The Hong Kong Building and Loan Agency Limited

香港建屋貸款有限公司

(Stock Code: 145)

Annual Report 2015

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. So Yuen Chun
Dr. Li Ai Guo
Mr. Chong Kok Leong
Ms. Khoo Pui Wun

Non-executive Directors
Mr. Lam Kwok Hing, Wilfred
Mr. Huang Lizhi

Independent Non-executive Directors
Ms. Yuen Wai Man
Mr. Yeung Wai Hung, Peter
Mrs. Chu Ho Miu Hing

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter

NOMINATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter
Mrs. Chu Ho Miu Hing

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter
Mrs. Chu Ho Miu Hing

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Public Bank (Hong Kong) Limited
China CITIC Bank International Limited
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank

LEGAL ADVISOR

Troutman Sanders
WT Law Offices

SHARE REGISTRAR

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

REGISTERED OFFICE

Unit F, 7/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

STOCK CODE

145

WEBSITE

http://www.hkbla.com.hk

COMPANY SECRETARY

Mr. So Yuen Chun

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Hong Kong Building and Loan Agency Limited (the "**Company**"), together with its subsidiaries (collectively, the "**Group**"), are principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions.

During the year ended 31 December 2015, the Group recorded a revenue of approximately HK$16,776,000, representing an increase of approximately 2.1% as compared with HK$16,423,000 for the last year. A loss for the year attributable to the owners of the Company of approximately HK$815,428,000 (2014: loss of approximately HK$243,371,000) was recorded, which is mainly attributable to (1) an impairment of goodwill of approximately HK$666,660,000, (2) an one-off loss of approximately HK$80,531,000 on disposal of a subsidiary, and (3) finance costs of approximately HK$82,833,000 due to interest amortisation of convertible bonds and promissory notes issued for the acquisition of Weldtech Technology Co. Limited and its subsidiary, Haoxin Technology (Shanghai) Company Limited（濠信節能科技（上海）有限公司）(collectively, the "**Weldtech Group**") (the "**Acquisition**") in 2014.

Of the total revenue, approximately HK$940,000 (2014: approximately HK$10,402,000) was generated from the Group's loan financing business which contributed a segment loss of approximately HK$1,162,000 (2014: profit of approximately HK$11,257,000). The loss was mainly attributable to the decrease in interest on loan receivables due to the disposal of loan receivables through disposal of a subsidiary in 2015.

With respect to the segment of treasury investments, a segment profit of approximately HK$887,000 was recorded for the year ended 31 December 2015, as compared to the segment loss of approximately HK$21,560,000 in last year. The profit recorded for the treasury investments is mainly attributable to the increase in the share prices of the equity securities held for investments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

With respect to the segment of design and provision of energy saving solutions ("**Energy Saving Business**"), a segment loss of approximately HK$752,122,000 was recorded for the year ended 31 December 2015 (2014: approximately HK$47,353,000). The segment loss was mainly attributable to the impairment of goodwill of approximately HK$666,660,000. The impairment of goodwill represents the impairment of goodwill arising from the Acquisition in 2014. In preparing the cash flow projections for the Energy Saving Business, the management reviews the assumptions taking into account (i) general economic environment; (ii) industry dynamics; (iii) on-going business development of the Weldtech Group. The carrying value of the goodwill was based on the revised pipeline which reflects the Weldtech Group's revised focus on larger-sized projects in the PRC. The management notes the continuous support of the PRC government for environmentally friendly industries. Moreover, despite the challenges faced by the PRC economy, larger projects are more stable during the various stages of the economic cycles. The Weldtech Group has also received positive initial response from customers in pursuing the new direction.

The increase in pre-tax discount rate used from 18.67% (2014) to 23.91% (2015) also contributes to the impairment for the year ended 31 December 2015. Such increase is attributable to changes in market conditions, such as long-term risk rates and market equity risk premium. There was increase in the company specific risk premium to account for the risks in project progress and implementation. In recognition of the above factors, the goodwill was impaired by the amount of HK$666,660,000 for the year ended 31 December 2015. The details of the impairment loss on the goodwill are set out in note 20 to the consolidated financial statements.

The audited consolidated loss before tax and net loss of the Weldtech Group were HK$32,887,000 for the year ended 31 December 2015. The audited consolidated loss before tax and net loss of the Weldtech Group for the year ended 31 December 2014 were $34,164,000, and the consolidated loss before tax and net loss of the Weldtech Group for the period from the date of completion of Acquisition to 31 December 2014 were HK$21,177,000. With reference to the Company's circular dated 11 April 2014 and pursuant to the sale and purchase agreement for the Acquisition ("**Sale and Purchase Agreement**"), the vendors of the Weldtech Group have irrevocably warranted and undertaken to the Company that the audited consolidated profit before tax of the Weldtech Group for the year ending 31 December 2015 shall not be less than HK$160,000,000 (the "**2015 Profit Guarantee**"). Accordingly, the Weldtech Group failed to meet the 2015 Profit Guarantee and all of the Promissory Notes C (as defined in the Company's circular dated 11 April 2014) in the aggregate principal amount of HK$320,000,000 have become null and void. The Weldtech Group's loss is primarily due to the intensified competition for small and medium-sized projects with other energy saving service providers conducting predatory pricing strategy and the less-than-expected funding for the Weldtech Group.

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL ASSETS AND FOREIGN EXCHANGE EXPOSURE

As at 31 December 2015, the total assets decreased to approximately HK$1,554,198,000 (2014: approximately HK$2,431,539,000). The decrease was mainly attributable to the impairment of goodwill of approximately HK$666,660,000 and disposal of loan receivables of approximately HK$201,680,000 through disposal of a subsidiary. The Group's assets were mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As the Hong Kong Dollar is pegged to the United States Dollar, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the depreciation of Renminbi. The Group has not entered into any significant foreign exchange contract. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2015, the Group held financial assets at fair value through profit or loss amounting to approximately HK$12,934,000 (2014: approximately HK$24,354,000). The decrease was mainly attributable to the disposal of a substantial amount of held-for-trading investments in equity securities during the year ended 31 December 2015. The financial assets at fair value through profit or loss represent held-for-trading investments in equity securities listed in Hong Kong.

As at 31 December 2015, the Group held intangible assets amounting to approximately HK$805,905,000 (2014: approximately HK$860,389,000). The intangible assets represent 7 patents related to the "Ultra Performance Plant Control System" ("**UPPC System**") used by the energy saving solutions business.

As at 31 December 2015, the Group held finance lease receivables and loan receivables amounting to approximately HK$24,446,000 (2014: approximately HK$27,740,000) and approximately HK$250,000 (2014: approximately HK$202,080,000), respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's cash and bank balances amounted to approximately HK$79,474,000 (2014: approximately HK$17,512,000), and it had outstanding convertible bonds of approximately HK$424,494,000 (2014: approximately HK$470,506,000) and promissory notes of approximately HK$133,126,000 (2014: approximately 192,891,000). The net assets and the net current assets of the Group amounted to approximately HK$757,301,000 (2014: approximately HK$1,259,125,000) and approximately HK$39,013,000 (2014: approximately HK$120,736,000), respectively.

The gearing ratio of the Group as at 31 December 2015, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 0.39 (2014: 0.38).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 31 December 2015, the Company's number of issued ordinary shares was 1,922,086,816 ("**Share(s)**") (as at 31 December 2014: 1,025,749,466 Shares).

During the year ended 31 December 2015, 15,660,000 new Shares were issued upon the conversion of HK$1,566,000 convertible bonds in the principal amount of HK$156,600 each with the conversion price of HK$0.10 per share (as adjusted on 17 February 2014) ("**CB I**"). All outstanding CB I were fully converted during the year ended 31 December 2015.

During the year ended 31 December 2015, 310,000,000 new Shares were issued upon the conversion of HK$41,850,000 convertible bonds in the principal amount of HK$1,350,000 each with the conversion price of HK$0.135 per share ("**CB II**"). All outstanding CB II were fully converted during the year ended 31 December 2015.

As at 31 December 2015, the Company had HK$305,545,700 convertible bond A (the "**CB A**") outstanding which could be converted into 381,932,124 Shares at the conversion price of HK$0.80 per share. During the year ended 31 December 2015, 161,792,888 new Shares were issued upon the conversion of CB A.

As at 31 December 2015, the Company had HK$639,612,430 convertible bond B (the "**CB B**") outstanding which could be converted into 799,515,538 Shares at the conversion price of HK$0.80 per share. During the year ended 31 December 2015, 234,884,462 new Shares were issued upon the conversion of CB B.

As at 31 December 2015, the Company had HK$60,000,000 convertible bonds outstanding which could be converted into 67,415,730 Shares at the conversion price of HK$0.89 per share. During the year ended 31 December 2015, no new Shares were issued from the conversion of such convertible bonds.

During the year ended 31 December 2015, 174,000,000 new Shares were issued through placing of shares.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group pledged the bank deposits of approximately HK$236,000 (2014: approximately HK$254,000) as the security deposit for the warranty fund of sale of goods.

As at 31 December 2015, the Group did not have material contingent liabilities (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and department levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost-effective to do so.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Functions such as, but not limited to, Internal Audit and Internal Control have the responsibility for providing assurance on the internal control framework. Key operational risk exposures are communicated to senior management as early as possible so that appropriate risk response can be taken.

Market Risks

PRC government policy

The energy saving industry is identified as one of the key industries and is backed by the PRC government and, according to the 2016 government work report, the PRC government will continue to commit to reduce per unit of GDP in carbon dioxide emissions and aim to cut energy intensity over the next five years. While the PRC government remains supportive in the area of energy saving and environment protection, there is no assurance that the PRC government will continue to pursue favorable policies towards the energy saving industry, or its favorable policies will not change in the future in a manner adverse to our business. In view of the Weldtech Group's reliance on government support and incentives for its business, any revision, change or abolition of the PRC government's policies towards the energy saving industry could have an adverse effect on the business, financial condition and results of operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Market Risks *(continued)*

PRC economic downturn

The Weldtech Group generates its revenue mainly from the sale of its products to commercial and industrial buildings in the PRC. Demand for the Weldtech Group's products depends on capital expenditure of commercial and industrial buildings on energy savings and the existence of service requirements. Any period of economic downturn in the PRC would reduce market demand for energy management systems, and a prolonged decline in market demand would have an adverse effect on the business, financial condition and results of operations of the Group.

Market competition

The Weldtech Group faces the intensified competition for small and medium-sized projects with energy saving service provider engage predatory pricing strategy. Therefore, there is no assurance that the Weldtech Group will be able to compete successfully against its current and future competitors.

Financial Risk

In the course of its business activities, the Group is exposed to a variety of financial risks, including market, liquidity and credit risks. The currency environment, interest rate cycles and mark to market value of investment securities may pose significant risks to the Group's financial condition, results of operations and businesses. The financial risk management objectives and policies of the Group can be found in note 5 to the consolidated financial statements.

CAPITAL COMMITMENT

As at 31 December 2015, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK$5,213,000 (2014: approximately HK$4,338,000).

MANAGEMENT DISCUSSION AND ANALYSIS

DISPOSAL OF A SUBSIDIARY

On 10 June 2015, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Revelry Gains Limited ("**Revelry Gains**") to an independent third party for a total cash consideration of HK$1,000,000 (the "**Disposal**"). Before considering the fair value effect of the promissory notes, the disposed aggregate principal amounts of promissory notes were approximately HK$203,108,000 which formed part of the liabilities of Revelry Gains. After taking up the fair value effect, the carrying amounts of disposed promissory notes were approximately HK$121,554,000, and therefore, the Group recorded a loss of approximately HK$80,531,000 as a result of the Disposal. Such loss had no material cash flow effect to the Company during the year ended 31 December 2015. The Disposal was completed on 11 June 2015.

For further details, please refer to the announcement of the Company dated 10 June 2015.

MATERIAL INVESTMENTS

Purchase of equity interest in Infodisc

On 30 June 2015, the Company entered into a non-legally binding memorandum of understanding with certain shareholders (the "**Target Shareholders**") of Infodisc Technology Co., Ltd. ("**Infodisc**"), a company established in Taiwan with limited liability whose shares are listed on the Taiwan Stock Exchange Corporation, in relation to a possible purchase of certain equity interest in Infodisc (the "**Taiwan MOU**"). Pursuant to the Taiwan MOU, the Company intended to purchase, and the Target Shareholders intended to assist the Company to purchase, certain equity interest in Infodisc.

On 10 August 2015, the Company, as the purchaser, entered into a share purchase agreement with Ms. Chen Bi Chu, a shareholder of Infodisc, as the vendor (the "**Taiwan Vendor**"), pursuant to which the Taiwan Vendor has agreed to sell and the Company has agreed to purchase 6,100,000 shares of Infodisc which represent approximately 9.45% of the then entire issued equity interest in Infodisc (the "**Infodisc Share(s)**") at the consideration of TWD82,200,000 (equivalent to approximately HK$19,867,000) to be settled in cash.

Infodisc is engaged in the trading business and its customers are located in Taiwan, South-East Asia and Japan. Moreover, it is engaged in the provision of LED lighting solutions. The LED business is undergoing the expansion stage and Infodisc has completed the development of LED products and begun production. The Company's operations are focused in the PRC and Hong Kong. The Company has identified Infodisc as an ideal platform to expand the Group's presence to Taiwan. The purchase of Infodisc Shares opens up a new geographical market for the Group's business, particularly the provision of energy saving solutions. Moreover, the purchase expands the product spectrum of the Group and the Group may leverage on Infodisc's LED capability to develop the PRC market.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL INVESTMENTS *(continued)*

Purchase of equity interest in Infodisc *(continued)*

On 14 August 2015, the Company completed the purchase of 6,100,000 of Infodisc Shares, representing approximately 8.66% of Infodisc's equity as at the date of this report.

For further details, please refer to the announcements of the Company dated 30 June 2015, 10 August 2015 and 14 August 2015.

FUND RAISING ACTIVITIES

CB Placing 2015, Top-up Placing and Top-up Subscription

On 2 June 2015, the Company and Convoy Investment Services Limited ("**Convoy**") entered into a placing agreement pursuant to which Convoy conditionally agreed to place, on a best-effort basis, the convertible bonds in the principal amount of up to HK$60,000,000 (the "**CB 2015**") to not less than six placees and the Company conditionally agreed to issue the CB 2015 (the "**CB Placing 2015**").

The CB 2015 in the aggregated principal amount of HK$60,000,000 were successfully placed by Convoy to not less than six placees who and whose respective ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The maturity date of CB 2015 is 14 June 2017, which is the second anniversary of the issue date of the CB 2015. The CB 2015 bear interest at the rate of 6% per annum on the outstanding principal amount thereof.

Based on the initial conversion price of HK$0.89 per conversion share, a maximum of 67,415,730 new Shares will be allotted and issued upon exercise of the CB 2015.

In addition, on 2 June 2015, the Company entered into a placing and subscription agreement with CIAM and Convoy pursuant to which (i) CITIC International Assets Management Limited ("**CIAM**") agreed to place, through Convoy, on a best-effort basis, an aggregate of up to 100,000,000 Shares held by CIAM (the "**Top-up Placing Share(s)**"), at the placing price of HK$0.89 per Top-up Placing Share (the "**Top-up Placing**"); and (ii) CIAM agreed to subscribe for up to 100,000,000 Shares (the "**Top-up Subscription Share(s)**") at the subscription price of HK$0.89 per Top-up Subscription Share (the "**Top-up Subscription**").

MANAGEMENT DISCUSSION AND ANALYSIS

FUND RAISING ACTIVITIES *(continued)*

CB Placing 2015, Top-up Placing and Top-up Subscription *(continued)*

The completion of the Top-up Placing took place on 5 June 2015 and an aggregate of 100,000,000 Top-up Placing Shares were successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules) at the placing price of HK$0.89 per Top-up Placing Share. The Top-up Subscription took place on 15 June 2015 and an aggregate of 100,000,000 Top-up Subscription Shares were allotted and issued to CIAM at the subscription price of HK$0.89 per Top-up Subscription Share.

The gross proceeds from CB Placing 2015 and Top-up Placing were approximately HK$149,000,000 and the net proceeds after deducting all relevant expenses were approximately HK$143,000,000. The net proceeds were used (i) as to approximately HK$19,867,000 for the acquisition of Infodisc Shares and (ii) as to approximately HK$123,133,000 for the repayment of outstanding indebtedness.

For further details, please refer to the announcements of the Company dated 3 June 2015 and 15 June 2015.

Placing I

On 21 July 2015, the Company entered into a placing agreement with RHB OSK Securities Hong Kong Limited ("**RHB**") pursuant to which the Company agreed to place through RHB an aggregate of up to 50,000,000 new Shares at the placing price of HK$0.89 per placing share (the "**Placing I**").

Completion of the Placing I took place on 30 July 2015 and a total of 50,000,000 new Shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")).

The gross proceeds from Placing I were approximately HK$44,500,000 and the net proceeds after deducting all relevant expenses were approximately HK$42,900,000. The net proceeds were used (i) as to approximately HK$17,903,000 for repayment of outstanding indebtedness and (ii) as to approximately HK$24,997,000 for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 21 July 2015 and 30 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FUND RAISING ACTIVITIES *(continued)*

Placing II

On 10 August 2015, the Company entered into a placing agreement with RHB pursuant to which the Company agreed to place through RHB, on a best-effort basis, an aggregate of up to 24,000,000 new Shares, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules), at the placing price of HK$0.89 per placing share (the "**Placing II**").

Completion of the Placing II took place on 27 August 2015 and a total of 24,000,000 new Shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The gross proceeds and the net proceeds from the Placing II were approximately HK$21,360,000 and approximately HK$20,550,000, respectively. The net proceeds have been reserved for general working capital of the Group and will be used to fund future investment when suitable opportunities arise.

For further details, please refer to the announcements of the Company dated 10 August 2015 and 27 August 2015.

