December 2015	262,900	36,598	299,498

75

note: During the year ended 31 December 2014, prepaid lease payments with an amount of HK\$9,335,000 was transferred to investment properties due to change in management intention for generating rental income.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31 December 2015 and 2014 and 1 July 2014 (date of transfer of property, plant and equipment to investment properties) have been arrived at on the basis of a valuation carried out on the respective dates by B.I. Appraisals Limited ("B.I."), independent qualified professional valuers not connected to the Group. B.I. are members of the Institute of Valuers. In respect of completed investment properties, the valuation was arrived at using the results calculated by the income capitalisation method by capitalising the rental income derived from leasing out the properties with due provision for the reversionary income potential and direct comparison method by referencing to market evidence of transaction prices for similar properties in similar locations. In respect of the investment properties under development, the valuation was arrived at by the residual method with reference to expectations of market participants of the value of the property when complete, less deductions for the costs required to complete the project which duly reflects the risks associated with the development of the properties. The residual method has assumed that the investment properties under development will be completed in accordance with the development proposals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. INVESTMENT PROPERTIES (Continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

Category	Fair value hierarchy	Fair value		Unrealised gain (loss) on property revaluation included in profit or loss in		Valuation techniques	Key unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
		31.12.2015	31.12.2014	31.12.2015	31.12.2014				
		HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Completed investment properties									
Commercial properties	Level 3	216,100	211,800	4,300	19,200	Income capitalisation method	Reversionary rate	2.4% to 4.0% (2014: 1.7% to 4.0%)	The higher the reversionary yield, the lower the fair value
							Market rent	HK\$19 – HK\$36 per square feet per month (2014: HK\$18 – HK\$35 per square feet per month)	The higher the market rent, the higher the fair value
Industrial properties	Level 3	46,800	47,970	–	19,949	Income capitalisation method	Reversionary rate	5.0% to 5.5% (2014: 5.0% to 5.5%)	The higher the reversionary yield, the lower the fair value
							Market rent	RMB18 per square meter per month (2014: RMB18 per square meter per month)	The higher the market rent, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. INVESTMENT PROPERTIES (Continued)

Category	Fair value hierarchy	Fair value		Unrealised gain (loss) on property revaluation included in profit or loss in		Valuation techniques	Key unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
		31.12.2015	31.12.2014	31.12.2015	31.12.2014				
		HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Investment properties under development									
Industrial properties under development	Level 3	30,598	–	15,226	–	Residual method	Gross development value	RMB4,408 per square meter per month	The higher the gross development value, the higher the fair value
Industrial land	Level 3	6,000	10,086	(1,074)	1,845	Direct comparison method	Market consideration	RMB263 – RMB297 per square meter (2014: RMB185 – RMB845 per square meter)	The higher the market consideration, the higher the fair value
		299,498	269,856	18,452	40,994				

There were no transfers into or out of Level 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles and vessels HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST OR VALUATION								
At 1 January 2014	174,196	16,887	5	36,850	31,017	42,185	22,772	323,912
Exchange realignment	(656)	(105)	–	(24)	(25)	(38)	–	(848)
Additions	–	1,032	–	1,119	1,423	2,333	–	5,907
Disposals	(11,120)	–	–	–	–	–	–	(11,120)
Reclassified to investment properties	–	–	–	–	–	–	(22,772)	(22,772)
At 31 December 2014	162,420	17,814	5	37,945	32,415	44,480	–	295,079
Exchange realignment	(656)	(162)	–	(24)	(47)	(45)	–	(934)
Additions	–	934	–	1,396	971	6,767	228,865	238,933
Acquired on acquisition of a subsidiary (note 34)	–	162	–	16	643	60	–	881
Disposals	–	–	–	–	(24)	(563)	–	(587)
Transfer from deposit paid for acquisition of property, plant and equipment	–	–	–	–	–	–	22,280	22,280
At 31 December 2015	161,764	18,748	5	39,333	33,958	50,699	251,145	555,652
Comprising:								
At cost	116,414	18,748	5	39,333	33,958	50,699	251,145	510,302
At valuation – 1994	45,350	–	–	–	–	–	–	45,350
	161,764	18,748	5	39,333	33,958	50,699	251,145	555,652
DEPRECIATION								
At 1 January 2014	49,114	14,864	2	27,386	25,418	11,407	–	128,191
Exchange realignment	(67)	(106)	–	(21)	(15)	(19)	–	(228)
Provided for the year	3,971	891	1	3,759	2,537	5,695	–	16,854
Eliminated on disposals	(218)	–	–	–	–	–	–	(218)
At 31 December 2014	52,800	15,649	3	31,124	27,940	17,083	–	144,599
Exchange realignment	(83)	(161)	–	(21)	(23)	(21)	–	(309)
Provided for the year	3,928	1,157	1	3,051	2,313	6,292	–	16,742
Eliminated on disposals	–	–	–	–	–	(477)	–	(477)
At 31 December 2015	56,645	16,645	4	34,154	30,230	22,877	–	160,555
CARRYING VALUES								
At 31 December 2015	105,119	2,103	1	5,179	3,728	27,822	251,145	395,097
At 31 December 2014	109,620	2,165	2	6,821	4,475	27,397	–	150,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	4% or over the term of the relevant lease, whichever is shorter
Leasehold improvements	Over the term of the relevant lease
Motor vehicles and vessels	10% to 20%
Others	20%

Owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

During the year ended 31 December 2014, construction in progress with an amount of HK\$22,772,000 was transferred to investment properties under development due to change in management intention for generating rental income upon completion of construction.

During the year ended 31 December 2015, an amount of HK\$22,280,000 was transferred from deposit paid for acquisition of property, plant and equipment to construction in progress. Such amount was paid as deposit for an acquisition of a leasehold land in Hong Kong at a consideration of HK\$222,800,000 and the acquisition was completed in July 2015.

17. GOODWILL

79

	HK\$'000
CARRYING VALUES	
At 1 January 2014 and 31 December 2014	16,419
Impairment loss recognised during the year	(1,369)
	<hr/>
At 31 December 2015	15,050

Goodwill acquired in business combinations was allocated, at acquisition, to the individual cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Distribution of sport products	–	1,369
Distribution of electronic components and semiconductor products	15,050	15,050
	<hr/>	<hr/>
	15,050	16,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. GOODWILL (Continued)

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

Distribution of sport products

The recoverable amount of this unit has been determined based on a value in use calculation. As at 31 December 2015 and 2014, the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using zero growth rate, and discount rate of 8%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. During the year, an impairment loss of approximately HK\$1,369,000 (2014: Nil) has been recognised.

Distribution of electronic components and semiconductor products

The recoverable amount of this unit has been determined based on a value in use calculation. As at 31 December 2015 and 2014, the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with 7.5% growth rate, and discount rate of 8%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in all of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit. No impairment loss is recognised for both years.

18. INTERESTS IN ASSOCIATES

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Cost of unlisted investments in associates	18,723	19,234
Impairment of goodwill	–	(117)
Share of post-acquisition losses and other comprehensive expense	(6,425)	(394)
	12,298	18,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2015 and 2014, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ establishment/ operations	Class of shares held	Proportion of issued share/ registered capital held by the Group		Principal activities
				31.12.2015 %	31.12.2014 %	
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	30	Trading of electronic products
成都凌點科技有限公司	Established	The PRC	Registered capital	N/A	30	Provision of research and development services
Reachfull Investment Limited ("Reachfull")	Incorporated	British Virgin Islands	Ordinary	10	10	Investment holding

As at 31 December 2014, included in the cost of investments in associates was goodwill of HK\$117,000 arising on acquisition of 成都凌點科技有限公司. The amount was fully impaired during the year ended 31 December 2014. In September 2015, the Group disposed of its entire equity interest in 成都凌點科技有限公司 to the controlling shareholder of 成都凌點科技有限公司 at a consideration of RMB1 (equivalent to HK\$2). A gain on disposal was RMB1 (equivalent to HK\$2).

81

As at 31 December 2015 and 2014, in the opinion of the directors of the Company, no individual associate is considered as material to the Group.

During the year ended 31 December 2014, an indirect 80% owned subsidiary of the Company entered into an agreement to subscribe for 10% of the issued share capital of Reachfull, which is a private limited company incorporated in the British Virgin Islands ("BVI") whose principal business activity is investment holding, at an initial subscription price of HK\$18,720,000. An indirect non-wholly owned subsidiary of the Company has appointed one of the five directors in the board of Reachfull and thus had a significant influence over Reachfull and classified as investment in an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2015 HK\$'000	2014 HK\$'000
The Group's share of loss	(6,425)	(45)
The Group's share of total comprehensive expenses	(6,425)	(45)

The Group has discontinued recognition of its share of loss of an associate. The amount of unrecognised share of the associate, both for the year and cumulatively, are as follows:

	2015 HK\$'000	2014 HK\$'000
Unrecognised share of loss of the associate for the year	1	7
	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Accumulated unrecognised share of loss of the associate	392	395

82

19. INTERESTS IN JOINT VENTURES

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Cost of unlisted investments in joint ventures	13,300	18,800
Share of post-acquisition (losses) profits and other comprehensive (expenses) income	(7,850)	3,722
	5,450	22,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (Continued)

As at 31 December 2015 and 2014, the Group had interests in the following joint ventures:

Name of joint venture	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group		Proportion of voting rights held by the Group		Principal activity
				31.12.2015	31.12.2014	31.12.2015	31.12.2014	
				%	%	%	%	
Kitronix Limited ("Kitronix")	Incorporated	Hong Kong	Ordinary	35	35	40	40	Manufacturing of liquid crystal display modules
SPT Technology Limited ("SPT Technology")	Incorporated	Hong Kong	Ordinary	N/A (Note)	55	N/A (Note)	50	Distribution of electronic products

Note: During the year ended 31 December 2015, the Group acquired additional 45% equity interest in SPT Technology from the other joint venture partner, an independent third party. Upon completion of the acquisition, SPT Technology becomes a wholly owned subsidiary of the Company as set out in note 34.

The summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs:

83

Kitronix

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Current assets	6,120	7,042
Non-current assets	9,858	10,416
Current liabilities	406	370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (Continued)

Kitronix (Continued)

	2015 HK\$'000	2014 HK\$'000
Revenue	234	1,345
(Loss) profit for the year	(1,188)	676
Total comprehensive (expense) income for the year	(1,516)	287

The above amount of assets includes the followings:

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Cash and cash equivalents	5,058	6,913

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kitronix recognised in the consolidated financial statements:

84

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Net assets of Kitronix	15,572	17,088
Proportion of the Group's ownership in Kitronix	35%	35%
Carrying amount of the Group's interest in Kitronix	5,450	5,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (Continued)

SPT Technology

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Current assets	N/A	178,083
Non-current assets	N/A	1,171
Current liabilities	N/A	149,179
	2015 HK\$'000	2014 HK\$'000
Revenue (Note)	217,300	629,515
Profit for the period/year (Note)	11,721	8,474
Total comprehensive income for the period/year (Note)	11,721	8,461
Dividend received from joint ventures during the period/year	17,489	–

85

Note: The financial information represents the profit or loss and other comprehensive income from 1 January 2015 to the date immediately before the completion of the acquisition of additional 45% equity interest in SPT Technology by the Group as set out in note 34.

The above amounts of assets and liabilities include the followings:

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Cash and cash equivalents	N/A	19,007
Current financial liabilities (excluding trade and other payable and provision)	N/A	100,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in SPT Technology recognised in the consolidated financial statements:

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Net assets of SPT Technology	N/A	30,075
Proportion of the Group's ownership in SPT Technology	N/A	55%
	N/A	16,541

20. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Available-for-sale investments comprise:		
At fair value		
Investments in club debenture	2,997	2,997
Investments in listed equity securities in Hong Kong (Note i)	13,057	25,547
At cost		
Investments in unlisted equity securities in Hong Kong (Note ii)	6,000	6,000
Total	22,054	34,544
Analysed for reporting purposes as:		
Non-current assets	22,054	34,544

Notes:

- (i) Listed securities are stated at fair value which is determined based on the quoted market bid price available on the Stock Exchange. The Group identified impairment loss of approximately HK\$5,569,000 (2014: Nil) related to these listed securities.
- (ii) The above unlisted equity securities investments represent investments in equity securities issued by a private entity which is engaging in manufacturing of paper products and measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimation is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. CLUB MEMBERSHIPS

31.12.2015
&
31.12.2014
HK\$'000

Club memberships outside Hong Kong, at cost	3,278
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As at 31 December 2015 and 2014, the club memberships were tested for impairment by comparing their carrying amounts with their recoverable amounts. The directors of the Company determined that no impairment loss was necessary and are of the opinion that the club memberships are worth at least their carrying amounts.

22. INVENTORIES

31.12.2015
HK\$'000

31.12.2014
HK\$'000

Finished goods	668,775	859,599
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23. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

31.12.2015
HK\$'000

31.12.2014
HK\$'000

Trade receivables	1,128,023	1,333,660
Less: allowance for doubtful debts	(11,614)	(6,556)
	1,116,409	1,327,104
Other receivables	78,894	52,046
Prepayment and deposits paid (Note)	53,464	49,858
	1,248,767	1,429,008
Bills receivable	15,612	46,592

87

The Group allows a credit period ranging from 30 days to 120 days to its trade customers.

Note: As at 31 December 2015, included in prepayment and deposits paid is HK\$18,720,000 in relation to deposit paid for investment in an unlisted company which is a non wholly-owned subsidiary of Hon Hai Industry Co., Ltd ("Hon Hai"), a substantial shareholder of the Company, which held 19.86% (2014: 19.86%) of the issue share capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE (Continued)

The following is an aged analysis of trade receivables and bills receivable net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Current	842,319	1,028,379
Within 30 days	167,099	204,608
More than 30 days and within 60 days	45,753	46,921
More than 60 days and within 90 days	20,425	68,451
More than 90 days	56,425	25,337
	1,132,021	1,373,696

Before accepting a new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then sets a credit limit for that customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no history of defaults on payments.

88

Other receivables are unsecured, interest-free, repayable on demand and expected to be settled within twelve months from the reporting date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$289,702,000 (2014: HK\$345,317,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as these debtors have good repayment history and there has not been a significant change in credit quality. The Group does not hold any collateral over these balances. The average age of these receivables is 40 days (2014: 38 days).