STAFF AND REMUNERATION

The Group had 39 (2014: 77) employees as at 31 December 2015 and total staff costs during the year ended 31 December 2015 amounted to approximately HK$24,715,000 (2014: approximately HK$19,153,000). The increase was due to the incorporation of full-year staff costs for the Weldtech Group in 2015. The Group offers competitive remuneration packages to its employees. Other benefits include share options granted or to be granted under the share option scheme of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECT

Our loan financing business, which mainly consists of mortgage services, continued to generate interest income for the Group during the year ended 31 December 2015. While developing its strategy in treasury investment, which may consist of listed securities, treasury products and derivatives investment with suitable risks and return profile, the Group will continue exploring and broadening the existing businesses in order to strengthen its competitiveness and provide business growth potential.

While the Weldtech Group failed to meet the 2015 Profit Guarantee, the management is of the view that the Weldtech Group's loss is primarily due to (i) the intensified competition for small and medium-sized projects with energy saving service providers conducting predatory pricing strategy and (ii) the less-than-expected funding for the Weldtech Group. The energy saving industry is identified as one of the key industries and is backed by the PRC government. The PRC government will continue to commit to reduce per unit of GDP in carbon dioxide emissions and aim to cut energy intensity by 18% over the next five years according to its 2016 government work report. With the continuous support of the PRC government in the area of energy saving and environment protection and taking full advantage of the government's favorable policies, the management is optimistic about the industry in which the Weldtech Group operates and the future of the UPPC System. Besides, the management of the Group still holds the view that the existing market share is relatively fragmented and the market share for the Weldtech Group has significant growth potential due to a lack of dominant players in the fragmented market. It is expected that the increasing awareness of the energy saving and social responsibility will continue to provide ample opportunities for the UPPC System retrofit in the years to come.

To enhance project returns and to avoid getting into price wars, the Weldtech Group has begun to focus on larger-sized projects and seek to work with partners with stronger financial resources which are more willing to spend on energy saving assets to promote their environment-friendly image. The new focus has shown positive initial results with the entering of new project with a PRC conglomerate. Nevertheless, the Group considers that funding remains critical to the future business development of the Weldtech Group and it has from time to time been exploring possible sources of funding including bank loan or other borrowings and/or other fund raising exercises. Having said that, the Group believes the new direction is an appropriate response to the changing market conditions and is hopeful that it will bear fruit in the future.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. So Yuen Chun ("**Mr. So**"), aged 44, was appointed as an independent non-executive director of the Company on 15 January 2010 and re-designated as an executive director of the Company on 1 December 2010. He was also appointed as the company secretary of the Company on 26 March 2011. Mr. So is also a director of certain subsidiaries of the Group. Mr. So is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He possesses more than 21 years of experience in the fields of auditing, accounting and finance. He is currently an executive director of Chinese Global Investors Group Limited (stock code: 5CJ.SI), a company listed on the Catalist board of the Singapore Exchange Securities Trading Limited.

Dr. Li Ai Guo ("**Dr. Li**"), aged 38, was appointed as an executive director of the Company on 10 September 2014. He is a director and chief technology officer of Haoxin Technology (Shanghai) Company Limited, a wholly owned subsidiary of the Company. Dr. Li was admitted to the Harbin Institute of Technology in 1996, and completed his bachelor's degree, master's degree and Ph.D. in heating, gas supply, ventilating and air conditioning engineering, and applied computer science, in 2000, 2003 and 2007 respectively.

Mr. Chong Kok Leong (**"Mr. Chong"**), aged 52, was appointed as an executive director of the Company on 1 October 2015. Mr. Chong has also been appointed as a director of a wholly-owned subsidiary of the Company since 3 August 2015. Mr. Chong has over 21 years of senior management experience with multinational companies in the Asia Pacific Region, of which 12 years have been in China. The management expertise of Mr. Chong has been with sales & marketing and channel management at regional and country levels, with key responsibilities covering sales & marketing, business strategies and channel development. Prior to joining the Company, Mr. Chong has been the Managing Partner of a successful digital solution and media network company based in Shanghai. From June 2009 to April 2013, Mr. Chong was the Managing Director of PC-Ware (Beijing) Commercial Co., Ltd., where its parent company PC-Ware GmbH was the second largest software distribution and IT solution company in Europe. From February 2006 to April 2009, Mr. Chong worked as the General Manager (Software Division) and the Senior Business Development Director, China of Ingram Micro Asia Holdings Limited, a B2B technology company. From 1996 to 2006, Mr. Chong worked at Hewlett-Packard Asia Pacific, primarily responsible for its channel development in China and South & South East Asian markets. Mr. Chong graduated with a Bachelor's Degree in Engineering (Mechanical) from the National University of Singapore in 1988, obtained a Master's Degree in Business Administration from Monash University in Melbourne, Australia in 1993, and was admitted as member of the CPA Australia in 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Khoo Pui Wun ("**Ms. Khoo**") *CFA, CPA*, aged 43, was appointed as an executive director of the Company on 31 December 2015. Ms. Khoo is an asset management and investment banking professional with comprehensive buy-side and sell-side experience, inclusive of portfolio management, fundamental/quantitative/pre-deal research covering Asian and China markets, multi-asset class investment, and Big 4 business advisory with financial institutions such as Agricultural Bank of China International Asset Management, HSBC Global Asset Management, Citigroup, Deutsche Bank, Credit Suisse and PricewaterhouseCoopers.

NON-EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, Wilfred, *J.P.* ("**Mr. Lam**"), aged 56, was appointed as an independent non-executive director of the Company on 1 December 2010 and re-designated as a non-executive director of the Company on 21 October 2011. He was also appointed as a member of each of the audit, nomination and the remuneration committees of the Company, all with effect from 1 December 2010.

He is a Justice of Peace of the Hong Kong Special Administrative Region and was awarded the Queen's Badge of Honour in January 1997. Mr. Lam holds a bachelor degree of Law with honours from The University of Hong Kong and is a practising solicitor in Hong Kong and is a consultant lawyer of WT Law Offices and Lam, Lee & Lai Solicitors & Notaries. He also holds the professional qualification of Estate Agent's (Individual) Licence in Hong Kong.

Mr. Lam is a non-executive director (re-designated from an executive director on 1 July 2015) of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Lam is also a chairman and an executive director of Chinese Strategic Holdings Limited (stock code: 8089), a company listed on the Growth Enterprise Market of the Stock Exchange ("**GEM**").

Mr. Lam was initially appointed as an independent non-executive director of National Arts Entertainment and Culture Group Limited (stock code: 8228), a company listed on the GEM of the Stock Exchange, in May 2009 and he resigned from his final positions of vice chairman and non-executive director in July 2014. Mr. Lam was also a chairman and an executive director of China New Energy Power Group Limited (stock code: 1041), a company listed on the Main Board of the Stock Exchange from June 2015 to March 2016, and then appointed as a consultant thereafter. He was also an independent non-executive director of China Ever Grand Financial Leasing Group Co., Ltd (formerly known as PME Group Limited) (stock code: 379), and Value Convergence Holdings Limited (stock code: 821), both companies listed on the Main Board of the Stock Exchange from April 2011 to December 2014 and January 2010 to May 2013 respectively.

Mr. Huang Lizhi ("**Mr. Huang**"), aged 64, was appointed as a non-executive director of the Company on 7 August 2014. He is a consultant with CIAM. Prior to joining CIAM, Mr. Huang held various positions including Deputy director in Supreme People's Procuratorate of the People's Republic of China ("**PRC**") for over 18 years. Mr. Huang has extensive experience in the PRC, in particular, investment experience in environmentally friendly businesses.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("**Ms. Yuen**"), aged 44, was appointed as an independent non-executive director of the Company on 1 November 2012. She was also appointed as the chairman of each of the audit, nomination and remuneration committees of the Company, all with effect from 1 November 2012. She graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen has worked in accounting and auditing area for over 21 years. She is an independent non-executive director of Chinese Strategic Holdings Limited (stock code: 8089), a company listed on the GEM of the Stock Exchange, since 4 July 2008. She was also appointed as an independent non-executive director of Tai Shing International (Holdings) Limited (stock code: 8103), a company listed on the GEM of the Stock Exchange from April 2014 to December 2014.

Mr. Yeung Wai Hung, Peter ("**Mr. Yeung**"), aged 58, was appointed as an independent non-executive director of the Company on 1 February 2011. He was also appointed as a member of each of the audit, nomination and remuneration committees of the Company, all with effect from 1 February 2011. Mr. Yeung holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from The University of Hong Kong. He possesses experience in the areas of mergers and acquisition and commercial contracts. He is a solicitor of High Court of Hong Kong. Mr. Yeung has been a practicing solicitor for over 26 years and a partner of Messrs. Hau, Lau, Li & Yeung, Solicitors & Notaries since 1992. Mr. Yeung is currently also an independent non-executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on GEM of the Stock Exchange.

Mrs. Chu Ho Miu Hing ("**Mrs. Chu**"), aged 74, was appointed as an independent non-executive director of the Company on 29 July 2014. She has more than 41 years of experience in the securities industry. Mrs. Chu holds a Bachelor's Degree in Chemistry from Mount Holyoke College and a Bachelor's Degree in Music from New England Conservatory of Music, both in the United States. Mrs. Chu was a Council Member of the Stock Exchange from 1994 to 2000. Mrs. Chu was also a member of the Hong Kong Special Administrative Region Election Committee from 1998 to 2000. She was the vice-chairman of The Chamber of Hong Kong Listed Companies and is now a member of the general committee of the same.

DIRECTORS' REPORT

The directors of the Company (the "**Directors**") present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015 (the "**Year**").

PRINCIPAL ACTIVITIES

The Group is principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions. The principal activities and other particulars of the Company's subsidiaries are set out in note 40 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by principal activities for the Year is set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Management Discussion and Analysis", "Corporate Governance Report", and "Summary of Financial Information" sections of this Annual Report. The above sections form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 45.

The Directors do not recommend the payment of a final dividend for the Year (2014: Nil). No interim dividend was declared for the Year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 164.

EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 38 to the consolidated financial statements.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the Year are set out in the Consolidated Statement of Changes in Equity on page 48 and note 39 to the consolidated financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 40 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. So Yuen Chun
Ms. Diana Liu He (resigned on 31 December 2015)
Dr. Li Ai Guo
Mr. Cai Wen Wei (resigned on 1 October 2015)
Mr. Chong Kok Leong (appointed on 1 October 2015)
Ms. Khoo Pui Wun (appointed on 31 December 2015)

Non-executive Directors:

Mr. Lam Kwok Hing, Wilfred
Mr. Huang Lizhi

Independent Non-executive Directors:

Ms. Yuen Wai Man
Mr. Yeung Wai Hung, Peter
Mrs. Chu Ho Miu Hing

In accordance with Article 110 of the Company's articles of association (the "**Articles of Association**"), Mr. Chong Kok Leong and Ms. Khoo Pui Wun will hold office until the forthcoming annual general meeting of the Company (the "**AGM**") and, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with Article 120 of the Articles of Association, Mr. Lam Kwok Hing, Wilfred, Mr. Yeung Wai Hung, Peter and Mrs. Chu Ho Miu Hing will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS *(continued)*

Mr. Cai Wen Wei and Ms. Diana Liu He have resigned as Directors on 1 October 2015 and 31 December 2015 respectively due to pursuit of their other career opportunities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 2015, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as follows:

Long positions in ordinary shares of the Company

Name of Directors	**Capacity**	**Number of Shares held**	**Number of underlying shares held** (Note)	**Percentage of the issued number of shares as at 31 December 2015**
Mr. So Yuen Chun	Beneficial interest	4,351,200	–	0.22%
Ms. Khoo Pui Wun	Beneficial interest	128,000	1,000,000	0.06%

Note: All are options granted by the Company under the share option scheme adopted by the Company on 22 May 2008 which shall be valid and effective for a period of ten years from the date of adoption.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company operates a share option scheme adopted by the shareholders of the Company (the "**Shareholders**") on 22 May 2008 (the "**Share Option Scheme**") which shall be valid and effective for a period of ten years from the date of adoption, pursuant to which the Board may, at its discretion, grant options to any eligible participants.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity. Eligible participants include any employee (whether full time or part time), any executive Director and any non-executive Director (including independent non-executive Directors), or any of its subsidiaries or invested entity in which any member of the Group holds any equity interest, any shareholder of any member of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity and any other person (such as consultant, adviser, business partner or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Under the Share Option Scheme, where any further grant of options to an eligible participant, if exercised in full, would result in the total number of shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of shares in issue (the "**Individual Limit**"), such further grant must be separately approved by the Shareholders in general meeting. Save for the foregoing, no eligible participant shall be granted an option if exercised in full, would exceed the Individual Limit. In addition, where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options must be approved by the Shareholders.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(continued)*

A consideration of HK$1 is payable on acceptance of the grant of an option. An option may be exercised in whole or in part by the grantee within the option period as determined and notified by the Board to the grantee. The Share Option Scheme does not specify a minimum period for which an option must be held before an option can be exercised. However, the provisions of the Share Option Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The refreshment of the maximum number of Shares which may be allotted and issued upon the exercise of all share options which shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders (the "**Scheme Mandate Limit**"), in which the existing Scheme Mandate Limit was approved by the Shareholders in the annual general meeting of the Company on 26 June 2015 and the outstanding number of options available for issue under the existing Scheme Mandate Limit is 146,368,809, representing 7.62% of the issued shares as at the date of this report.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(continued)*

Details of the share options movements during the Year under the Share Option Scheme are as follows:

			Number of share options						
Name of category	Date of grant of share options	Outstanding as at 01.01.2015	Granted during Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31.12.2015	Validity period of share options	Exercise price
Director									
Ms. Khoo Pui Wun	31.12.2015	–	1,000,000	–	–	–	1,000,000	01.01.2017 to 31.12.2018	HK$0.800
Employee									
Ms. Diana Liu He	22.01.2015	–	4,000,000	–	–	–	4,000,000	22.01.2016 to 21.01.2018	HK$0.900
	22.01.2015	–	4,000,000	–	–	–	4,000,000	22.01.2017 to 21.01.2019	HK$1.500
Total		–	9,000,000	–	–	–	9,000,000		

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES" above, at no time during the Year, there subsisted any arrangements to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, or there have, at any time in that year, subsisted such arrangements as aforesaid to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company was a party.

DIRECTORS OF SUBSIDIARIES

During the Year and up to the date of this report, Mr. Chan Chein Kwong, William, Mr. Cheng Lut Tim, Mr. Chong Kok Leong, Ms. Hou Yu Jie, Dr. Li Ai Guo, Mr. Lo Kwok Tung, Mr. Lo Wing Yat, Mr. So Yuen Chun, Mr. Yeung Kwok Leung are directors in certain subsidiaries of the Company.

Mr. Cai Wen Wei, Ms. Diana Liu He, Mr. Ma Huan, Mr. Tang Jie were directors in certain subsidiaries and have resigned during the Year.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and/or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	**Capacity**	**Number of Shares**	**Number of Underlying Shares**	**Approximate percentage of number of Shares in issue** (Note 1)
CITIC Group Corporation (Note 2)	Interest of controlled corporation	102,552,205 (L)	934,846,668 (L)	53.97%
CITIC Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	934,846,668 (L)	53.97%
China CITIC Bank Corporation Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	934,846,668 (L)	53.97%
CITIC International Financial Holdings Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	934,846,668 (L)	53.97%
CIAM (Note 2)	Beneficial owner	102,552,205 (L)	934,846,668 (L)	53.97%
Chinese Strategic Holdings Limited ("**Chinese Strategic**") (Note 3)	Interest of controlled corporation	384,476,000 (L)	–	20.00%
Sina Winner Investment Limited ("**Sina Winner**") (Note 3)	Beneficial owner	304,088,000 (L)	–	15.82%
Cheng Lut Tim ("**Mr. Cheng**") (Note 4)	Interest of controlled corporation	95,272,171 (L)	113,665,538 (L)	10.87%
Wang Qin (Note 5)	Interest of controlled corporation	9,860,789 (L)	91,538,575 (L)	5.27%
Newmargin Partners Ltd. ("**Newmargin**") (Note 5)	Beneficial owner	9,860,789 (L)	91,538,575 (L)	5.27%

(L) denotes the long position held in the Shares

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Notes:

(1) As at 31 December 2015, the Company's number of issued Share was 1,922,086,816.

(2) These Shares comprise (i) 102,552,205 Shares held by CIAM; (ii) 911,251,162 conversion shares to be allotted and issued to CIAM upon the exercise of the conversion rights attaching to the Convertible Bonds issued to CIAM pursuant to the sale and purchase agreement on 31 October 2013 and (iii) 23,595,506 conversion shares to be allotted and issued to CIAM upon the exercise of the conversion rights attaching to the Convertible Bonds issued to CIAM under the CB Placing 2015. CIAM is owned as to 40% by CITIC International Financial Holdings Limited, which is owned as to 70.32% by China CITIC Bank Corporation Limited, which is owned as to 66.95% by CITIC Limited, which is wholly-owned by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the Shares held by CIAM.

(3) These Shares comprise (i) 304,088,000 Shares held by Sina Winner, which is wholly owned by Chinese Strategic and (ii) 80,388,000 Shares held by other subsidiaries of Chinese Strategic.

(4) These Shares comprise (i) 53,250,000 conversion shares to be allotted and issued to Ample Richness Investments Limited ("**Ample Richness**") upon the exercise of the conversion rights attaching to the convertible bonds issued to Ample Richness; (ii) Infinite Soar Limited ("**Infinite Soar**") is interested in 82,469,170 Shares, of which 60,415,538 conversion shares to be allotted and issued to Infinite Soar upon the exercise of the conversion rights attaching to the convertible bonds issued to Infinite Soar pursuant to the sale and purchase agreement on 31 October 2013; and (iii) Smart Promise Limited is interested in 73,218,539 Shares. As at 31 December 2015, both Ample Richness and infinite Soar Limited are wholly-owned by Mr. Cheng, and Smart Promise Limited is owned as to 60.88% by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in the Shares held by Ample Richness, Smart Promise Limited and Infinite Soar.