Ageing of trade receivables which are past due but not impaired

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Within 30 days	167,099	204,608
More than 30 days and within 60 days	45,753	46,921
More than 60 days and within 90 days	20,425	68,451
More than 90 days	56,425	25,337
Total	289,702	345,317

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE (Continued)

Movement in the allowance for doubtful debts

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
1 January	6,556	6,268
Impairment losses recognised on receivables	11,196	997
Amounts recovered during the year	(1,381)	(496)
Amount written off as uncollectible	(4,757)	(213)
31 December	11,614	6,556

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$11,614,000 (2014: HK\$6,556,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
USD	150,978	200,906
RMB	1,021	1,025
	151,999	201,931

89

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Investments held-for-trading:		
Equity securities listed in Hong Kong	25,551	15,901
Unlisted equity funds (Note)	8,246	8,414
	33,797	24,315
Financial assets designated at FVTPL:		
Structured deposits	–	17,492
	33,797	41,807

Note: The amount represented unlisted equity funds which are quoted in an active market. The fair value of the investments is determined by reference to the quoted prices as at 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

As at 31 December 2014, the financial assets designated at fair value through profit or loss were principal protected structured deposits of HK\$17,492,000 placed with a bank. Under the relevant agreements, such structured deposits contained an embedded derivative in which its return was determined by reference to the changes in exchange rate of foreign currencies including RMB and USD. The fair value was based on the mark to market valuation amount provided by the counterparty financial institution, which was based on discounted cash flow analysis taking into account of observable market data and unobservable inputs (see note 6(c) for details). During the year ended 31 December 2015, the structured deposits were fully redeemed.

At 31 December 2014, included in the Group's financial assets at fair value through profit or loss, balances with aggregate amount of HK\$17,492,000 denominated in RMB, which were other than the functional currency of the relevant group entities.

25. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

At 31 December 2015 and 2014, the pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.02% to 0.10% (2014: from 0.02% to 0.10%) per annum and variable interest at rates which range from 0.01% to 0.40% (2014: from 0.01% to 0.40%) per annum, respectively.

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

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
USD	74,328	58,782
RMB	7,097	16,055
	81,425	74,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Trade payables	684,671	544,507
Other payables	27,415	37,344
Accruals and deposits received	46,767	41,216
Total trade and other payables	758,853	623,067
Bills payable	34,021	171,021

The average credit period on purchase of goods ranged from 30 days to 120 days.

Other payables are unsecured, interest-free and repayable on demand.

Included in the Group's trade and other payables and bills payable with aggregate amount of approximately HK\$186,828,000 (2014: HK\$69,325,000) denominated in USD which is other than the functional currency of the relevant group entities.

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

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Current	544,929	572,455
Within 30 days	119,932	85,636
More than 30 days and within 60 days	37,483	35,511
More than 60 days and within 90 days	7,501	3,161
More than 90 days	8,847	18,765
	718,692	715,528

91

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative not under hedge accounting:

	ASSETS		LIABILITIES	
	31.12.2015 HK\$'000	31.12.2014 HK\$'000	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Fair value of derivatives not under hedge accounting:				
Foreign currency forward contracts	114	612	53,611	22,941

Major terms of the outstanding foreign exchange forward contracts with monthly net-settlement to which the Group is committed are as follows:

As at 31 December 2015

Maximum aggregate notional amount (monthly-settled)	Maturity	Forward exchange rates
Twenty-two contracts to buy USD in total notion amount USD79,900,000	Ranging from 13 January 2016 to 22 January 2018	HK\$/USD ranging from 7.718 to 7.749
Three contracts to buy RMB in total notion amount USD6,000,000	11 February, 12 February 2016 and 13 March 2017	RMB/USD ranging from 6.105 to 6.29

92

As at 31 December 2014

Maximum aggregate notional amount (monthly-settled)	Maturity	Forward exchange rates
Twenty-one contracts to buy USD in total notion amount USD45,400,000	Ranging from 8 January 2015 to 22 May 2017	HK\$/USD ranging from 7.718 to 7.749
Four contracts to buy RMB in total notion amount USD4,000,000	Ranging from 11 February 2016 to 7 September 2016	RMB/USD ranging from 6.105 to 6.23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. BANK BORROWINGS

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Bank borrowings comprise:		
Bank import loans	1,251,748	1,434,597
Other bank loans	431,082	491,907
	1,682,830	1,926,504
Analysed as:		
Secured	1,164,367	1,333,911
Unsecured	518,463	592,593
	1,682,830	1,926,504
	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Carrying amount of bank loans contain a repayment on demand clause are repayable as follows:		
– within one year	1,398,185	1,926,504
– more than one year, but not exceeding two years	31,084	–
– more than two years, but not exceeding five years	189,568	–
– over five years	63,993	–
	1,682,830	1,926,504
Less: Amounts due within one year under current liabilities	(1,682,830)	(1,926,504)
Amounts shown under non-current liabilities	–	–

93

At 31 December 2015, all of the bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum with the average effective interest rate of 1.64% (2014: 1.57%).