(5) These Shares comprise (i) 9,860,789 Shares held by Newmargin and (ii) 91,538,575 conversion shares to be allotted and issued to Newmargin upon the exercise of the conversion rights attaching to the convertible bonds issued to Newmargin pursuant to the sale and purchase agreement on 31 October 2013. Newmargin is wholly-owned by Mr. Wang Qin. By virtue of the SFO, Mr. Wang Qin is taken to be interested in Shares held by Newmargin.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors was considered to have interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed elsewhere, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the Reporting Period.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year.

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 13 and 14 to the consolidated financial statements, respectively.

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

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

ENVIRONMENTAL POLICY

The Group has strong commitment towards environmental protection. It is the Group's policy to encourage and promote awareness towards environmental protection to our employees. It has implemented green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance in the Group's offices.

The management will review the Group's environmental practices from time to time and will consider implementing further ecology friendly measures and practices in the operation to enhance environmental protection and sustainability.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's revenue attributed to the five largest customers accounted for approximately 84.6% of the Group's total revenue while the Group's revenue attributed to the largest customer accounted for approximately 40.5% of the Group's total revenue. To the best knowledge of the Directors, none of the Directors, their respective associates; or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's number of issued Shares) has interests in these customers.

The Group had no major suppliers due to the nature of principal activities of the Group.

DIRECTORS' REPORT

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group and the employer's retirement benefit costs charged to the profit or loss for the Year are set out in note 46 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed sufficient public float during the Year and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurred after the reporting period are set out in note 51 to the consolidated financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision that provides for indemnity against liability incurred by Directors is currently in force and was in force throughout the year ended 31 December 2015.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

AUDITORS

The consolidated financial statements for the years ended 31 December 2012 and 2013 were audited by Messrs. ZHONGLEI (HK) CPA Company Limited ("**ZHONGLEI**").

ZHONGLEI has resigned as auditor of the Company on 5 December 2014. HLB Hodgson Impey Cheng Limited ("**HLB**") has been appointed as auditors of the Company to fill the casual vacancy following the resignation of ZHONGLEI and audited the consolidated financial statements for the years ended 31 December 2014 and 2015. A resolution to re-appoint HLB as auditors of the Company will be proposed at the forthcoming AGM.

For and on behalf of the Board

Chong Kok Leong
Executive Director

Hong Kong, 31 March 2016

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

CORPORATE GOVERNANCE CODE

Throughout the Year, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules of the Stock Exchange save for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive ("**CE**") should be separate and should not be performed by the same individual. The Company did not appoint any chairman or CE during the Year. The functions of the chairman and CE are performed by Directors. The Board will review the current practice from time to time and make appropriate changes if considered necessary.

Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have a chairman, no such meeting was held in this regard for the Year.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some Directors were absent from the last AGM held on 26 June 2015 due to other important business engagements at the relevant time.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors, following a specific enquiry by the Company, have confirmed that they have complied with the required standard as set out in the Model Code throughout the Year.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board currently comprises of nine Directors, with four executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:	Mr. So Yuen Chun Dr. Li Ai Guo Mr. Chong Kok Leong Ms. Khoo Pui Wun
Non-executive Directors:	Mr. Lam Kwok Hing, Wilfred Mr. Huang Lizhi
Independent Non-executive Directors:	Ms. Yuen Wai Man Mr. Yeung Wai Hung, Peter Mrs. Chu Ho Miu Hing

The brief biographical details of the Directors are set out in the "BIOGRAPHICAL DETAILS OF DIRECTORS" section from pages 14 to 16. Save as disclosed in this annual report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board.

The independent non-executive Directors, with sound professional expertise and experience, have actively participated in the Board and committee meetings and brought independent judgment on issues relating to the Group's strategy, performance and management process. They have also taken up various roles in the Board committees.

As at the date of this report, the Company had three independent non-executive Directors representing one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications or related financial management expertise under Rule 3.10(2) of the Listing Rules. The Board has received from each independent non-executive Director an annual confirmation of his independence and considers that all the independent non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors have been expressly identified as such in all corporate communications and the website of the Company that disclose the names of Directors. The independent non-executive Directors were appointed for a fixed term, subject to retirement by rotation and re-election requirements under the Articles of Association.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group in addition to the meetings for reviewing and approving the Group's annual and interim results.

During the Year, 14 Board meetings and 1 AGM were held. Details of the attendance of the Directors are as follows:

	Attendance of	
	Board meetings	**Annual general meeting**
Executive Directors:		
Mr. So Yuen Chun	14/14	1/1
Ms. Diana Liu He (resigned on 31 December 2015)	12/14	0/1
Dr. Li Ai Guo	14/14	0/1
Mr. Cai Wen Wei (resigned on 1 October 2015)	11/13	0/1
Mr. Chong Kok Leong (appointed on 1 October 2015)	1/1	N/A
Ms. Khoo Pui Wun (appointed on 31 December 2015)	N/A	N/A
Non-executive Directors:		
Mr. Lam Kwok Hing, Wilfred	12/14	1/1
Mr. Huang Lizhi	12/14	0/1
Independent Non-executive Directors:		
Mr. Yeung Wai Hung, Peter	10/14	1/1
Ms. Yuen Wai Man	14/14	1/1
Mrs. Chu Ho Miu Hing	10/14	1/1

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, financial performance, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Each year, Board meetings, which are scheduled in advance to facilitate maximum attendance of Directors, are held as required by business needs. At least 14 days' notice of a Board meeting is given to all Directors for the regular meetings who are given an opportunity to include matters for discussion in the agenda. The company secretary of the Company (the "**Company Secretary**") assists the Directors in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. Reasonable notices have been given to all Directors generally prior to meetings, except in cases of emergency. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, any transaction which involves a conflict of interests for a substantial shareholder or a Director and which is considered by the Board to be material will be dealt with by the Board at a duly convened Board meeting. The Articles of Association also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest therein. In addition, he has to declare his interests therein in accordance with the Articles of Association.

Every Director is entitled to have access to board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be updated continuously on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTOR/NON-EXECUTIVE DIRECTOR

All independent non-executive Directors and non-executive Directors were appointed for a specific term with effect from their respective appointment dates. All of them are subject to the relevant provisions in the Articles of Association or any other applicable laws whereby the Directors shall vacate or retire from their office.

According to the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation. Further, any Directors appointed to fill a casual vacancy should hold office only until the next following general meeting of the Company whilst for those appointed as an addition to the Board should hold office until the next following AGM and, in both cases, those Directors would then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

The Board has established three committees; namely, the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee of the Company (the "**Audit Committee**"). Each of them has its specific written terms of reference or guidelines. Copies of minutes of all meetings and resolutions of the committees, which are duly kept by the Company Secretary, are circulated to all committee members. The committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on pages 28 to 30 in the section "BOARD OF DIRECTORS" above, have been adopted for the committee meetings as far as practicable.

Nomination Committee

The Nomination Committee has been established since June 2005. As at the date of this report, the Nomination Committee comprises three independent non-executive Directors and one non-executive Director; namely, Messrs. Yuen Wai Man (chairman of the Nomination Committee), Lam Kwok Hing, Wilfred, Yeung Wai Hung, Peter and Chu Ho Miu Hing.

The major roles and functions of the Nomination Committee are:

(a) to review the structure, size, composition and diversity (including but not limited to skills, knowledge, gender, age, cultural and educational background or professional experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

(b) to identify suitably qualified individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships on merits and against objective criteria, with due regard on the benefits of diversity on the Board;

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Company, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;

(e) to review the Board Diversity Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives, and make disclosure of its review results in the Corporate Governance Report annually;

(f) to perform its duties with sufficient resources made available to it and seek independent professional advice, at the Company's expense, to perform its responsibilities when necessary;

(g) to do any such things to enable the Committee to perform its powers and functions conferred on it by the Board; and

(h) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The terms of reference of the Nomination Committee were adopted in June 2005 and revised in August 2013 and have been posted on the Stock Exchange's website and the Company's website.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

During the Year, 2 Nomination Committee meetings were held to make recommendations to the Board on the appointment and re-appointment of Directors, the review of the existing structure, size, composition and diversity of the Board, the re-election of retiring Directors and independence of independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

The attendance of each Nomination Committee member is set out as follows:

Nomination Committee member	Number of Nomination Committee meetings attended/ eligible to attend
Ms. Yuen Wai Man *(Chairman)*	2/2
Mr. Lam Kwok Hing, Wilfred	2/2
Mr. Yeung Wai Hung, Peter	2/2
Mrs. Chu Ho Miu Hing	1/2

Remuneration Committee

The Remuneration Committee has been established since June 2005. As at the date of this report, the Remuneration Committee comprises three independent non-executive Directors and one non-executive Director; namely, Messrs. Yuen Wai Man (chairman of the Remuneration Committee), Lam Kwok Hing, Wilfred, Yeung Wai Hung, Peter and Chu Ho Miu Hing. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

(i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iii) to make recommendations to the Board on the remuneration of non-executive Directors;

(iv) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

(v) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vi) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate;

(vii) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(viii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(ix) to ensure that the Company shall disclose details of any remuneration payable to the senior management in the annual reports.

The terms of reference of the Remuneration Committee were adopted in June 2005 and revised in March 2013 and have been posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee shall meet at least once a year. During the Year, 3 Remuneration Committee meetings were held to review the remuneration packages of the Board and recommend remuneration proposals for newly appointed Directors.

The attendance of each Remuneration Committee member is set out as follows:

Remuneration Committee member	Number of Remuneration Committee meetings attended/eligible to attend
Ms. Yuen Wai Man *(Chairman)*	3/3
Mr. Lam Kwok Hing, Wilfred	3/3
Mr. Yeung Wai Hung, Peter	3/3
Mrs. Chu Ho Miu Hing	2/3

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The remuneration payable to Directors will depend on their respective contractual terms under their service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements.

Audit Committee

As at the date of this report, the Audit Committee comprises two independent non-executive Directors and one non-executive Director, therefore the majority are independent non-executive Directors; namely, Messrs. Yuen Wai Man (chairman of the Audit Committee), Lam Kwok Hing, Wilfred and Yeung Wai Hung, Peter. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

During the Year, the Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2014 and the interim financial report for the six months ended 30 June 2015, including the accounting principles and practice adopted by the Group.

The audited final results for the Year has been reviewed by the Audit Committee.

The major roles and functions of the Audit Committee are:

(i) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(iii) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

(iv) to monitor integrity of financial statements of the Company and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

(v) to review the Company's financial reporting systems, risk management and internal control systems;

(vi) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(vii) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(viii) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(ix) to review the Group's financial and accounting policies and practices;

(x) to review the external auditor's management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(xi) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(xii) to report to the Board on the matters set out in the CG Code; and

(xiii) to consider other topics, as defined by the Board.

The terms of reference of Audit Committee were adopted in January 2009 and revised in November 2015 and have been posted on the Stock Exchange's website and the Company's website.

The Audit Committee shall meet at least twice a year. During the Year, 4 Audit Committee meetings were held.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

During the Year, the Audit Committee had performed the work as summarised below:

(i) recommended to the Board for the re-appointment of the Group's auditors for the Year;

(ii) reviewed the letter of representation and the financial statements for the year ended 31 December 2014 and recommended the same to the Board for approval;

(iii) reviewed the financial statements for the six months ended 30 June 2015 and recommended the same to the Board for approval;

(iv) discussed the effectiveness of the internal control and risk management systems throughout the Group, including financial, operational and compliance controls; and

(v) met with the auditors of the Company regarding the pre-audit matters for preparation of the audited financial statements for the Year.

The attendance of each Audit Committee member is set out as follows:

Audit Committee member	Number of Audit Committee meetings attended/eligible to attend
Ms. Yuen Wai Man *(Chairman)*	4/4
Mr. Lam Kwok Hing, Wilfred	4/4
Mr. Yeung Wai Hung, Peter	4/4

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the accounting department, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Year, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and the Companies Ordinance were complied with. The financial statements were prepared on a going concern basis.

The reporting responsibilities of the Company's external auditors, HLB, are set out in the Independent Auditors' Report on pages 43 and 44.

Internal Control and Risk Management Systems

The Group's internal control and risk management systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and manage rather than eliminate risks of failure in operational systems. In 2015, the Board, through the Audit Committee, has reviewed and is satisfied with the effectiveness and adequacy of the internal control and risk management systems of the Group.

The Board will review the adequacy of resources, staff qualifications and experience training programmes and budget of the Company's accounting and financial reporting function annually.

External Auditors' Remuneration

During the Year, the remuneration payable to the Company's external auditors is set out as follows:

Services rendered for the Group

	Fee payable *HK$'000*
Audit services	850

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

(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 the corporate governance code and disclosure in the Corporate Governance Report.

During the Year, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

TRAINING FOR DIRECTORS

Every newly appointed Director will receive an information package from the Company Secretary on the first occasion of his/her appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. In addition, this information package includes material to briefly describe the operations and business of the Company. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

The Directors are committed to complying with code provision A.6.5 of the CG Code and all Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the Year to the Company.

CORPORATE GOVERNANCE REPORT

TRAINING FOR DIRECTORS *(continued)*

The individual training record of each Director received for the Year is summarised as follows:

Directors	**Type of continuous professional development programmes**
Mr. So Yuen Chun	A, B
Ms. Diana Liu He (resigned on 31 December 2015)	B
Dr. Li Ai Guo	B
Mr. Cai Wen Wei (resigned on 1 October 2015)	B
Mr. Chong Kok Leong	B
Ms. Khoo Pui Wun	A, B
Mr. Lam Kwok Hing, Wilfred	A, B
Mr. Huang Lizhi	B
Ms. Yuen Wai Man	A, B
Mr. Yeung Wai Hung, Peter	A, B
Mrs. Chu Ho Miu Hing	B

Notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

COMPANY SECRETARY

Mr. So Yuen Chun has been appointed as the Company Secretary since 26 March 2011 and he has taken no less than 15 hours of relevant professional training for the Year.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company for the attention of the Company Secretary.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(continued)*

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company, or by e-mail to admin@bla.com.hk for the attention of the Company Secretary.

Right to put forward proposals at general meetings

Pursuant to section 615 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), the members of the Company may request the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution that may properly be moved and is intended to be moved at that meeting. The request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given, be authenticated by the person or persons making it and be received by the Company not later than 6 weeks before the AGM to which the requests relates; or if later, the time at which notice is given of that meeting.

The Company will give notice of a resolution if it has received the requests from (a) members representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution to which the request relate; or (b) at least 50 members who have a relevant right to vote on the resolution to which the request relate.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information as well as the recent development of the Group are also made available on the Stock Exchange's website and the Company's website.

The AGM is a valuable forum for the Board to communicate directly with the Shareholders. The Directors participated in the 2015 AGM and answered questions from the Shareholders. The AGM circular was distributed to all Shareholders at least 20 clear business days prior to the 2015 AGM, setting out the details of each proposed resolution and other relevant information.

There was no significant change in the Company's constitutional documents for the Year.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Listing Rules but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HLB Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of The Hong Kong Building And Loan Agency Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 163, 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 the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

AUDITORS' 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 405 of the Hong Kong Companies Ordinance, 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.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY *(continued)*

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

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

OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 31 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	8	**16,776**	16,423
Cost of operation		**(14,341)**	(8,636)
Gross profit		**2,435**	7,787
Other income	9	**2,457**	3,227
Reversal of impairment loss recognised in respect of loan receivables		**–**	5,680
Fair value change on contingent consideration payables	36	**93,103**	52,856
Fair value changes on financial assets at fair value through profit or loss		**955**	(20,864)
Loss on disposal of financial assets at fair value through profit or loss		**(69)**	(281)
Impairment loss on loan interest receivables		**–**	(1,250)
Loss on disposal of subsidiaries	43	**(80,531)**	(58,983)
Impairment loss on goodwill	20	**(666,660)**	–
Impairment loss on available-for-sale financial assets		**(9,777)**	(259)
Fair value changes on financial liabilities derivatives	34(d)	**(2,574)**	–
Selling expenses		**(6,380)**	(4,449)
Administrative and operating expenses		**(112,012)**	(176,271)
Loss from operation		**(779,053)**	(192,807)
Finance costs	10	**(87,470)**	(59,958)
Loss before taxation	12	**(866,523)**	(252,765)
Taxation	11	**51,095**	9,394
Loss for the year		**(815,428)**	(243,371)
Other comprehensive (loss)/income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(358)**	337
Other comprehensive (loss)/income for the year, net of tax		**(358)**	337
Total comprehensive loss for the year, net of tax		**(815,786)**	(243,034)
Loss for the year attributable to owners of the Company		**(815,428)**	(243,371)
Total comprehensive loss attributable to owners of the Company		**(815,786)**	(243,034)
		HK cents	*HK cents*
Loss per share	16		
Basic and diluted		**(52.33)**	(29.59)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Non-current assets			
Intangible assets	17	**805,905**	860,389
Property, plant and equipment	18	**1,910**	4,879
Construction in progress	19	**6,630**	10,531
Goodwill	20	**608,960**	1,275,620
Loan receivables	21	**87**	30,251
Available-for-sale financial assets	22	**10,089**	–
Finance lease receivables	27	**15,917**	18,877
		1,449,498	2,200,547
Current assets			
Loan receivables	21	**163**	171,829
Financial assets at fair value through profit or loss	23	**12,934**	24,354
Inventories	24	**813**	678
Trade and bills receivables	25	**123**	1,203
Prepayments, deposits and other receivables	26	**1,987**	4,131
Finance lease receivables	27	**8,529**	8,863
Amounts due from customers under construction contracts	28	**441**	301
Tax recoverable		**–**	1,867
Pledged bank deposits	29	**236**	254
Cash and bank balances	29	**79,474**	17,512
		104,700	230,992
Current liabilities			
Trade and other payables	30	**18,072**	17,575
Amounts due to shareholders	31	**1,543**	52,681
Borrowings	32	**–**	40,000
Financial liabilities derivatives	34	**3,400**	–
Promissory notes	35	**42,672**	–
		65,687	110,256
Net current assets		**39,013**	120,736
Total assets less current liabilities		**1,488,511**	2,321,283