Included in the Group's borrowings with aggregate amount of HK\$103,781,000 (2014: HK\$64,374,000) denominated in USD which is other than the functional currency of the relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

29. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 2015	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2014	264,940,720	26,494
Exercise of warrants (Note i)	47,200,000	4,720
Issue of bonus issue (Note ii)	312,140,720	31,214
At 31 December 2014 and 2015	624,281,440	62,428

	Number of non-redeemable convertible preference shares	Amount HK\$'000
Non-redeemable convertible preference shares of HK\$0.10 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 2015	46,000,000	4,600
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 2015	–	–

Notes:

- (i) During the year ended 31 December 2014, 47,200,000 warrants were exercised by Unimicro Limited, a substantial shareholder which had significant influence over the Company and was beneficially owned by Mr. Yim Yuk Lun, Stanley JP, the Chairman, Managing Director and Executive Director of the Company.
- (ii) During the year ended 31 December 2014, the Company issued bonus shares on 11 June 2014 on the basis of one bonus share for every one ordinary share at a par value of HK\$0.1 each to shareholders whose names appear on the register of members on 10 June 2014. A total of 312,140,720 bonus shares were issued on 11 June 2014 pursuant to the bonus issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme

Pursuant to a resolution passed on 27 July 2012, the Company adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible participants. All directors, non-executive directors, employees, shareholders, suppliers, customers of each member of the Group, any other person or entity that provides research, development or other technological support to any member of the Group and any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group are eligible to participate in the Scheme.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption of the Scheme.

The Company may renew this 10% limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme or any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

95

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 28 days from the date on which the letter containing the offer is delivered to that participant and the amount payable on acceptance of the grant is HK\$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. The subscription price will be established by the board of directors of the Company at the time the option is offered to the participants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Option Scheme (Continued)

The following tables disclose movements in the share options under the Scheme during the current year.

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share (subject to adjustments) HK\$	Number of share options				
					Outstanding at 1.1.2014	Granted during the year	Outstanding at 31.12.2014	Lapsed during the year	Outstanding at 31.12.2015
Employees									
25.9.2014	50%	25.9.2014 – 24.9.2015	25.9.2015 – 24.9.2017	2.60	-	1,900,000	1,900,000	(95,000)	1,805,000
	50%	25.9.2014 – 24.9.2016	25.9.2016 – 24.9.2017	2.60	-	1,900,000	1,900,000	(95,000)	1,805,000

The fair value of the share options granted on 25 September 2014, the date of grant, determined using the Binomial Option Pricing Model, was HK\$1,983,000. The inputs into the Binomial Option Pricing Model are as follows:

	Share options with a vesting period of one to two years
Exercise price	HK\$2.60
Grant date share price	HK\$2.57
Expected life of share options	3 years
Expected volatility	45% per annum
Expected dividend yield	8.95%
Risk free rate	0.794% per annum

The expected volatility was determined by using the Company's historical volatility quoted by Bloomberg. The expected dividend yield was determined by the final and special dividends paid during the interim period in respect of the financial year of 2013.

During the year ended 31 December 2015, 190,000 share options were forfeited as several employees resigned from the Group.

The Group recognised a total expense of approximately HK\$1,234,000 in the current year (2014: HK\$400,000) in relation to the share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Warrants granted to a director

On 23 May 2012, the Company entered into a warrant subscription agreement with Unimicro Limited ("Unimicro", a substantial shareholder of, and which has significant influence over the Company and beneficially owned by Mr. Yim Yuk Lun, Stanley JP, the Chairman, Managing Director and Executive Director of the Company) pursuant to which the Company has agreed to issue 50,000,000 warrants to Unimicro, at consideration of HK\$500,000, to subscribe for up to 50,000,000 shares at the exercise price HK\$1.80 per warrant share, which also represented a gratuity for Mr. Yim's long term services to the Group in the past. Under the warrant subscription agreement, Unimicro was required to exercise at least 2,777,778 warrants within 6 months from the completion of it. The warrant subscription agreement was approved by the independent shareholders in the special general meeting held on 27 July 2012. The warrants were granted on 7 August 2012 and are exercisable at any time on or before 6 August 2014. Unimicro is not allowed to sell or transfer interests in the warrant shares within 3 years from the date on which the warrant shares are issued. All the proceeds were used to provide additional working capital for the Company. During the year ended 31 December 2014, 47,200,000 warrants were exercised by Unimicro. As at 31 December 2014 and 2015, no warrant remained outstanding.

The fair value of warrant at the date of grant was calculated using the Binomial Option Pricing model.

The inputs into the model were as follows:

Spot market price	HK\$1.90	97
Exercise price	HK\$1.80	
Expected volatility	35.44%	
Expected life	3 years	
Risk-free rate	0.185%	
Dividend yield	6.84%	
Lock-up period	3 years	

Expected volatility was determined by using the weekly historical volatility of the Company's share price over the previous 520 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

31. DEFERRED TAXATION

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

	Revaluation of investment properties HK\$'000	(Decelerated) accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Other deductible temporary differences HK\$'000	Total HK\$'000
At 1 January 2014	–	493	(4,015)	(971)	(4,493)
Charge (credit) to profit or loss	5,448	(618)	(173)	–	4,657
At 31 December 2014	5,448	(125)	(4,188)	(971)	164
Charge (credit) to profit or loss	3,538	(655)	695	(161)	3,417
At 31 December 2015	8,986	(780)	(3,493)	(1,132)	3,581

The following is the analysis of the deferred tax balances for financial reporting purposes:

98

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Deferred tax assets	5,405	5,284
Deferred tax liabilities	(8,986)	(5,448)
	(3,581)	(164)

At 31 December 2015, the Group had unused tax losses of HK\$107,997,000 (2014: HK\$98,330,000) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK\$21,173,000 (2014: HK\$25,385,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$86,824,000 (2014: HK\$72,945,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 31 December 2015, a deferred tax liability has been recognised in respect of HK\$19,767,000 (2014: HK\$21,794,000) of the increase in fair value of investment properties.

At 31 December 2015, the Group had deductible temporary differences in relation to decelerated tax depreciation and allowance for doubtful debts and inventories of approximately HK\$15,673,000 (2014: HK\$10,150,000). A deferred tax asset has been recognised in respect of approximately HK\$6,866,000 (2014: HK\$5,888,000) for such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining amount of HK\$8,807,000 (2014: HK\$4,262,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

31. DEFERRED TAXATION (Continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements amounting to approximately RMB14,942,000 (31 December 2014: RMB3,841,000) 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.

32. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Under the ORSO Scheme and MPF Scheme, no forfeited contributions are available to reduce the contributions payable in future years.

The employees employed by the Group's Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the Mainland China government. The Group's Mainland China subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised in profit or loss of HK\$10,734,000 (2014: HK\$8,539,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

33. PLEDGE OF ASSETS

At the end of reporting period, the following assets of the Group were pledged to banks in order to secure general banking facilities granted by these banks to the Group:

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Investment properties	155,000	155,000
Leasehold land and building	74,670	–
Bank deposits	21,513	13,553
Trade receivables	255,422	523,664
Investments held-for-trading	8,246	25,906
	514,851	718,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. ACQUISITION OF A SUBSIDIARY

On 4 June 2015, the Group completed its acquisition of the additional 45% equity interest in SPT Technology for a consideration of approximately HK\$4,500,000 from the other joint venture partner, an independent third party. SPT Technology was a joint venture of the Group prior to this acquisition. After completion of the acquisition, SPT Technology becomes a wholly owned subsidiary of the Company.

SPT Technology is engaged in the business of distribution of electronic products and acts as an investment holding company which directly holds the entire equity interest in SPT Technology (China) Limited, an inactive company and 時保迪科技（深圳）有限公司, which is engaged in providing research and development services.

The net assets acquired in the transaction are as follows:

	HK\$'000
Net assets acquired:	
Property, plant and equipment	881
Inventories	73,999
Trade and other receivables	54,067
Amounts due from related parties	18,679
Bank balances and cash	36,561
Trade and other payables	(65,027)
Amounts due to related parties	(17,564)
Tax payables	(2,629)
Bank borrowings	(88,967)
	<hr/>
Net assets acquired	10,000
	<hr/>
Total consideration satisfied by:	
Cash	4,500
Interest in joint venture	5,500
	<hr/>
	10,000
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Net cash inflow arising on acquisition:	
Bank balances and cash acquired	36,561
Less: cash consideration paid	(4,500)
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	32,061
	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. OPERATING LEASES

The Group as lessee

	2015 HK\$'000	2014 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises	4,338	3,745

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

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Within one year	2,414	3,264
In the second to fifth year inclusive	2,129	2,010
	4,543	5,274

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for lease terms of one to two years with fixed rentals.

101

The Group as lessor

Property rental income earned during the year was HK\$8,180,000 (2014: HK\$6,687,000). The properties held have committed tenants for the next four (2014: five) years.

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

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Within one year	7,771	7,696
In the second to fifth year inclusive	10,477	17,923
	18,248	25,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. CAPITAL COMMITMENTS

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment and investment property contracted for but not provided in the consolidated financial statements	34,948	202,913

37. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2015, the balance mainly represents the deposit paid by the Group in connection with the acquisition of an office building under construction for its own use in Shenzhen, the PRC.

38. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(i) Connected parties

During the year, the Group had significant transactions and balances with deemed connected parties pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions during the year and balances at the end of the reporting period with a substantial shareholder and its subsidiaries are as follows:

(a) Transactions

Name of party	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Hon Hai and its subsidiaries (Note)	Purchases of electronic products by the Group	684,151	591,195
	Sales of electronic products by the Group	1,208,207	810,342

(b) Balances

Name of party	Nature of balances	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Hon Hai and its subsidiaries	Trade payables	272,790	162,697
	Trade receivables	335,662	498,035

(c) During the year, the Group paid a deposit of HK\$18,720,000 on investment in an unlisted company which is a non wholly-owned subsidiary of Hon Hai as set out in note 23.