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Non-current liabilities			
Non-convertible bonds	33	**–**	40,000
Convertible bonds	34	**424,494**	470,506
Promissory notes	35	**90,454**	192,891
Contingent consideration payables	36	**–**	93,103
Deferred tax liabilities	37	**216,262**	265,658
		731,210	1,062,158
Net assets		**757,301**	1,259,125
Capital and reserves			
Share capital	38	**1,210,498**	667,298
Reserves		**(453,197)**	591,827
Total equity		**757,301**	1,259,125

Approved and authorised for issue by the board of directors on 31 March 2016 and signed on its behalf by:

Mr. So Yuen Chun
Director

Mr. Chong Kok Leong
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

					Reserves					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share capital reserve** *HK$'000*	**Share options reserve** *HK$'000*	**Convertible bond reserve** *HK$'000*	**Convertible bond option reserve** *HK$'000*	**Available for sales investment reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	54,059	59,058	270,186	1,642	2,455	11,994	–	–	(76,076)	323,318
Loss for the year	–	–	–	–	–	–	–	–	(243,371)	(243,371)
Other comprehensive income for the year	–	–	–	–	–	–	–	337	–	337
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	337	(243,371)	(243,034)
Transition to no par value regime on 3 March 2014 (Note 38(i))	329,244	(59,058)	(270,186)	–	–	–	–	–	–	–
Issuance of shares upon exercise of share options (Note 47)	5,325	–	–	(1,642)	–	–	–	–	–	3,683
Issuance of convertible bonds (Note 34(b))	–	–	–	–	10,715	–	–	–	–	10,715
Issuance of convertible bonds upon the exercise of convertible bond options (Note 34(a))	–	–	–	–	11,994	(11,994)	–	–	–	–
Issuance of shares upon conversion of convertible bonds (Note 34)	30,870	–	–	–	(13,376)	–	–	–	–	17,494
Issuance of shares upon placing (Note 38)	101,600	–	–	–	–	–	–	–	–	101,600
Issuance of consideration shares (Note 38(ix))	146,200	–	–	–	–	–	–	–	–	146,200
Issuance of convertible bonds for acquisition of a subsidiary (Note 34(c))	–	–	–	–	899,149	–	–	–	–	899,149
At 31 December 2014	667,298	–	–	–	910,937	–	–	337	(319,447)	1,259,125
At 1 January 2015	667,298	–	–	–	910,937	–	–	337	(319,447)	1,259,125
Loss for the year	–	–	–	–	–	–	–	–	(815,428)	(815,428)
Other comprehensive loss for the year	–	–	–	–	–	–	–	(358)	–	(358)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(358)	(815,428)	(815,786)
Equity-settled share option arrangement (Note 47)	–	–	–	471	–	–	–	–	–	471
Issuance of convertible bonds (Note 34(d))	–	–	–	–	10,296	–	–	–	–	10,296
Deferred tax arising on issue of convertible bonds (Note 37)	–	–	–	–	(1,699)	–	–	–	–	(1,699)
Issuance of shares upon conversion of convertible bonds (Note 34 and 38)	393,087	–	–	–	(238,306)	–	–	–	–	154,781
Issuance of shares upon placing (Note 38)	154,860	–	–	–	–	–	–	–	–	154,860
Transaction cost attributable to placing new shares	(4,747)	–	–	–	–	–	–	–	–	(4,747)
At 31 December 2015	**1,210,498**	**–**	**–**	**471**	**681,228**	**–**	**–**	**(21)**	**(1,134,875)**	**757,301**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 *HK$'000*	2014 *HK$'000*
Cash flows from operating activities			
Loss before taxation		**(866,523)**	(252,765)
Adjustments for:			
Finance costs	10	**87,470**	59,958
Depreciation of property, plant and equipment	18	**2,099**	1,582
Impairment loss recognised in respect of on available-for-sales financial assets		**9,777**	259
Impairment loss recognised in respect of loan interest receivables		**–**	1,250
Reversal of impairment loss in respect of loan receivables		**–**	(5,680)
Reversal of impairment loss in respect of loan interest receivables		**–**	(471)
Loss on disposal of financial assets at fair value through profit or loss		**69**	281
Fair value changes on financial assets at fair value through profit or loss		**(955)**	20,864
Fair value changes on contingent consideration payables	36	**(93,103)**	(52,856)
Fair value change on financial liabilities derivatives		**2,574**	
Loss on disposal of property, plant and equipment		**173**	128
Written off of property, plant and equipment		**1,097**	–
Bank interest income		**(71)**	(20)
Impairment loss on goodwill	20	**666,660**	–
Impairment loss on finance lease receivables		**6,955**	–
Share-based payment expenses		**471**	–
Amortisation of intangible assets	17	**54,484**	29,512
Loss on disposal of subsidiaries	43	**80,531**	58,983
Operating loss before working capital changes		**(48,292)**	(138,975)
Increase in mortgage loans		**–**	(31,676)
Decrease in financial assets at fair value through profit or loss		**12,306**	2,652
Decrease/(increase) in loan receivables		**150**	(10,264)
Decrease/(increase) in prepayments, deposits and other receivables		**739**	(9,808)
Increase in amounts due from customers under construction contracts		**(140)**	(301)
Decrease/(increase) in trade and bills receivables		**1,080**	(338)
Increase in finance lease receivables		**(3,661)**	(275)
(Increase)/decrease in inventories		**(136)**	13
Decrease/(increase) in construction in progress		**3,901**	(1,338)
(Decrease)/increase in trade and other payables		**(1,528)**	52,025
(Decrease)/increase in amounts due to shareholders		**(51,813)**	1,254

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Cash used in operations		**(87,394)**	(137,031)
Interest paid		**(2,289)**	(5,890)
Income tax refund/(paid)		**1,867**	(190)
Net cash used in operating activities		**(87,816)**	(143,111)
Cash flows from investing activities			
Purchase of available-for-sale financial assets		**(19,866)**	–
Purchase of property, plant and equipment		**(800)**	(6,689)
Bank interest income received		**71**	20
Proceeds from disposal of subsidiaries	43	**1,000**	418
Net cash inflow from acquisition of a subsidiary	42	**–**	12,839
Proceeds from disposal of property, plant and equipment		**209**	26
Net cash (used in)/generated from investing activities		**(19,386)**	6,614
Cash flows from financing activities			
Proceeds from issuance of convertible bonds		**58,200**	43,200
Proceeds from issuance of promissory notes		**41,000**	–
Repayment of borrowings		**(40,000)**	(5,000)
Proceeds from issuance of shares upon exercise of share options		**–**	3,683
Proceeds from issuance of options to subscribe convertible bonds		**–**	13,468
Proceeds from issue of non-convertible bonds		**–**	3,000
Repayment of non-convertible bonds		**(40,000)**	(10,000)
Proceeds from issue of shares upon placing, net of share issuing cost		**150,113**	101,600
Decrease/(increase) from pledged bank deposits		**18**	(254)
Net cash generated from financing activities		**169,331**	149,697
Net increase in cash and cash equivalents		**62,129**	13,200
Cash and cash equivalents at the beginning of year		**17,512**	3,979
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(167)**	333
Cash and cash equivalents at the end of year		**79,474**	17,512
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**79,474**	17,512

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is Unit F, 7/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as functional currency of the Company and rounded to the nearest thousand (HK$'000), unless otherwise stated.

The Company is an investment holding company and its subsidiaries are principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions.

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

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2015. A summary of the new HKFRSs are set out as below:

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 above new HKFRSs has no material impact on the Group's consolidated financial statements for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

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)*

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[3]
Amendments to HKFRS 9, HKFRS 7 HKAS 39	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 [4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted*

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

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

4 *No mandatory effective date yet determined but is available for adoption*

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 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement 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 reporting periods. All other debt investments and equity investments are measured at their fair values 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, 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 was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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 *Financial Instruments* *(continued)*

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, 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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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)*

Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

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

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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)*

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (continued)

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 *Agriculture: Bearer Plants*

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

– At cost

– In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or

– Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

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)*

Amendments to HKAS 27 *Equity Method in Separate Financial Statements* *(continued)*

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 28:

– The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

– A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

– A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

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)*

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(continued)*

Amendments to HKFRS 10:

– An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

– New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

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)*

Annual Improvements to HKFRSs 2012-2014 Cycle *(continued)*

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules.

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

Basis of preparation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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 item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination *(continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination *(continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) 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 indication that the unit may be impaired. 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 recognised for goodwill is not reversed in subsequent periods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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. When 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.

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 the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When 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 loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Sale of goods

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.

Rendering of service

Revenue from provision of service is recognised when services are provided.

Finance lease interest income

Finance lease interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Revenue recognition *(continued)*

Interest income

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

Dealings income

Dealings in financial assets at fair value through profit or loss are recognized on a trade date basis when the relevant contract notes are exchanged.

Dividend income

Dividend income from investments is recognised when the shareholder's 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 income can measured reliably).

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred.

Depreciation is provided on the straight line method so as to write down the cost of property, plant and equipment to their realisable value over their anticipated useful lives at the following annual rates:

Leasehold improvement:	Over the shorter the term of the lease or 20%
Office equipment:	25%
Furniture and fixture:	20%
Computer:	25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at least at each financial year end.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average costing method. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion on sale.

(h) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Construction contracts *(continued)*

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

(i) 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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Foreign currencies translation

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Retirement benefits costs

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Payments to Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance are made based on a percentage of the employee's basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

(iii) Payments to the state-managed retirement benefit schemes ("PRC Scheme") are charged as expenses when employees have rendered services entitling them to the contributions.

(l) 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 comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax 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 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.

For the purposes of measuring deferred tax liabilities or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(n) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, available-for-sale financial assets ("AFS financial assets") and loans and receivables. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Financial assets (continued)

AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS 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 AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of AFS 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.

Dividends on AFS equity investments 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loan receivables, trade and bills receivables, deposit and other receivable, finance lease receivables, amounts due from customers under construction contracts and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy-impairment of financial assets below).

Financial assets at FVTPL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Financial assets (continued)

Financial assets at FVTPL *(continued)*

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 initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profitmaking; 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 on remeasurment recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "fair value changes on financial assets at fair value through profit or loss" in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 5(c) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Impairment of financial assets

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Impairment of financial assets (continued)

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.

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 AFS 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 in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities. The Group's financial liabilities are classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to shareholders, non convertible bonds, convertible bonds, promissory notes and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Convertible bonds

The component parts of the convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

The derivative component is subsequently remeasured in accordance with note 3(o). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Options to subscribe for convertible bonds

Options to subscribe for convertible bonds are classified as equity instruments based on the contractual terms of the options. On initial recognition, the fair value of the options to subscribe for convertible bonds is determined using option pricing model and recognised in "convertible bond options" included in equity. When the options are exercised, the carrying amount of options to subscribe for convertible bonds in "convertible bond options" will be transferred to "convertible bonds" together with the consideration received. Where the options to subscribe for convertible bonds remained unexercised at the expiry date, the balance stated in "convertible bond options" will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the options to subscribe for convertible bonds.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset 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 accumulated in equity is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Derecognition (continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Equity-settled share-based payment transactions *(continued)*

Share options granted to employees (continued)

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

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group and will be required to settle that obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(r) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprises of cash on hand and at bank, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related party transactions

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related party transactions *(continued)*

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

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

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

(c) dependants of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

(t) Segment reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3 to the consolidated financial statements, management has made certain 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 in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

(b) Impairment allowances on loan receivables

The Group has established impairment allowances in respect of estimated incurred loss in loan receivables. The allowances on loan receivables are set out in Note 21 to the consolidated financial statements.

In determining individual impairment allowances, management considers objective evidence of impairment. When a loan is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The quantum of the allowance is also impacted by the collateral value and this, in turn, may be discounted in certain circumstances to take into account the impact of forced sale or quick liquidation.

During the year ended 31 December 2015 and 2014, no impairment loss in respect of loan receivables had been recognised in the consolidated statement of profit or loss and other comprehensive income.

(c) Impairment loss on available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine whether an available-for-sale financial assets are impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow. Impairment loss on available-for-sale financial assets of approximately HK$9,777,000 (2014: HK$259,000) has been recognised during the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(d) Impairment of intangible assets

Determine whether intangible assets are impaired requires estimation of the value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amounts of intangible assets at the end of the reporting period were approximately HK$805,905,000 (2014: HK$860,389,000) and no impairment loss was recognised during the year ended 31 December 2015 (2014: Nil).

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The carrying amounts of goodwill at the end of the reporting period were approximately HK$608,960,000 (2014: HK$1,275,620,000) and an impairment loss of approximately HK$666,660,000 was recognised during the year ended 31 December 2015 (2014: Nil). Details of the impairment loss calculation are provided in Note 20 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Financial assets at FVTPL	**12,934**	24,354
Loan and receivables		
(including cash and cash equivalents)	**105,995**	252,044
AFS financial assets	**10,089**	–
	129,018	276,398
Financial liabilities		
Amortised costs		
Other financial liabilities at amortised cost	**15,594**	149,809
Promissory notes	**133,126**	192,891
Convertible bonds	**424,494**	470,506
	573,214	813,206
At fair value		
Contingent consideration payables	**–**	93,103
Financial liabilities derivatives	**3,400**	–
	3,400	93,103

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, loan receivables, trade and bills receivables, finance lease receivables, available-for-sale financial assets, deposits and other receivables, pledged bank deposits, cash and bank balances, trade and other payables, borrowings, amounts due to shareholders, non-convertible bonds, contingent consideration payables, financial liabilities derivatives, promissory notes and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

Market risk

The Group's activities expose them primarily to the financial risks of changes in foreign exchange risk, interest rate risk and other price risk (the prices of held-for-trading equity investments and available-for-sale financial assets).

Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign exchange risk

The Group operates in Hong Kong and the PRC is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Renminbi ("RMB"). Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

(ii) Interest rate risk

The Group is also exposed to cash flow interest rate risk mainly in relation to variable rate loan receivables and bank balances. The Group's exposure to fair values interest rate risk is mainly caused by loan receivables, borrowings, non-convertible bonds, promissory notes and convertible bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

Market risk (continued)

(ii) Interest rate risk *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of reporting period. The analysis is prepared assuming the structured loan outstanding at the end of the reporting period was outstanding for the whole period. A 100 basis point for the period increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the year would decrease/increase by approximately HK$664,000 (2014:HK$1,824,000).

(iii) Other price risks

The Group is exposed to equity price risk through its investments in listed equity securities during the reporting period. The management manages this exposure by maintaining a portfolio of investment with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of reporting period.

If market prices of equity investments have been 20% (2014: 20%) higher/lower, loss after tax for the year ended 31 December 2015 would decrease/increase by approximately HK$2,160,000 (2014: loss after tax decrease/increase by approximately HK$4,067,000). AFS financial asset equity reserve would increase/decrease by approximately HK$2,018,000 (2014: Nil) due to change in fair value of AFS financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 December 2015 and 31 December 2014 in relation to each class of recognised financial assets is the carrying amount of those 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 loans. In addition, the Group review the recoverable amount of each individual loan receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The credit risk on liquid funds is limited because the counterparties are banks located in Hong Kong subject to the supervision by the Hong Kong Monetary Authority.

In respect of loan receivables arising from the Group's money lending business, none (2014: 86%) of the total gross loan receivables was due from customer (2014: one customer) of the Group's money lending business. The finance lease receivables arising from design and provision of energy saving solutions business, 47% (2014: 34%) of the finance lease receivables were due from three customers (2014: three customers). The Directors closely monitor the risk exposure of the customers and collateral and would take appropriate action to ensure the risk exposure is acceptable. The Directors are of the view that the expected cash flow of loan receivables and finance lease receivables are sufficient to cover the carrying amount of loan receivables and finance lease receivables as at 31 December 2015.

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

Liquidity risk (continued)

The following table details the Group remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period. The table includes both interest and principal cash flows.

	Weighted average interest rate	Repayable on demand or less than 1 year	1-2 years	2-5 years	Total Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2015							
Non-derivative financial liabilities							
Trade and other payables	**–**	**14,051**	**–**	**–**	**–**	**14,051**	**14,051**
Amounts due to shareholders	**–**	**1,543**	**–**	**–**	**–**	**1,543**	**1,543**
Promissory notes	**14.31**	**45,920**	**–**	**139,024**	**–**	**184,944**	**133,126**
Convertible bonds	**16.48**	**3,600**	**17,471**	**85,064**	**1,030,222**	**1,136,357**	**424,494**
		65,114	**17,471**	**224,088**	**1,030,222**	**1,336,895**	**573,214**
31 December 2014							
Non-derivative financial liabilities							
Trade and other payables	–	17,128	–	–	–	17,128	17,128
Amounts due to shareholders	14.00	52,681	–	–	–	52,681	52,681
Borrowings	12.00	40,000	–	–	–	40,000	40,000
Non-convertible bonds	8.00	3,200	3,200	9,600	43,200	59,200	40,000
Promissory notes	15.40	–	–	342,131	–	342,131	192,891
Convertible bonds	15.57	–	43,573	96,897	1,414,000	1,554,470	470,506
		113,009	46,773	448,628	1,457,200	2,065,610	813,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Fair values of financial instrument

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively, and

(ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Fair values of financial instrument *(continued)*

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

Financial assets/ financial liabilities	Fair value as at 31 December 2015	Fair value as at 31 December 2014	Fair value hierarchy	Valuation Techniques and key inputs	Significant unobservable inputs
Listed equity securities classified as investment held for trading	**Assets- approximately HK$12,934,000**	Assets- approximately HK$24,354,000	Level 1	Quoted bid prices in an active market	N/A
Listed equity securities classified as AFS financial assets	**Assets- approximately HK$10,089,000**	N/A	Level 1	Quoted bid prices in an active market	N/A
Contingent consideration payables	**Liabilities approximately HK$Nil**	Liabilities approximately HK$93,103,000	Level 3	Discounted cash flow method was used to capture the present value of the the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Discount rate of 14.5% determined usage a Capital Assets Pricing Model and probability adjustment on the occurrence of the expected event
Financial liabilities derivatives	**Liabilites approximately HK$3,400,000**	N/A	Level 3	Binomial option pricing model key inputs: Discount rate, share price of the Company, volatility of the Company's share	Discount rate of 18.42%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Fair values of financial instrument *(continued)*

(i) Assets and liabilities measured at fair value

Fair value hierarchy as at 31 December 2015

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	12,934	–	–	12,934
AFS financial assets				
Equity securities listed in Taiwan	10,089	–	–	10,089
	23,023	–	–	23,023
Financial liabilities				
Financial liabilities derivatives	–	–	3,400	3,400

Fair value hierarchy as at 31 December 2014

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	24,354	–	–	24,354
Financial liabilities				
Contingent consideration payables	–	–	93,103	93,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Fair values of financial instrument *(continued)*

(ii) Assets and liabilities for which fair values are disclosed:

As at 31 December 2015

	Level 1 HK'000	Level 2 HK'000	Level 3 HK'000	Total HK'000
Convertible bonds	–	–	382,979	382,979
Promissory notes	–	–	126,363	126,363
	–	–	509,342	509,342

As at 31 December 2014

	Level 1 HK'000	Level 2 HK'000	Level 3 HK'000	Total HK'000
Convertible bonds	–	–	497,293	497,293
Promissory notes	–	–	199,084	199,084
	–	–	696,377	696,377

Except as disclosed as above, the Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximates to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. CAPTIAL 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 debt, which includes borrowings, amounts due to shareholders, non-convertible bonds, promissory notes and convertible bonds, net of cash and cash equivalents and total equity comprising issued share capital and reserves. Details of which are disclosed in respective notes.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associate with each class of capital, and take appropriate actions to adjust the Group's capital structure.