Note: Hon Hai is a substantial shareholder of the Company, who held 19.86% (2014: 19.86%) of the issued share capital of the Company as at 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(II) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the year, and significant balances with them at the end of the reporting period, are as follows:

(a) Transactions

Name of party	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Joint venture:			
SPT Technology (Note)	Purchases of electronic products	43,105	100,185
	Sales of electronic products	79	348

(b) Balances

Name of party	Nature of balances	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Joint venture:			
SPT Technology (Note)	Trade payables	–	10,559
	Trade receivables	–	3

103

(c) Compensation of key management personnel

The directors are the key management personnel of the Company and their compensation for both years is set out in note 11.

Note: SPT Technology became a wholly owned subsidiary of the Company upon completion of acquisition of additional 45% equity interest in SPT Technology by the Group on 4 June 2015 as set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. EVENTS AFTER THE REPORTING PERIOD

On 7 January 2016, the Group has successfully spun off its non-wholly-owned subsidiary, Hi-Level Technology Holdings Limited (“Hi-Level Holdings”) and its subsidiaries together through a separate listing on the Growth Enterprise Market of the Stock Exchange (the “Spin-Off”). The Spin-Off involved the offering of 150 million shares of HK\$0.01 each by Hi-Level Holdings at an offer price of HK\$0.31 per share, which raised a total net cash proceeds of approximately HK\$29.5 million. Immediately following the completion of the Spin-Off, the Group’s equity interest in Hi-Level Holdings was diluted from 51.0% to approximately 34.1%.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2015 and 31 December 2014 are as follows:

	31.12.2015 HK\$'000	31.12.2014 HK\$'000
Non-current assets		
Investment in subsidiaries	722,298	419,918
Current assets		
Prepayment and other receivables	1,677	226
Taxation recoverable	–	394
Bank balances	600	1,057
	2,277	1,677
Current liabilities		
Other payables	3,536	1,773
Amounts due to subsidiaries	496,867	228,241
Tax payable	574	–
	500,977	230,014
Net current liabilities	(498,700)	(228,337)
Net assets	223,598	191,581
Capital and reserves		
Share capital	62,428	62,428
Share premium and reserves (Note)	161,170	129,153
Total equity	223,598	191,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	38,634	1,109	105,796	6,140	–	19,986	171,665
Profit and total comprehensive income for the year	–	–	–	–	–	144	144
Dividends recognised as distribution	(92,082)	–	–	–	–	–	(92,082)
Exercise of warrants	86,380	–	–	(6,140)	–	–	80,240
Recognition of equity-settled share-based payments	–	–	–	–	400	–	400
Bonus shares issued	(31,214)	–	–	–	–	–	(31,214)
At 31 December 2014	1,718	1,109	105,796	–	400	20,130	129,153
Profit and total comprehensive income for the year	–	–	–	–	–	102,575	102,575
Dividends recognised as distribution	–	–	–	–	–	(71,792)	(71,792)
Recognition of equity-settled share-based payments	–	–	–	–	1,234	–	1,234
At 31 December 2015	1,718	1,109	105,796	–	1,634	50,913	161,170

105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company		Principal activities
			31.12.2015 %	31.12.2014 %	
Dragon Trading Limited	British Virgin Islands/ Hong Kong	Ordinary US\$40,000	100	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	100	Distribution of electronic products
Hi-Level Technology Limited	Hong Kong	Ordinary HK\$25,000,000	51	51	Distribution of electronic products with provision of independent design house services
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK\$500,000	100	100	Distribution of electronic products
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK\$100	100	100	Distribution of electronic products
		Non-voting deferred* HK\$1,000,000	100	100	
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK\$100	100	100	Property and investment holding
		Non-voting deferred* HK\$1,000,000	100	100	
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK\$2	100	100	Distribution of LED lighting products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company		Principal activities
			31.12.2015	31.12.2014	
			%	%	
SMartech Electronic Company Limited	Hong Kong	Ordinary HK\$1,000,000	70	70	Distribution of electronic products
Sportline Limited	Hong Kong	Ordinary HK\$200,000	100	100	Distribution of sports products
SPT Technology Limited	Hong Kong	Ordinary HK\$10,000,000	100	55	Distribution of electronic products
時捷電子科技(深圳) 有限公司**	The PRC	Registered capital HK\$20,000,000	100	100	Distribution of electronic products
時捷照明(深圳) 有限公司**	The PRC	Registered capital HK\$1,000,000	100	100	Distribution of LED lighting products
Time Speed Technology Corporation 時擘科技股份有限公司	Taiwan	Registered capital TWD50,000,000	100	100	Distribution of electronic products

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

** Foreign wholly-owned enterprise.

107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or 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.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2015	31.12.2014	2015	2014	31.12.2015	31.12.2014
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hi-Level Holdings	Cayman Islands	49	N/A	6,411	-	43,379	-
Hi-Level Technology Limited	Hong Kong	49	49	-	9,704	-	40,009
SMartech Electronic Company Limited	Hong Kong	30	30	12,530	26,167	65,330	67,800
Time Speed Technology (Note i) Corporation ("Time Speed")	Taiwan	-	-	-	1,709	-	-
Individually immaterial subsidiaries with non-controlling interests (Note ii)				(1,859)	1,995	9,229	11,673
				17,082	39,575	117,938	119,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Notes:

- (i) During the year ended 31 December 2014, the Group had acquired the remaining 49% equity interests of Time Speed for a cash consideration of HK\$31,579,000 and an excess of the fair value of the consideration paid over the non-controlling interests were adjusted amounting to HK\$19,238,000 which was recognised directly in other reserve. After the acquisition, Time Speed becomes a wholly-owned subsidiary of the Company.
- (ii) Included in the individually immaterial subsidiaries with non-controlling interests is a 60% equity owned subsidiary, S.A.S. Energy Management Company Limited ("S.A.S. Energy"). During the year ended 31 December 2014, the Group had acquired the remaining 40% equity interests of S.A.S. Energy for a cash consideration of HK\$494,000 and a deficit of the non-controlling interests were adjusted from the fair value of the consideration paid amounting to HK\$87,000 which was recognised directly in profit or loss.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Hi-Level Holdings Technology Limited and its subsidiaries/		Hi-Level Technology Limited and its subsidiaries		SMartech Electronic Company Limited		Time Speed Technology Corporation	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	327,866	238,345	1,178,299	1,826,384	–	–	–	203,926
Non-current assets	594	14,309	435	630	–	–	–	466
Current liabilities	(239,931)	(171,002)	(960,967)	(1,601,015)	–	–	–	(174,325)
Equity attributable to owners of the Company	45,150	41,643	152,437	158,199	–	–	–	30,067
Non-controlling interests	43,379	40,009	65,330	67,800	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Hi-Level Holdings Technology Limited and its subsidiaries/		SMartech Electronic Company Limited		Time Speed Technology Corporation	
	Hi-Level Technology Limited and its subsidiaries					
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	1,309,764	962,876	5,986,747	6,053,514	–	785,485
Profit (loss) for the year	12,483	19,804	41,768	87,225	–	8,371
Profit (loss) attributable to owners of the Company	6,366	10,100	29,238	61,058	–	6,662
Profit (loss) attributable to the non-controlling interests	6,117	9,704	12,530	26,167	–	1,709
Profit (loss) for the year	12,483	19,804	41,768	87,225	–	8,371
Total comprehensive income (expense) attributable to owners of the Company	6,261	9,972	29,238	61,058	–	6,662
Total comprehensive income (expense) attributable to the non-controlling interests	6,015	9,581	12,530	26,167	–	1,709
Total comprehensive income (expense) for the year	12,276	19,553	41,768	87,225	–	8,371
Dividends paid to non-controlling interests	2,940	4,900	15,000	10,500	–	–

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2011 HK\$'000 (Restated)	2012 HK\$'000 (Restated)	2013 HK\$'000 (Restated)	2014 HK\$'000	2015 HK\$'000
Revenue	5,327,132	6,319,047	10,797,607	10,605,352	11,262,149
Profit before tax	120,862	122,246	249,977	218,511	126,004
Income tax expense	(11,467)	(13,487)	(35,952)	(33,457)	(28,392)
Profit for the year	109,395	108,759	214,025	185,054	97,612
Profit for the year attributable to:					
Owners of the Company	102,083	90,852	172,134	145,479	80,530
Non-controlling interests	7,312	17,907	41,891	39,575	17,082
	109,395	108,759	214,025	185,054	97,612

ASSETS AND LIABILITIES

	At 31 December				
	2011 HK\$'000 (Restated)	2012 HK\$'000 (Restated)	2013 HK\$'000 (Restated)	2014 HK\$'000	2015 HK\$'000
Total Assets	1,926,411	2,353,252	2,757,540	3,756,707	3,550,823
Total Liabilities	(1,299,046)	(1,636,524)	(1,879,141)	(2,755,963)	(2,550,234)
Net Assets	627,365	716,728	878,399	1,000,744	1,000,589
Equity attributable to owners of the Company	565,594	632,926	762,547	881,262	882,651
Non-controlling interests	61,771	83,802	115,852	119,482	117,938
Total Equity	627,365	716,728	878,399	1,000,744	1,000,589

111

PARTICULARS OF INVESTMENT PROPERTIES

Location	Lot No.	Category of lease	Use
Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong	11743/588444 share of Kowloon Inland Lot No. 10985	Medium term	Commercial
Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No.8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 39 Ma Tau Wai Road, Kowloon, Hong Kong	25/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit 1212 on 12th Floor, Harbour Crystal Centre, No. 100 Granville Road, Kowloon, Hong Kong	12/3100 share of Kowloon Inland Lot No. 10600	Medium term	Commercial
Yuquan Industrial Estate, Xingye Road, Fenggang Town, Dongguan, the PRC	Dong Fu Guo Yung (2010) De Te No. 361	Medium term	Industrial

The Group has 100% interest in the above properties.