The Group monitors capital using a gearing ratio, calculated as net debt divided by total capital. Net debt is calculated as borrowings, amounts due to shareholders, non-convertible bonds, promissory notes and convertible bonds, net of cash and bank balances. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debt. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Amounts due to shareholders (Note 31)	**1,543**	52,681
Borrowings (Note 32)	**–**	40,000
Non-convertible bonds (Note 33)	**–**	40,000
Convertible bonds (Note 34)	**424,494**	470,506
Promissory notes (Note 35)	**133,126**	192,891
Less: cash and bank balances (including pledged bank deposits)	**(79,710)**	(17,766)
Net debt	**479,453**	778,312
Total equity	**757,301**	1,259,125
Total capital	**1,236,754**	2,037,437
Gearing ratio	**39%**	38%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organized and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

- loan financing
- treasury investments
- design and provision of energy saving solutions

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

Segment revenue and results

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Unallocated		Consolidated	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Turnover										
External sales	**940**	10,402	**–**	–	**15,836**	6,021	**–**	–	**16,776**	16,423
Result										
Segment results	**(1,162)**	11,257	**887**	(21,560)	**(752,122)**	(47,353)	**–**	–	**(752,397)**	(57,656)
Unallocated corporate expenses							**(26,877)**	(129,604)	**(26,877)**	(129,604)
Unallocated corporate income							**–**	839	**–**	839
Loss on disposal of subsidiaries							**(80,531)**	(58,983)	**(80,531)**	(58,983)
Impairment loss on available-for-sale financial assets							**(9,777)**	(259)	**(9,777)**	(259)
Fair value changes on financial liabilities derivatives							**(2,574)**	–	**(2,574)**	–
Fair value change on contingent consideration payables							**93,103**	52,856	**93,103**	52,856
Finance costs	**–**	–	**(1,672)**	–	**(2,965)**	(3,336)	**(82,833)**	(56,622)	**(87,470)**	(59,958)
Loss before taxation									**(866,523)**	(252,765)
Taxation									**51,095**	9,394
Loss for the year									**(815,428)**	(243,371)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. SEGMENT INFORMATION *(continued)*

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2014: Nil).

Segment results represent the profit/(loss) by each segment without allocation of centralized administration costs such as certain other income, directors' emoluments, staff salaries, operating lease payments and certain legal and professional fees. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Consolidated	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Assets								
Segment assets	**811**	205,168	**12,934**	24,354	**1,525,929**	2,197,997	**1,539,674**	2,427,519
Unallocated corporate assets							**14,524**	4,020
							1,554,198	2,431,539
Liabilities								
Segment liabilities	**–**	40,710	**–**	–	**8,934**	66,493	**8,934**	107,203
Unallocated corporate liabilities							**787,963**	1,065,211
							796,897	1,172,414

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate financial assets;
- all liabilities are allocated to reportable segments other than corporate financial liabilities, deferred tax liabilities, convertible bonds, promissory notes, contingent consideration payables and financial liabilities derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. SEGMENT INFORMATION *(continued)*

Other segment information

The following is an analysis of the Group's other segment information:

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Unallocated		Consolidated	
	2015 ***HK$'000***	2014 *HK$'000*	**2015** ***HK$'000***	2014 *HK$'000*	**2015** ***HK$'000***	2014 *HK$'000*	**2015** ***HK$'000***	2014 *HK$'000*	**2015** ***HK$'000***	2014 *HK$'000*
Interest income	**940**	10,402	**–**	–	**–**	–	**–**	–	**940**	10,402
Interest expenses classified in:										
– cost of operation	**(2,102)**	(4,035)	**–**	–	**–**	–	**–**	–	**(2,102)**	(4,035)
– finance costs	**–**	–	**(1,672)**	–	**(2,965)**	(3,336)	**(82,833)**	(56,622)	**(87,470)**	(59,958)
Reversal of impairment loss in respect of loan interest receivables	**–**	471	**–**	–	**–**	–	**–**	–	**–**	471
Reversal of impairment loss recognised in respect of loan receivables	**–**	5,680	**–**	–	**–**	–	**–**	–	**–**	5,680
Impairment loss on loan interest receivables	**–**	(1,250)	**–**	–	**–**	–	**–**	–	**–**	(1,250)
Loss on disposal of financial assets at fair value through profit of loss	**–**	–	**(69)**	(281)	**–**	–	**–**	–	**(69)**	(281)
Fair value changes on financial assets at fair value through profit or loss	**–**	–	**955**	(20,864)	**–**	–	**–**	–	**955**	(20,864)
Impairment loss on available-for-sale financial asset	**–**	–	**–**	–	**–**	–	**(9,777)**	(259)	**(9,777)**	(259)
Loss on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**(80,531)**	(58,983)	**(80,531)**	(58,983)
Fair value change on contingent consideration payables	**–**	–	**–**	–	**–**	–	**93,103**	52,856	**93,103**	52,856
Capital expenditure										
– others	**–**	–	**–**	–	**(776)**	(3,553)	**(24)**	(3,136)	**(800)**	(6,689)
Depreciation of property, plant and equipment	**–**	–	**–**	–	**(1,600)**	(633)	**(499)**	(949)	**(2,099)**	(1,582)
Amortisation of intangible assets	**–**	–	**–**	–	**(54,484)**	(29,512)	**–**	–	**(54,484)**	(29,512)
Impairment loss on goodwill	**–**	–	**–**	–	**(666,660)**	–	**–**	–	**(666,660)**	–
Fair value changes on financial liabilities derivatives	**–**	–	**–**	–	**–**	–	**(2,574)**	–	**(2,574)**	–

Geographical information

The Group operates in three principal geographical areas – Hong Kong, the People's Republic of China (the "PRC") and Taiwan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

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

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**15,836**	6,021	**1,438,888**	2,169,388
Hong Kong	**940**	10,402	**521**	31,159
Taiwan	**–**	–	**10,089**	–
	16,776	16,423	**1,449,498**	2,200,547

Information about major customer

Included in the Group's revenue of approximately HK$16,776,000 (2014: HK$16,423,000), the revenue of approximately HK$13,061,000 (2014: HK$2,264,000) which arose from four (2014: one) customers of the design and provision of energy saving solutions business which contributed 10% or more of the Group's revenue for the year.

Revenue from major customers, each of them contributing 10% or more of the Group's revenue, are set out below:

	2015	2014
	HK$'000	*HK$'000*
Customer A (Note)	**6,790**	–
Customer B	**–**	2,264
Customer C (Note)	**1,746**	–
Customer D (Note)	**2,344**	–
Customer E (Note)	**2,181**	–

Note: No information on revenue for the year ended 31 December 2014 is disclosed for these customers since none of them contributed 10% or more of the Group's revenue for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. REVENUE

Revenue represents interest income from loan financing, treasury investments and design and provision of energy saving solutions.

An analysis of the Group's revenue by principal activities are as follows:

	2015 HK$'000	2014 HK$'000
Loan financing:		
Interest on mortgage loans	–	3,342
Interest on loan receivables	940	7,060
	940	10,402
Design and provision of energy saving solutions:		
Sale of goods	4,724	1,728
Sale of goods under finance lease	11,112	4,293
	15,836	6,021
	16,776	16,423

9. OTHER INCOME

	2015 HK$'000	2014 HK$'000
Service income	–	839
Reversal of impairment loss in respect of loan interest receivables	–	471
Bank interest income	71	20
Interest income on finance lease receivables	2,297	1,744
Others	89	153
	2,457	3,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. FINANCE COSTS

	2015 **HK$'000**	2014 *HK$'000*
Interest expense on borrowings	**2,965**	3,731
Interest expense on securities trading accounts	**–**	19
Imputed interest charged on promissory notes	**20,789**	19,301
Imputed interest charged on convertible bonds	**63,716**	36,907
	87,470	59,958

11. TAXATION

	2015 **HK$'000**	2014 *HK$'000*
Current taxation – Hong Kong		
Under provision in prior year	**–**	625
Deferred taxation		
Credit for the year (Note 37)	**(51,095)**	(10,019)
	(51,095)	(9,394)

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions which members of the Group are domiciled and operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. TAXATION *(continued)*

(i) Hong Kong Profit Tax

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

(ii) PRC Enterprise Income Tax

The subsidiary of the Group established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25%. The Group's subsidiary in the PRC is qualified as an High Technology Enterprise from 1 January 2012 and enjoy PRC Enterprise Income Tax rate of 15%.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2015		2014	
	HK$'000	***%***	*HK$'000*	*%*
Loss before taxation	**(866,523)**		(252,765)	
Tax calculated at the rates applicable to the tax jurisdiction concerned	**(142,977)**	**(16.5)**	(41,706)	(16.5)
Tax effect non-taxable income	**(16,056)**	**(1.9)**	(13,977)	(5.5)
Tax effect non-deductible expenses	**148,603**	**17.1**	49,992	19.8
Tax effect of temporary differences	**(51,095)**	**(5.9)**	(10,019)	(3.9)
Tax effect of unused tax losses not recognised	**10,430**	**1.2**	5,691	2.3
Under provision of profit tax for prior year	**–**	**–**	625	0.2
Taxation credit for the year	**(51,095)**	**(6.0)**	(9,394)	(3.7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. LOSS BEFORE TAXATION

The Group's loss for the year is arrived at after charging/(crediting):

	2015	2014
	HK$'000	*HK$'000*
Staff costs (including Directors' remuneration)		
– Directors' fees	**4,721**	2,306
– Salaries, bonus and wages	**17,526**	15,079
– Contribution to retirement benefits schemes	**2,468**	1,768
	24,715	19,153
Amortisation of intangible assets	**54,484**	29,512
Depreciation of property, plant and equipment	**2,099**	1,582
Cost of inventories sold	**12,239**	4,600
Auditors' remuneration	**850**	1,000
Equity-settled share-based payments	**471**	–
Operating lease payments	**6,830**	3,818
Far value changes on financial assets at fair value through profit or loss	**955**	(20,864)
Loss on disposal of property, plant and equipment	**173**	128
Legal and professional fees	**4,881**	14,080
Referral fee for acquisition of subsidiary	**–**	86,660
Impairment loss on finance lease receivables	**6,955**	–
Exchange loss	**2,738**	76
Impairment loss on goodwill	**666,660**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of eleven (2014: eleven) Directors are as follows:

Year ended 31 December 2015

	Directors' fees *HK$'000*	Basic salaries, allowances and other benefits *HK$'000*	Contributions to retirement benefit schemes *HK$'000*	Share-based payment *HK$'000*	Total *HK$'000*
Executive directors					
Mr. So Yuen Chun	–	1,684	36	–	1,720
Mr. Chong Kok Leong (appointed on 1 October 2015)	300	–	–	–	300
Ms. Khoo Pui Wun (appointed on 31 December 2015)	1	–	–	–	1
Ms. Diana Liu He (resigned on 31 December 2015)	2,800	–	–	471	3,271
Dr. Li Ai Guo	240	924	99	–	1,263
Mr. Cai Wen Wei (resigned on 1 October 2015)	180	634	73	–	887
	3,521	3,242	208	471	7,442
Non-executive directors					
Mr. Lam Kwok Hing, Wilfred	480	–	–	–	480
Mr. Huang Lizhi	240	–	–	–	240
	720	–	–	–	720
Independent non-executive directors					
Ms. Yuen Wai Man	120	–	–	–	120
Mr. Yeung Wai Hung, Peter	120	–	–	–	120
Mr. Chu Ho Miu Hing	240	–	–	–	240
	480	–	–	–	480
Total	4,721	3,242	208	471	8,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIRECTORS' EMOLUMENTS *(continued)*

Year ended 31 December 2014

	Directors' fees *HK$'000*	Basic salaries, allowances and other benefits *HK$'000*	Contributions to retirement benefit schemes *HK$'000*	Total *HK$'000*
Executive directors				
Mr. So Yuen Chun	–	1,800	34	1,834
Mr. Yeung Kwok Leung (resigned on 26 June 2014)	–	1,012	16	1,028
Ms. Diana Liu He (appointed on 29 July 2014)	1,189	–	–	1,189
Dr. Li Ai Guo (appointed on 10 September 2014)	74	293	30	397
Mr. Cai Wen Wei (appointed 23 September 2014)	65	228	26	319
	1,328	3,333	106	4,767
Non-executive directors				
Mr. Lam Kwok Hing, Wilfred	480	–	–	480
Mr. Huang Lizhi (appointed on 7 August 2014)	96	–	–	96
	576	–	–	576
Independent non-executive directors				
Ms. Yuen Wai Man	120	–	–	120
Mr. Yeung Wai Hung, Peter	120	–	–	120
Mr. Lam Shiu Cheung, Raymond (resigned on 26 June 2014)	60	–	–	60
Mr. Chu Ho Miu Hing (appointed on 29 July 2014)	102	–	–	102
	402	–	–	402
Total	2,306	3,333	106	5,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIRECTORS' EMOLUMENTS *(continued)*

There were no arrangements under which a director waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014. Apart from Directors, the Group has not classified any other person as chief executives during the years ended 31 December 2015 and 2014.

14. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2014: four) were Directors whose emoluments are included in Note 13. The aggregate of the emoluments in respect of the remaining one (2014: one) individual, included one (2014: one) of senior management, were as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries, bonus and other benefits	**1,195**	707
Contributions to retirement benefits schemes	**18**	11
	1,213	718

The emoluments were within the following bands:

	Number of individuals	
	2015	2014
HK$		
Nil – 1,000,000	**–**	1
1,000,001 – 1,500,000	**1**	–
Total	**1**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. EMPLOYEES' EMOLUMENTS *(continued)*

(b) Senior management of the Company

The emoluments of the senior management of the Company are within the following bands:

	Number of individuals	
	2015	2014
HK$		
Nil – 1,000,000	**–**	1
1,000,001 – 1,500,000	**1**	–

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

15. DIVIDEND

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. LOSS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(815,428)**	(243,371)

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,558,275**	822,496

The denominators used are the same as those detailed above for basic and diluted loss per share.

Note: The computation of diluted loss per share for the year ended 31 December 2015 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. INTANGIBLE ASSETS

	Patents *HK$'000*
Cost	
At 1 January 2014	–
Acquisition through business combination (Note 42)	889,901
At 31 December 2014, 1 January 2015 and 31 December 2015	**889,901**
Accumulated amortisation and impairment	
At 1 January 2014	–
Amortisation expenses	29,512
At 31 December 2014 and 1 January 2015	29,512
Amortisation expenses	54,484
At 31 December 2015	**83,996**
Carrying amounts	
At 31 December 2015	**805,905**
At 31 December 2014	860,389

Note:

(a) The intangible assets represent 7 patents regarding the acquired and owned "Ultra Performance Plant Control System" ("UPPC") for its novelty and industrial applicability in the PRC.

(b) The patents for UPPC system's useful life used in the calculation of amortisation is 16.3 years.

(c) The Group carried out a review of the recoverable amount of the patents. No impairment loss was recognised to the patents during the years ended 31 December 2015 and 2014. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in used was 23.91% (2014: 18.67%). The other key assumptions used in the value in use calculation are disclosed in note 20 to the consolidated financial statements..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement *HK$'000*	Office Equipment *HK$'000*	Furniture and fixtures *HK$'000*	Computer *HK$'000*	Total *HK$'000*
Cost:					
At 1 January 2014	1,100	109	47	287	1,543
Additions	4,695	1,672	106	216	6,689
Disposal	–	(153)	–	(1)	(154)
Acquisition of subsidiaries	177	179	–	844	1,200
Disposal of subsidiaries	(3,170)	(130)	–	–	(3,300)
Exchange differences	1	1	–	12	14
At 31 December 2014 and 1 January 2015	2,803	1,678	153	1,358	5,992
Additions	–	34	–	766	800
Disposal	(1,722)	(474)	–	(28)	(2,224)
Exchange differences	(243)	(125)	–	(130)	(498)
At 31 December 2015	**838**	**1,113**	**153**	**1,966**	**4,070**
Accumulated depreciation:					
At 1 January 2014	61	24	36	281	402
Charge for the year	1,282	73	14	213	1,582
Disposal of subsidiaries	(845)	(36)	–	–	(881)
Exchange differences	2	2	–	6	10
At 31 December 2014 and 1 January 2015	500	63	50	500	1,113
Charge for the year	898	287	23	891	2,099
Eliminated on disposal	(649)	(90)	–	(6)	(745)
Exchange differences	(189)	(36)	–	(82)	(307)
At 31 December 2015	**560**	**224**	**73**	**1,303**	**2,160**
Carrying amounts					
At 31 December 2015	**278**	**889**	**80**	**663**	**1,910**
At 31 December 2014	2,303	1,615	103	858	4,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 January 2014	–
Addition due to business combination (Note 42)	9,194
Additions	5,798
Transfer to cost of sales	(4,539)
Exchange realignment	78
As at 31 December 2014 and 1 January 2015	10,531
Additions	8,929
Transfer to cost of sales	(12,221)
Exchange realignment	(609)
At 31 December 2015	**6,630**

20. GOODWILL

	HK$'000
Cost	
At 1 January 2014	–
Arising from business combination (Note 42)	1,275,620
At 31 December 2014, 1 January 2015, and 31 December 2015	**1,275,620**
Accumulated impairment	
As at 1 January 2014, 31 December 2014 and 1 January 2015	–
Impairment for the year	666,660
At 31 December 2015	**666,660**
Carrying amounts	
As at 31 December 2015	**608,960**
As at 31 December 2014	1,275,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. GOODWILL *(continued)*

Particular of impairment testing on goodwill is disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units ("CGU"):

– Design and provision of energy saving solutions ("Energy Saving Business")

Impairment testing on goodwill

The recoverable amount of the above CGU was determined on the basis of value in use calculations under income approach. The recoverable amount is based on certain assumptions. The value in use calculations use cash flow projections based on the financial budgets approved by the management covering a 10-year period. The pre-tax discount rate used is 23.91% (2014: 18.67%) per annum. Cash flows beyond 10-year period are extrapolated using a steady 3% growth rate per annum.

Impairment loss of approximately HK$666,660,000 was recognised during the year ended 31 December 2015 as the Energy Saving Business operation does not turnout as previously expected. In preparing the cash flow forecast for the CGU, the management have reviewed the assumptions such as industry dynamics, on-going business development of Weldtech Group and under-performance of the Energy Saving Business.

The increase in pre-tax discount rate used from 18.67% (2014) to 23.91% (2015) also contributes to the impairment for the year ended 31 December 2015. Such increase is attributable to changes in market conditions, such as long-term risk rates and market equity risk premium. A Company specific risk premium has been added to account for the risks in project progress and implementation.

As the goodwill has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

The key assumption used in the value in use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflect past experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. LOAN RECEIVABLES

	2015 HK$'000	2014 HK$'000
Fixed-rate loan receivables	**250**	30,400
Variable-rate loan receivables	**–**	200,712
	250	231,112
Less: accumulated impairment allowance	**–**	(29,032)
	250	202,080

	2015 HK$'000	2014 HK$'000
Carrying amount analysed for reporting purposes:		
Current assets	**163**	171,829
Non-current assets	**87**	30,251
	250	202,080

The maturity profile of the loan receivables at the end of reporting period, analysed by the remaining periods to their contracted maturity, is as follow:

	2015 HK$'000	2014 HK$'000
Receivable:		
Within 3 months	**39**	171,716
Over 3 months but less than 1 year	**124**	113
Over 1 year but less than 5 years	**87**	10,251
Over than 5 years	**–**	20,000
	250	202,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. LOAN RECEIVABLES *(continued)*

Movement in the provision for accumulated impairment allowance on loan receivables is as follow:

	HK$'000
At 1 January 2014	34,712
Reversal during the year	(5,680)
At 31 December 2014 and 1 January 2015	29,032
Disposal of a subsidiary	(29,032)
At 31 December 2015	**–**

No impairment was recognised during 31 December 2015 in respect of loan receivables (2014: HK$Nil).

Notes:

i) The loan receivables outstanding as at 31 December 2015 and 2014 are denominated in Hong Kong dollars.

ii) As at 31 December 2014, a loan receivable in the principal amount of approximately HK$200,712,000 is due to The Building and Loan Agency (Asia) Limited ("The BLA (Asia)"), a wholly-owned subsidiary of the Company, by the borrower and the guarantor. As previously reported, the loan, which bore variable interest based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited, was once secured by a floating charge over the entire assets of the guarantor, including a residential property in Hong Kong (the "Property"). Due to the failure on the part of the borrower and the guarantor to repay the loan and interest accrued thereon on demand, the floating charge was crystallised, and thus became a fixed charge, on 24 February 2012 (the "Charge").

Also as previously reported, on 22 February 2013, Fameway Finance Limited ("Fameway") and another two unsecured creditors entered into a debt recovery agreement with The BLA (Asia) in which it is agreed, inter alia, that The BLA (Asia) would enforce the Charge, and that The BLA (Asia) would be entitled to 74% of any sum recovered against the guarantor while Fameway and the other two unsecured creditors be entitled to the remaining 26%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. LOAN RECEIVABLES *(continued)*

Notes: *(continued)*

ii) *(continued)*

On 1 March 2013, The BLA (Asia) assigned its rights under the relevant loan agreement and the Charge to Revelry Gains Limited ("Revelry Gains"), another wholly-owned subsidiary of the Company. On the same date, The BLA (Asia), Revelry Gains, Fameway and the other two unsecured creditors executed a supplemental debt recovery agreement to revise and supplement the original debt recovery agreement, and in accordance therewith, all duties and rights of The BLA (Asia) in and under the original debt recovery agreement has been transferred to Revelry Gains.

Relying on legal advice, Revelry Gains commenced legal proceedings in the Court of First Instance of the High Court (the "Court") against the guarantor for, inter alia, recovery of possession of the Property (the "Action"). However, before the Action was heard by the Court, a winding-up order was made against the guarantor, and the Action was stayed. Revelry Gains is in the course of applying for leave to proceed with the Action. As such, the Action is still ongoing, and progress of the same will be disclosed as and where appropriate. It is opined that the Action is highly likely to succeed as it is the most direct way to obtain possession for a sale of the Property.

According to the valuation report dated 11 March 2015 prepared by Malcolm & Associates Appraisal Limited, an independent valuer, the fair value of the Property as at 31 December 2014 is HK$290,000,000 while the forced sale value of the Property will be discounted to HK$232,000,000.

Taking into account the debt recovery agreement as revised and supplemented by the supplemental debt recovery agreement, the Directors are of the opinion that the fair value of the Property is lower than the carrying values of the principal amount of the loan and the interest accrued thereon. Accordingly, impairment loss of loan receivables and loan interest receivables of approximately HK$29,032,000 and HK$88,258,000, respectively, is recognised for the year ended 31 December 2013. No Impairment has been made for the year ended 31 December 2015 and 2014. During the year ended 31 December 2015, the loan receivables and the interest accrued was disposed through disposal of a subsidiary of the Group. The detail reference to note 43(a).

iii) As at 31 December 2015, there is no secured loan receivables. As at 31 December 2014, included in the fixed rate loan receivables approximately HK$20,000,000 and HK$10,000,000 are secured by properties and corporate guarantees respectively. These loans carry fixed interest rates at a range 6% to 20.5% per annum for the year ended 31 December 2014.

iv) The loan receivables amounting to approximately HK$250,000 (2014: approximately HK$400,000) are unsecured and carry fixed interest rates at 9% (2014: 9%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 **HK$'000**	2014 *HK$'000*
Unlisted equity securities in Hong Kong, net, at cost (Note (i))	**–**	–
Listed equity securities in Taiwan, at fair value (Note (ii))	**10,089**	–
Total	**10,089**	–

Note:

(i) The unlisted investments represent investments in unlisted equity securities in 5% (2014: 5%) of the total outstanding issued shares of a company incorporated in Hong Kong at the end of the reporting period. They are measured at cost less identified impairment losses at the end of the reporting period because their fair values cannot be measured reliably.

During the year ended 31 December 2014 an objective evidence of impairment was considered to exist due to adverse financial position of such private entity. For the purpose of impairment, the management considered that the recoverable amount of available-for-sale financial assets was significantly less than its investment cost and hence an impairment loss of approximately HK$259,000 was recognised against the investment cost.

(ii) As at 31 December 2015, there was a significant decline in the market value of certain listed equity securities. The directors consider that such a decline indicates that the listed equity securities have been impaired and an impairment loss of approximately HK$9,777,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 **HK$'000**	2014 *HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	**12,934**	24,354

Note:

(i) At 31 December 2015, the fair value of the listed equity securities, amounting to approximately HK$12,934,000 (2014: HK$24,354,000), was determined based on the quoted market bid prices available on the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Note: *(continued)*

(ii) As at 31 December 2012, a loan receivables with a principal amount of HK$60,000,000 due to the BLA (Asia) by a borrower, carried fixed interest rate at 9% per annum and the repayment of such a loan receivable was secured by a charge over certain convertible bonds issued by a listed entity in Hong Kong.

On the borrower's default in repayment, the BLA (Asia) enforced the security, and the convertible bonds were converted into shares in the listed entity. The said loan receivables and interest accrued thereon has thus been repaid during the year ended 31 December 2013. The repaid amounts by such listed shares were classified as financial assets at fair value through profit or loss. For any surplus arising from the conversion of shares for the settlement, there is a possibility that the Company may face with relevant claim from the borrower. The directors of the Company advise that all such shares have been dealt with in accordance with legal advice.

24. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw material	**813**	678

25. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**123**	1,124
Bills receivables	**–**	79
	123	1,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. TRADE AND BILLS RECEIVABLES *(continued)*

The ageing analysis of trade receivables based on the invoice date is as follows:

	2015 **HK$'000**	2014 HK$'000
0-90 days	**123**	1,006
91-180 days	**–**	–
181-365 days	**–**	–
Over 365 days	**–**	118
	123	1,124

According to the credit rating of different customers, the Group allows credit term average of 90 days to its customers.

Ageing of trade receivables which are past due but not impaired is as follows:

	2015 **HK$'000**	2014 HK$'000
Overdue by:		
0-90 days	**–**	–
91-180 days	**–**	–
181-365 days	**–**	–
Over 365 days	**–**	118
	–	118

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The impairment loss recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Interest receivables	**–**	88,753
Prepayments	**962**	1,176
Receivables from disposal of a subsidiaries	**9,200**	9,300
Value-added tax receivables	**–**	353
Other receivables	**8**	91
Rental deposit	**1,017**	1,916
	11,187	101,589
Less: accumulated impairment allowance	**(9,200)**	(97,458)
	1,987	4,131

Movement in the provision for impairment allowance on interest receivables and other receivables is as follows:

	Accumulated impairment allowance on interest receivables	**Accumulated impairment allowance on other receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	88,729	9,200	97,929
Reverse during the year	(471)	–	(471)
At 31 December 2014 and 1 January 2015	88,258	9,200	97,458
Disposal of a subsidiary	(88,258)	–	(88,258)
At 31 December 2015	**–**	**9,200**	**9,200**

As at 31 December 2015 and 2014, the receivables from disposal of a subsidiary amounting to HK$9,200,000 was overdue and an impairment allowance of HK$9,200,000 was provided in previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. FINANCE LEASE RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Current finance lease receivables	**8,529**	8,863
Non-current finance lease receivables	**15,917**	18,877
	24,446	27,740

Leasing arrangements

Certain of the Group's energy saving equipments are leased out under finance leases. All leases are denominated in RMB. The average term of finance lease entered into is 5 – 10 years.

Amounts receivable under finance leases

	Minimum lease payments		**Present value of minimum lease payments**	
	2015 **HK$'000**	2014 HK$'000	**2015** **HK$'000**	2014 HK$'000
Not later than 1 year	**9,088**	9,129	**8,529**	8,863
Later than one year and not later than five years	**19,230**	19,459	**14,945**	16,470
Later than five years	**1,593**	3,455	**972**	2,407
	29,911	32,043	**24,446**	27,740
Less: unearned finance income	**(5,465)**	(4,303)	**–**	–
Present value of minimum lease payments receivable	**24,446**	27,740	**24,446**	27,740
Allowance for uncollectible lease payment	**–**	–	**–**	–
	24,446	27,740	**24,446**	27,740

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8.45% per annum for the year ended 31 December 2015 (2014: 8.45%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. FINANCE LEASE RECEIVABLES *(continued)*

During the year ended 31 December 2015, certain finance lease receivables of the Group were individually determined to be impaired. The individually impaired receivables related to receivables which the actual performance of energy saving business for certain projects did not meet the expected target therefore, the management assessed that those receivables are not expected to be recovered. An impairment loss on finance leases receivables of approximately RMB5,683,000 (approximately HK$6,955,000) (2014: Nil) has been recognised. The Group does not hold any collateral over these balances.

28. AMOUNTS DUE FROM CUSTOMERS UNDER CONSTRUCTION CONTRACTS

Contracts in progress at the end of the reporting period

	2015 *HK$'000*	2014 *HK$'000*
Contract costs incurred plus recognised profit less recognised losses	**5,079**	3,715
Less: progress billings	**(4,638)**	(3,414)
	441	301

29. CASH AND BANK BALANCES/PLEDGED BANK DEPOSITS

The amounts comprise bank balances held by the Group and short-term bank deposits bearing market interest rates ranging from 0.001% to 0.34% (2014: 0.001% to 0.2%) per annum. The fair value of these assets approximates the corresponding carrying amount.

The Group have United States Dollar ("US$") and Renminbi ("RMB") denominated cash and bank balances, which expose the Group to foreign currency risk. RMB is not freely convertible into other currencies. The carrying amounts of the Group's US$ and RMB denominated monetary assets at the end of the reporting period are as follows:

	2015 *HK$'000*	2014 *HK$'000*
US$	**338**	338
RMB	**6,842**	3,466

The pledged bank deposits are pledged to secure for the guarantee deposit of maintenance fund of sale of goods. The pledge will be released upon the warranty period for sales of goods project is expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**2,010**	2,416
Accrued service fee for acquisition of a subsidiary	**3,871**	3,871
Accrued expenses	**5,116**	7,258
Receipt in advance	**4,020**	447
Interest payables	**2,200**	2,285
Other payables	**855**	1,298
	18,072	17,575

The ageing analysis of trade payables based on the invoice date is as follows:

	2015 HK$'000	2014 HK$'000
0-90 days	**1,132**	1,585
91-180 days	**154**	214
181-365 days	**37**	–
Over 365 days	**687**	617
	2,010	2,416

Trade payables are interest-free and normally settled on delivery. The average credit period for purchase of goods is 90 days.

31. AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders were unsecured, interest free and repayable on demand. At 31 December 2014, included the balance due to a shareholder was an amount of approximately RMB5,000,000 (equivalent to approximately HK$6,338,000) which carries a fixed interest rate of 14% per annum and has been repaid during the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

32. BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Carrying amount repayable:		
Borrowing due within one year	**–**	40,000

During the year ended 31 December 2015, all borrowings are fully repaid.

At 31 December 2014, the Group entered into a loan agreement with an independent third party, for borrowing of HK$40,000,000, which is secured by a guarantee given by CITIC International Assets Management Limited ("CIAM"), a shareholder of the Company, and carries a fixed interest rate at 12% per annum.

33. NON-CONVERTIBLE BONDS

	2015	2014
	HK$'000	*HK$'000*
Non-current (Note (i))	**–**	40,000
Current	**–**	–
	–	40,000

As at 31 December 2015, the Group has repaid all issued non-convertible bonds (2014: with a principal amount of HK$40,000,000 to four bond holders). The principal terms of the non-convertible bonds are as follows:

Note:

(i)	Principal amount of each of the four bonds:	HK$10,000,000
	Interest rate:	8% per annum, payable annually in arrear
	Maturity:	90 months
	Redemption:	The Group may redeem all or some of the non-convertible bonds from issue date to maturity date, at 100% of their principal amount

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CONVERTIBLE BONDS

(a) The details of CB I:

During the year ended 31 December 2014, as mentioned in Note 41 to the consolidated financial statements, the Company issued CB I with principal amount of HK$7,986,600 (the "CB Ia") and HK$5,481,000 (the "CB Ib"), on 30 June 2014 and 28 July 2014, upon the exercise of 51 and 35 convertible bond options by the option holders, respectively.

The principal terms of CB I are as follows:

Principal amount of each bond	HK$156,000
Coupon rate	10% per annum, payable annually in arrears
Conversion price	The initial conversion price was the higher of HK$0.018 or the par value of the shares of the Company. As the capital reorganization became Effective on 19 December 2012, the conversion price Has been adjusted to HK$0.18 per conversion share As a result of the completion of placement of the first tranche of CB II (as defined in Note 34(b)), the conversion price of CB I has been adjusted from HK$0.18 to HK$0.14 per conversion share and such adjustment became effective on 19 December 2013. Details of the CB II are disclosed in Note 34(b) to the consolidated financial statement. As a result of the completion of placing of all remaining tranches of CB II, the conversion price of CB I has been further adjusted from HK$0.14 to HK$0.10 per conversion share with effect from 17 February 2014.

CB I entitled the holders to convert them into ordinary shares of the Company at any time between the period commencing from the date of issuance of CB I and its maturity date at the conversion price stated above. If the CB I have not been converted by the maturity date, they will be, at the absolute discretion of the Company, either redeemed by the Company on the maturity date at a redemption amount equal to 100% of the principal amount of such bond, or be converted into ordinary shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CONVERTIBLE BONDS *(continued)*

(a) The details of CB I: *(continued)*

CB I with aggregated of principal amount of HK$1,566,000 (2014: HK$13,467,600) has been converted into 15,660,000 (2014: 134,676,000) ordinary shares of the Company at HK$0.10 during the year ended 31 December 2015. All outstanding balance of CB I was fully converted during the year.

The CB I contains two components, liability and equity elements. The equity element is presented in equity component of "convertible bond reserve". The effective interest rate of the liability component of CB Ia and CB Ib on initial recognition are 10.466% and 10.482% respectively.

The fair value of the liability component of the CB I was valued by the Directors with reference to a valuation report issued by Roma. The fair value of liability component of the CB I has been calculated by discounting the future cash flows at the market rate. The inputs used in the model in determining the fair value were as follow:

	CB Ia	**CB Ib**
Share price	HK$0.90	HK$0.75
Conversion price	HK$0.18	HK$0.18
Contractual life	2.10 years	2.05 years
Risk-free rate	0.252%	0.285%
Expected dividend yield	0%	0%
Volatility	78.41%	79.40%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CONVERTIBLE BONDS *(continued)*

(a) The details of CB I: *(continued)*

The movements of the liability and equity components of the CB I for the year ended 31 December 2015 and 2014 are set out below:

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 1 January 2014	1,552	1,408	2,960
Transfer from convertible bond options reserve (Note 41)	13,468	11,994	25,462
Conversion to shares during the year	(13,468)	(11,994)	(25,462)
Imputed interest charged	163	–	163
Interest paid	(157)	–	(157)
At 31 December 2014 and 1 January 2015	1,558	1,408	2,966
Conversion during the year	(1,562)	(1,408)	(2,970)
Imputed interest charged	79	–	79
Interest paid	(75)	–	(75)
At 31 December 2015	**–**	**–**	**–**

The fair value of the CB I has been arrived on the basis of a valuation carried out on the date of issue and at the end of the reporting period by an independent professional valuer. The effective interest rate is 13.72% per annum.

(b) The details of CB II:

On 26 February 2013, the Company as the issuer, entered into the placing agreement with FT Securities Limited as the placing agent (the "Placing Agreement"), pursuant to which the placing agent has conditionally to procure the placees to subscribe for no more than 120 tranches of the convertible bond ("the CB II") of up to an aggregate principal amount of HK$162,000,000 with maturity on 31 December 2016. The CB II can be converted into maximum of 1,200,000,000 conversion shares of the Company at the conversion price of HK$0.135 per conversion share, from issue date of CB II to the fifth business day before maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CONVERTIBLE BONDS *(continued)*

(b) The details of CB II: *(continued)*

On 15 March 2013, 22 August 2013 and 16 October 2013, the Company has entered into three supplemental placing agreements (the "Supplemental Placing Agreements") respectively, with FT Securities Limited as the placing agent, pursuant to which (i) the total tranche number was changed from 120 to 5 with the principal amount of the CB II placed in each tranche shall not be less than HK$1,350,000; (ii) the placing period was changed from the period of one year commencing from the execution of Placing Agreement to the period of three months commencing from the business day immediately after the extraordinary general meeting; (iii) the aggregate principal amount of the CB II was revised from HK$162,000,000 to HK$60,750,000; and (iv) the maximum number of conversion shares was revised from 1,200,000,000 to 450,000,000. The extraordinary general meeting was held on 5 November 2013, and therefore the placing period was commenced on 6 November 2013 for three months.

On 19 December 2013, all the conditions precedent for the issuance of the CB II under placing agreements have been fulfilled and the completion of the placing of the first tranche (totally in five) of the CB II in the aggregate principal amount of HK$17,550,000 to several independent parties took place on the same date.

CB II is denominated in Hong Kong dollars and does not bear any interest. The CB II entitled the holders to convert them into ordinary shares of the Company at any time between the period commencing from the date of issue of CB II and its maturity date on 31 December 2016 at a conversion price of HK$0.135. If the CB II has not been converted by the maturity date, they will be, at the absolute discretion of the Company, either redeemed by the Company on the maturity date at a redemption amount equal to 100% of the principal amount of such bond, or be converted into ordinary shares of the Company.

The remaining CB II issued in 2013 with principal amount HK$4,058,000 has been converted into 30,000,000 ordinary shares of the Company at HK$0.135 on 2 January 2014.

On 17 February 2014, the Company issued a new batch of CB II with a principal amount of HK$43,200,000. Each bond entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.135 per share. The maturity date of the convertible bonds is 31 December 2016.

As at 31 December 2015, the remaining CB II issued in 2014 with principal amount HK$41,850,000 (2014: HK$1,350,000) has been converted into 310,000,000 (2014: 10,000,000) ordinary shares of the Company at HK$0.135 during the year.

CB II contains two components, liability and equity elements. The equity element is presented in equity component of "convertible bond reserve". The effective rate of the liability component of CB II on initial recognition is 10.448%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CONVERTIBLE BONDS *(continued)*

(b) The details of CB II: *(continued)*

The fair value of the liability component of the CB II was valued by the Directors with reference to a valuation report issued by Roma. The fair value of liability component of the CB II has been calculated by discounting the future cash flows at the market rate. The inputs used in the model in determining the fair value were as follow:

	CB II
Share price	HK$0.48
Conversion price	HK$0.135
Contractual life	2.88 years
Risk-free rate	0.654%
Expected dividend yield	0%
Volatility	71.17%

The movements of the liability and equity components of the CB II for the year ended 31 December 2015 and 2014 are set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	3,011	1,047	4,058
Issued during the year	37,885	10,715	48,600
Conversion during the year	(9,426)	(1,382)	(10,808)
Imputed interest charged	2,853	–	2,853
At 31 December 2014 and 1 January 2015	34,323	10,380	44,703
Conversion during the year	(34,982)	(10,380)	(45,362)
Imputed interest charged	659	–	659
At 31 December 2015	**–**	**–**	**–**

The fair values of the CB II have been arrived on the basis of a valuation carried out on the date of issue and at the end of the reporting period by an independent professional valuer. The effective interest rate is 14.27% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CONVERTIBLE BONDS *(continued)*

(c) The details of CB A and CB B:

On 13 June 2014, the Company issued convertible bonds, convertible bonds A ("CB A") and convertible bonds B ("CB B"), with principal amounts of HK$434,980,000 and HK$827,520,000 respectively as a part of the consideration for the Acquisition (Note 42). Both convertible bonds are non-interest bearing for the first three years, followed by 3% interest per annum from the fourth to the remaining years. CB A can be converted commencing from the date of issue while CB B can only be converted commencing from 1 July 2015 and can be converted into ordinary shares of the Company at HK$0.8 per share. The maturity date of CB A and CB B fall on the date of 31 December 2023. The effective interest rate of the liability component on initial recognition is 15.99% per annum.

CB A with principal amount approximately of HK$129,434,000 (2014:Nil) has been converted into 161,792,875 (2014:Nil) ordinary shares of the Company at HK$0.8 during the year ended 31 December 2015

The movements of the liability and equity components of the CB A for the year ended 31 December 2015 and 2014 are set out below:

CB A

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	–	–	–
Consideration for acquisition	138,068	316,996	455,064
Imputed interest charged	11,677	–	11,677
31 December 2014 and 1 January 2015	149,745	316,996	466,741
Conversion during the year	(48,002)	(94,327)	(142,329)
Imputed interest charged	17,664	–	17,664
At 31 December 2015	**119,407**	**222,669**	**342,076**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CONVERTIBLE BONDS *(continued)*

(c) The details of CB A and CB B: *(continued)*

The CB B with principal amount approximately of HK$187,907,000 (2014:Nil) has been converted into 234,884,463 ordinary shares of the Company at HK$0.8 during the year ended 31 December 2015.

The movements of the liability and equity components of the CB B for the year ended 31 December 2015 and 2014 are set out below:

CB B

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	–	–	–
Consideration for acquisition	262,666	582,153	844,819
Imputed interest charged	22,214	–	22,214
31 December 2014 and 1 January 2015	284,880	582,153	867,033
Conversion during the year	(70,235)	(132,191)	(202,426)
Imputed interest charged	40,761	–	40,761
At 31 December 2015	**255,406**	**449,962**	**705,368**

Interest expenses of CB A and CB B are calculated using the effective interest method by applying the effective interest rate of 15.99% to the liability component. The fair values of the CB A and CB B have been arrived on the basis of a valuation carried out on the date of issue and at the end of reporting period by an independent professional valuer. The effective interest rate is 18.18% per annum.

(d) The details of CB 2015:

On 15 June 2015, the Company issued convertible bonds ("CB 2015") with a principal amount of HK$60,000,000, which is bear 6% coupon rate per annum. The CB 2015 will be matured on 14 June 2017 and can be converted into ordinary shares of the Company at HK$0.89 per share after the date of issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. CONVERTIBLE BONDS *(continued)*

(d) The details of CB 2015: *(continued)*

Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The bondholders have the right by serving the Company with a written notice to require the Company to redeem all or part of the CB 2015 held by such bondholder for the sum of (i) 100% of the outstanding principal amount of the convertible bonds and (ii) all accrued and unpaid interest.

At the issue date, the CB 2015 were bifurcated into liability, equity and derivative components. The equity element is presented in equity under "Convertible bonds equity reserve"at initial recognition. The effective interest rate of the liability component on initial recognition is 17.81% per annum. The redemption option derivative is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

No principal amount of the CB 2015 were converted into ordinary shares of the Company during the year ended 31 December 2015.

The movements of liability, equity and derivative components of the CB 2015 for the year ended 31 December 2015 are set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Financial liabilities derivatives** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	–	–	–	–
Issued during the year	47,078	10,296	826	58,200
Change in fair value	–	–	2,574	2,574
Imputed interest charged	4,553	–	–	4,553
Interest paid	(1,950)	–	–	(1,950)
At 31 December 2015	**49,681**	**10,296**	**3,400**	**63,377**

Interest expenses of CB 2015 is calculated using the effective interest method by applying the effective interest rate of 20.12% to the liability component. The fair value of CB 2015 has been arrived on the basis of a valuation carried out on the date of issue and at the end of reporting period by on independent professional valuer. The effective interest rate is 18.42% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. PROMISSORY NOTES

The movement of the carrying amount of the PN A and PN 2015 during the year ended 31 December 2015 and 2014 is set out below:

	PN A *HK$'000* *Note (ii)*	PN 2015 *HK$'000* *Note (i)*	Total *HK$'000*
At 1 January 2014	–	–	–
Consideration for business combination	247,295	–	247,295
Interest charged calculated at an effective interest rate	19,301	–	19,301
Disposal of subsidiaries	(73,705)	–	(73,705)
At 31 December 2014 and 1 January 2015	192,891	–	192,891
Issuances of promissory notes	–	41,000	41,000
Interest charged calculated at an effective interest rate	19,117	1,672	20,789
Disposal of a subsidiary (Note 43(a))	(121,554)	–	(121,554)
At 31 December 2015	**90,454**	**42,672**	**133,126**

Note:

(i) On 6 August 2015, 17 August 2015, 2 September 2015, 7 September 2015 and 2 October 2015, The BLA (Asia), a wholly-owned subsidiary of the Company, issued five Promissory Notes ("PN 2015") with a principal amount of HK$11,200,000, HK$11,200,000, HK$11,200,000, HK$1,120,000 and HK$11,200,000 respectively. PN 2015 mature on 6 August 2016, 17 August 2016, 2 September 2016, 7 September 2016 and 2 October 2016 respectively. The effective interest rate is 12% per annum.

(ii) On 13 June 2014, the Company issued Promissory Notes ("PN A") with a principal amount of HK$474,400,000 as a part of consideration for acquiring the entire issued share capital of Weldtech Technology Co Limited ("Weldtech Technology"). The fair value of PN A was approximately HK$247,295,000 on 13 June 2014. PN A is non-interest bearing and mature on 31 December 2018. The effective interest rate on initial recognition is 15.4% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. PROMISSORY NOTES *(continued)*

As at 31 December 2015, the fair value of PN A and PN 2015 of the Group were approximately HK$83,691,000 and HK$42,672,000 respectively (2014: HK$199,084,000 and nil respectively). The fair value of PN A has been arrived on the basis of a valuation carried out on the date of issue and at the end of reporting period by an independent professional valuer. The effective interest rate is 18.43% per annum.

36. CONTINGENT CONSIDERATION PAYABLES

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**93,103**	–
Arising from the Acquisition	**–**	145,959
Less: fair value change on contingent consideration payables	**(93,103)**	(52,856)
At 31 December	**–**	93,103

Pursuant to the completion of the Acquisition, as a part of consideration, the Group liable to settle the contingent consideration by issuance of PN B and PN C with aggregate principal amount of HK$560,000,000 to the vendors. The PN B and PN C are subject to target profit guarantee provided by the vendors under the Sale and Purchase Agreement. If the audited consolidated profit before tax of the Weldtech Technology for the year ended 2014 and 2015 falls below HK$120,000,000 and HK$160,000,000 respectively, all of the PN B and PN C shall become null and void respectively for year ended 31 December 2014 and 2015. The fair value of the contingent consideration payables were in aggregate amount approximately of HK$145,959,000 at the date of the Acquisition.

As at 31 December 2015, since the profit guarantee for 2015 is not meet and the PN C have become null and void.

As at 31 December 2014, since the profit guarantee for 2014 is not meet and the PN B have become null and void.

The fair values were determined with reference to the valuations as at those dates performed by an independent valuers. The valuations was calculated based on the expected cash flow approach which determined the expected value probability weighted discount cash flow at 18.43% (2014: 14.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. DEFERRED TAX LIABILITIES

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

	Intangible assets	Convertible bonds	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	–	–	–
Acquisition of subsidiaries	133,485	–	133,485
Issuance of convertible bonds for business combination	–	142,192	142,192
Credit to profit or loss	(4,427)	(5,592)	(10,019)
At 31 December 2014 and 1 January 2015	129,058	136,600	265,658
Issuance of convertible bonds	–	1,699	1,699
Conversion of convertible bonds (Note 11)	–	(32,853)	(32,853)
Credit to profit or loss (Note 11)	(8,172)	(10,070)	(18,242)
At 31 December 2015	**120,886**	**95,376**	**216,262**

At the end of the reporting period, the Group has estimated tax losses of approximately HK$178,747,000 (2014: HK$119,008,000) available for offset against future profits. No deferred tax assets has been recognised as it is uncertain that there will be sufficient future profits available to utilise the balances. The unrecognised tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. SHARE CAPITAL

	Number of shares		Share capital	
	2015	2014	**2015**	2014
	'000	*'000*	***HK$'000***	*HK$'000*
Issued and fully paid:				
At the beginning of the year	**1,025,749**	540,585	**667,298**	54,059
Transition to no-par value regime on 3 March 2014 (Note (i))	**–**	–	**–**	329,244
Issuance of shares upon placing (Note (ii), (iii), (iv) and (v))	**174,000**	127,000	**150,113**	101,600
Exercise of share option (Note (viii))	**–**	13,488	**–**	5,325
Issuance of consideration shares (Note (ix))	**–**	170,000	**–**	146,200
Issuance of shares upon conversion of convertible bonds (Note 34)	**722,337**	174,676	**393,087**	30,870
At the end of the year	**1,922,086**	1,025,749	**1,210,498**	667,298

Note:

(i) Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the share capital reserve account (in the nature of capital redemption reserve as it was generated from capital reduction occurred in the year 2012) on 3 March 2014 have become part of the company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. SHARE CAPITAL *(continued)*

Note: *(continued)*

(ii) CB Placing 2015, Top-up Placing and Top-up Subscription

On 2 June 2015, the Company and Convoy Investment Services Limited ("Convoy") entered into a placing agreement pursuant to which Convoy conditionally agreed to place, on a best-effort basis, the convertible bonds in the principal amount of up to HK$60,000,000 (the "CB 2015") to not less than six placees and the Company conditionally agreed to issue the CB 2015 (the "CB Placing 2015").

The CB 2015 in the aggregated principal amount of HK$60,000,000 were successfully placed by Convoy to not less than six placees who and whose respective ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The maturity date of CB 2015 is 14 June 2017, which is the second anniversary of the issue date of the CB 2015. The CB 2015 bear interest at the rate of 6% per annum on the outstanding principal amount thereof.

Based on the initial conversion price of HK$0.89 per conversion share, a maximum of 67,415,730 new Shares will be allotted and issued upon exercise of the CB 2015.

In addition, on 2 June 2015, the Company entered into a placing and subscription agreement with CIAM and Convoy pursuant to which (i) CIAM agreed to place, through Convoy, on a best-effort basis, an aggregate of up to 100,000,000 Shares held by CIAM (the "Top-up Placing Share(s)"), at the placing price of HK$0.89 per Top-up Placing Share (the "Top-up Placing"); and (ii) CIAM agreed to subscribe for up to 100,000,000 Shares (the "Top-up Subscription Share(s)") at the subscription price of HK$0.89 per Top-up Subscription Share (the "Top-up Subscription").

The completion of the Top-up Placing took place on 5 June 2015 and an aggregate of 100,000,000 Top-up Placing Shares were successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules) at the placing price of HK$0.89 per Top-up Placing Share. The Top-up Subscription took place on 15 June 2015 and an aggregate of 100,000,000 Top-up Subscription Shares were allotted and issued to CIAM at the subscription price of HK$0.89 per Top-up Subscription Share.

The gross proceeds from CB Placing 2015 and Top-up Placing were approximately HK$149,000,000 and the net proceeds after deducting all relevant expenses were approximately HK$143,000,000. The net proceeds were used (i) as to approximately HK$19,867,000 for the acquisition of Infodisc Shares and (ii) as to approximately HK$123,133,000 for the repayment of outstanding indebtedness.

For further details, please refer to the announcements of the Company dated 3 June 2015 and 15 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. SHARE CAPITAL *(continued)*

Note: *(continued)*

(iii) Placing I

On 21 July 2015, the Company entered into a placing agreement with RHB OSK Securities Hong Kong Limited ("RHB") pursuant to which the Company agreed to place through RHB an aggregate of up to 50,000,000 new Shares at the placing price of HK$0.89 per placing share (the "Placing I").

Completion of the Placing I took place on 30 July 2015 and a total of 50,000,000 new Shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The gross proceeds from Placing I were approximately HK$44,500,000 and the net proceeds after deducting all relevant expenses were approximately HK$42,900,000. The net proceeds were used (i) as to approximately HK$17,903,000 for repayment of outstanding indebtedness and (ii) as to approximately HK$24,997,000 for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 21 July 2015 and 30 July 2015.

(iv) Placing II

On 10 August 2015, the Company entered into a placing agreement with RHB pursuant to which the Company agreed to place through RHB, on a best-effort basis, an aggregate of up to 24,000,000 new Shares, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules), at the placing price of HK$0.89 per placing share (the "Placing II").

Completion of the Placing II took place on 27 August 2015 and a total of 24,000,000 new Shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The gross proceeds and the net proceeds from the Placing II were approximately HK$21,360,000 and approximately HK$20,550,000, respectively. The net proceeds have been reserved for general working capital of the Group and will be used to fund future investment when suitable opportunities arise.

For further details, please refer to the announcements of the Company dated 10 August 2015 and 27 August 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. SHARE CAPITAL *(continued)*

Note: *(continued)*

(v) Placing 2014

On 27 May 2014, the Company and (i) China Securities (International) Corporate Finance Company Limited; (ii) Pacific Foundation Securities Limited ("PFS"); (iii) FT Securities Limited ("FTS"); (iv) RHB OSK Securities Hong Kong Limited; and (v) Ping An of China Securities (Hong Kong) Company Limited (collectively, the "Joint Placing Agents") entered into a placing agreement pursuant to which, the Company has conditionally agreed to place, through the Joint Placing Agents on a best effort basis, up to 397,000,000 placing shares in tranches at the placing price of HK$0.8 per placing share, to not less than six places who and whose beneficial owners are independent third parties to the Company (the "Placing 2014").

The gross proceeds from the Placing 2014 were approximately HK$69,600,000 and the net proceeds after deducting placing commission and other related expenses were approximately HK$65,600,000. The net proceeds were used as to (i) HK$35.6 million for professional fees and expenses in relation to the Acquisition; and (ii) HK$30 million for general working capital of Weldtech Group (Note 42), including applying for the roll out of energy management contract projects and its daily operating expenses.

(vi) Subscription of New Shares under General Mandate

Pursuant to the stock lending and subscription agreement, which was entered into between the Company, a group of shareholders procured by PFS (the "Other Vendors"), and PFS, the Other Vendors conditionally agreed to lend or otherwise make available up to 87,000,000 shares (the "PF Placing Shares") to PFS for the purpose of the placing by PFS, and PFS was authorised to deal with the PF Placing Shares in such manner in the placing by PFS under the Placing 2014 as it deems fit and appropriate. The Other Vendors also undertook to subscribe for up to 87,000,000 shares as was equivalent to the exact number of PF Placing Shares placed, and the subscription was governed and regulated by the provisions under the stock lending and subscription agreement. The shares subscribed were issued under the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting of the Company held on 21 June 2013.

For further details, please refer to the Company's announcement dated 27 May 2014, 28 May 2014, 6 June 2014 and 16 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. SHARE CAPITAL *(continued)*

Note: *(continued)*

(vii) Subscription of New Convertible Bond under Specific Mandate

On 27 May 2014, the Company, Sina Winner Investment Limited (a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8089) (the "Sina Winner"), and FTS entered into a convertible bonds lending and subscription agreement, pursuant to which Sina Winner has conditionally agreed to lend or otherwise make the existing convertible bonds in the principal amount of HK$41,850,000 which upon full conversion can be converted into 310,000,000 new shares to be allotted and issued by the Company at the conversion price of HK$0.135 per share (the "CB 2014") available to FTS at the principal amount of the CB 2014, and FTS may convert the principal amount of the CB 2014 or any part thereof into such number of shares for the purpose of the placing by FTS.

Based on the initial conversion price of HK$0.135 of the new convertible bonds, a maximum number of 310,000,000 new conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the new convertible bonds in full.

(viii) Exercise of share options

During the year ended 31 December 2014, 13,488,000 ordinary shares of HK$0.1 each were issued as a result of exercise of share options under the Share Option Scheme.

(ix) Issuance of consideration of shares

On 13 June 2014, 170,000,000 consideration shares were issued at market price of HK$0.86 per share in relation to part of the consideration for the Acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-current assets		
Property, plant and equipment	**414**	908
Interests in subsidiaries	**392**	392
	806	1,300
Current assets		
Prepayments, deposits and other receivables	**126**	296
Amounts due from subsidiaries	**1,273,334**	1,992,457
Tax recoverable	**–**	1,867
Cash and bank balances	**678**	1,093
	1,274,138	1,995,713
Current liabilities		
Other payables and accruals	**5,160**	4,528
Finance liabilities derivatives	**3,400**	–
Amount due to a shareholder	**195**	236
Amount due to a subsidiary	**56**	64
	8,811	4,828
Net current assets	**1,265,327**	1,990,885
Total assets less current liabilities	**1,266,133**	1,992,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

	2015 HK$'000	2014 HK$'000
Non-current liabilities		
Non-convertible bonds	–	40,000
Convertible bonds	424,494	470,506
Promissory notes	82,891	71,827
Deferred tax liabilities	1,699	–
Contingent consideration payables	–	93,103
	509,084	675,436
Net assets	757,049	1,316,749
Capital and reserves		
Share capital	1,210,498	667,298
Reserves	(453,449)	649,451
Total equity	757,049	1,316,749

Approved and authorised for issue by the board of directors on 31 March 2016 and signed on its behalf by:

Mr. So Yuen Chun
Director

Mr. Chong Kok Leong
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movements of the Company's reserves

	Share premium HK$'000	Share capital reserve HK$'000	Share option reserve HK$'000	Convertible bond reserve HK$'000	Convertible bond options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	59,058	270,186	1,642	2,455	11,994	(84,775)	260,560
Loss for the year	–	–	–	–	–	(176,711)	(176,711)
Transition to no par value regime on 3 March 2014	(59,058)	(270,186)	–	–	–	–	(329,244)
Issuance of share upon exercise of share option (Note 47)	–	–	(1,642)	–	–	–	(1,642)
Issuance of convertible bonds (Note 34(b))	–	–	–	10,715	–	–	10,715
Issuance of convertible bonds upon the excerise of convertible bond options (Note 34(a))	–	–	–	11,994	(11,994)	–	–
Issuance of convertible bonds for acquisition of a subsidiary (Note 34(c))	–	–	–	899,149	–	–	899,149
Issuance of shares upon conversion of convertible bonds (Note 34)	–	–	–	(13,376)	–	–	(13,376)
At 31 December 2014 and 1 January 2015	–	–	–	910,937	–	(261,486)	649,451
Loss for the year	–	–	–	–	–	(873,662)	(873,662)
Equity-settled share option arrangement (Note 47)	–	–	471	–	–	–	471
Issuance of convertible bonds (Note 34(d))	–	–	–	10,296	–	–	10,296
Deferred tax arising on issue of convertible bonds (Note 37)	–	–	–	(1,699)	–	–	(1,699)
Issuance of shares upon conversion of convertible bonds (Note 34)	–	–	–	(238,306)	–	–	(238,306)
At 31 December 2015	**–**	**–**	**471**	**681,228**	**–**	**(1,135,148)**	**(453,449)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2015 and 2014 were as follows:

Name of companies	Place of incorporation/ operation	Issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company				Principal activities
			2015		2014		
			Direct	Indirect	Direct	Indirect	
The BLA (Asia)	Hong Kong	HK$2	100%	–	100%	–	Money lending
Alpha Gain Limited	Hong Kong	HK$2	100%	–	100%	–	Inactive
Total Global Holdings Limited	BVI	US$50,000	100%	–	100%	–	Inactive
Weldtech Technology Co. Limited	Hong Kong	HK$1,724	–	100%	–	100%	Investment holding
濠信節能科技(上海)有限公司 (Haoxin Technology (Shanghai) Company Limited)	PRC	Paid-up capital US$8,880,000	–	100%	–	100%	Design and provision of energy saving solutions
Blossom Ally Limited (Note (i))	BVI	US$1	100%	–	–	–	Investment holding
United Warrior Limited	BVI	US$1	100%	–	100%	–	Inactive
Diamond Team Limited	BVI	US$1	100%	–	100%	–	Inactive
Revelry Gains Limited (Note (ii))	BVI	US$1	–	–	–	100%	Inactive

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

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

Note:

(i) Blossom Ally Limited was incorporated on 8 July 2015 and the Group acquired 100% equity interest on 3 August 2015.

(ii) On 10 June 2015, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Revelry Gains Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS

On 8 October 2012, the Company issued 100 options at the premium of HK$7,830 each to the subscribers conferring the rights to the holders of the options thereof to subscribe for convertible bonds of the Company in the principal amount of HK$156,600 each at any time during the period from 8 October 2012 to 31 July 2014 ("CB I").

The fair value of options to subscribe convertible bonds issued on 8 October 2012 is approximately HK$13,947,000. The fair value of the convertible bond options is determined by an independent professional valuer, Messrs. Roma Appraisals Limited.

The fair value of the convertible bond options on date of issuance are determined by using the Binomial Model with the following key attributes:

Volatility	88.12%
Share price of the Company	HK$0.21
Expected life	1.81 year
Dividend yield	0%
Risk free rate	0.25%

The principal terms of the CB I are as follows:

Principal amount of each bond	HK$156,600
Coupon rate	10% per annum, payable annually in arrears
Conversion price	The initial conversion price was the higher of HK$0.018 or the par value of the shares of the Company. As the capital reorganization became effective on 19 December 2012, the conversion price has been adjusted to HK$0.18 per conversion share As a result of the completion of placement of the first tranche of CB II (as defined in Note 34(b), the conversion price of CB I has been adjusted from HK$0.18 to HK$0.14 per conversion share and such adjustment became effective on 19 December 2013. As a result of the completion of placing of all remaining tranches of CB II, the conversion price of CB I has been further adjusted from HK$0.14 to HK$0.10 per conversion share with effect from 17 February 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS *(continued)*

During the period and up to the maturity date, the CB I holders shall be able to convert in their entirety or any part of the outstanding principal amount of the CB I. The Company may, on the maturity date, at its absolute discretion, redeem all CB I which have not been redeemed or converted by maturity date at 100% of their principal amount or convert into the shares. The CB I are denominated in Hong Kong dollars and will mature on 31 December 2015. The Directors consider the CB I as equity instruments of the Company based on the substance of the contractual terms and the definition of a financial liability and an equity instrument.

All options were exercised by the CB I option holders and the principal amount of approximately HK$15,660,000 was fully issued during the year ended 31 December 2014.

42. BUSINESS COMBINATION

On 13 June 2014 (the "Acquisition Date"), the Group completed the acquisition of the entire share capital of Weldtech Technology Co. Limited ("Weldtech Technology").

The Weldtech Group is principally engaged in design and provision of energy saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption and to enhance overall energy efficiency of central air-conditioning system via its proprietary UPPC System and other components. The Acquisition allows the Company to diversify into a new line of business with positive prospect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

42. BUSINESS COMBINATION *(continued)*

The net assets acquired in the transaction and the goodwill arising therefrom, are as following:

	Acquiree's carrying amount before the Acquisition *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Property, plant and equipment	1,200	–	1,200
Intangible assets (Note 17)	–	889,901	889,901
Finance lease receivables	27,465	–	27,465
Inventories	691	–	691
Construction in progress	9,193	–	9,193
Trade and bills receivables	865	–	865
Prepayment, deposits and other receivables	2,816	–	2,816
Pledged bank deposits	785	–	785
Cash and bank balances	12,054	–	12,054
Borrowings	(40,000)	–	(40,000)
Trade and other payables	(4,685)	–	(4,685)
Amount due to shareholder	(17,792)	–	(17,792)
Deferred tax liabilities	–	(275,676)	(275,676)
	(7,408)	614,225	606,817
Goodwill arising on the Acquisition (Note 20)			1,275,620
			1,882,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

42. BUSINESS COMBINATION *(continued)*

Total consideration satisfied by:

	HK$'000
Deposit paid	10,000
Cash payable	33,100
Convertible bonds (Note 34)	1,299,883
Promissory notes (Note 35)	247,295
Contingent consideration payables (Note 36)	145,959
Consideration shares (Note 38)	146,200
Total consideration	1,882,437

An analysis of the cash flows in respect of the Acquisition is as follows:

	HK$'000
Cash consideration paid	–
Pledged bank deposits	785
Cash and bank balances acquired	12,054
Net inflow of cash and cash equivalents included in cash flows from investing activities	12,839
Transaction costs of the Acquisition recognised in the consolidated statement of profit or loss for the year	47,551

Impact of the Acquisition on the result of the Group

The Weldtech Group contributed revenue of approximately of HK$6,021,000 to the consolidated statement of profit or loss since Acquisition Date. The Weldtech Group contributed loss of approximately of HK$21,177,000 over the same period. Had the Weldtech Group been consolidated from 1 January 2014, the consolidated statement of profit or loss would show proforma revenue of approximately HK$16,759,000 and loss of approximately of HK$256,358,000 for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. DISPOSAL OF SUBSIDIARIES

(a) On 10 June 2015, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Revelry Gains Limited ("Revelry Gains") to an independent third party for cash consideration of HK$1,000,000 (the "Disposal"). The Disposal was completed on 11 June 2015. Summary of the effects of the Disposal is as follows:

	HK$'000
Net assets disposed of:	
Prepayments, deposits and other receivables	1,405
Loan receivables	201,680
Promissory notes (Note 35)	(121,554)
Net assets disposed of	81,531

Loss on disposal of a subsidiary

	HK$'000
Consideration received	1,000
Net assets disposal of	(81,531)
Loss on disposal	(80,531)

Net cash inflow from disposal of a subsidiary

	HK$'000
Consideration received in cash and cash equivalents	1,000
Less: cash and cash equivalent balances disposed of	–
Net cash inflow from disposal of subsidiaries	1,000

Before considering the fair value effect of the promissory notes, the disposed aggregate principal amounts of promissory notes were approximately HK$203,108,000 which formed part of the liabilities of Revelry Gains. After taking up the fair value effect, the carrying amounts of the disposed promissory notes were approximately HK$121,554,000, and therefore, the Group recorded a loss of approximately HK$80,531,000 as a result of the Disposal. Such loss had no material cash flow effect to the Group during the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) On 24 November 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Palmy Right Limited to an independent third party for cash consideration of HK$100,000. The disposal was completed on 24 November 2014. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	
Financial assets at fair value through profit or loss	55,769
Prepayments, deposits and other receivables	7,433
Cash and bank balances	1
Promissory notes	(34,611)
Net assets disposed of	28,592

Loss on disposal of subsidiary

	HK$'000
Consideration received	100
Net assets disposal of	(28,592)
Loss on disposal	(28,492)

Net cash inflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	100
Less: cash and cash equivalent balances disposed of	(1)
Net cash inflow from disposal of subsidiary	99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. DISPOSAL OF SUBSIDIARIES *(continued)*

(c) On 5 December 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Wise Planner Limited to an independent third party for cash consideration of HK$100,000. The disposal was completed on 5 December 2014. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	
Prepayments, deposits and other receivables	3,652
Mortgage loans	14,733
Loan receivables	33,460
Trade and other payables	(5,869)
Bond interest payable	(470)
Bond payables	(3,000)
Promissory notes	(23,719)
Net assets disposed of	18,787

Loss on disposal of subsidiary

	HK$'000
Consideration received	100
Net assets disposal of	(18,787)
Loss on disposal	(18,687)

Net cash inflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	100
Less: cash and cash equivalent balances disposed of	–
Net cash inflow from disposal of subsidiary	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. DISPOSAL OF SUBSIDIARIES *(continued)*

(d) On 5 December 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Good Earnings Limited to an independent third party for cash consideration of HK$100,000. The disposal was completed on 5 December 2014. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	
Plant and equipment	2,419
Cash and bank balances	1
Prepayments, deposits and other receivables	7,082
Accruals	(40)
Promissory notes	(5,280)
Net assets disposed of	4,182

Loss on disposal of subsidiary

	HK$'000
Consideration received	100
Net assets disposal of	(4,182)
Loss on disposal	(4,082)

Net cash inflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	100
Less: cash and cash equivalent balances disposed of	(1)
Net cash inflow from disposal of subsidiary	99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. DISPOSAL OF SUBSIDIARIES *(continued)*

(e) On 25 December 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Mighty Profit Holdings Limited to an independent third party for cash consideration of HK$100,000. The disposal was completed on 25 December 2014. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	
Prepayments, deposits and other receivables	30
Loan receivables	17,907
Promissory notes	(10,095)
Net assets disposed of	7,842

Loss on disposal of subsidiary

	HK$'000
Consideration received	100
Net assets disposal of	(7,842)
Loss on disposal	(7,742)

Net cash inflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	100
Less: cash and cash equivalent balances disposed of	–
Net cash inflow from disposal of subsidiary	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. DISPOSAL OF SUBSIDIARIES *(continued)*

(f) On 15 June 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Majestic View Holdings Limited to an independent third party for cash consideration of HK$20,000. The disposal was completed on 15 June 2014. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	
Amounts due from the Group	86,660
Trade and other payables	(86,660)
Net assets disposed of	–

Gain on disposal of subsidiary

	HK$'000
Consideration received	20
Net assets disposal of	–
Gain on disposal	20

Net cash inflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	20
Less: cash and cash equivalent balances disposed of	–
Net cash inflow from disposal of subsidiary	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

44. CAPITAL COMMITMENT

Capital commitments at each of the end of the reporting date contracted but not provided for in the consolidated financial statements were as follows:

	2015	2014
	HK$'000	*HK$'000*
Commitments for the construction contract	**5,213**	4,338

45. OPERATING LEASES

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for certain of its office premises as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**2,720**	6,207
In the second to fifth years inclusive	**395**	6,480
	3,115	12,687

Leases are negotiated and rental are fixed for term of 1 to 2 years (2014: 1 to 3 years).

46. RETIREMENT BENEFITS PLANS

The Group participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

For members of the MPF Scheme, the Group contribute 5% or HK$1,500 in maximum of relevant payroll costs to the scheme, which contribution is matched by employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

46. RETIREMENT BENEFITS PLANS *(continued)*

Pursuant to the regulations of the relevant authorities in the PRC, the Group participates in the PRC Schemes whereby the Group is required to contribute to the PRC Schemes to fund the retirement benefits of the eligible employees. Contributions made to the PRC Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the PRC Schemes is to pay the ongoing required contributions under the PRC Schemes.

The retirement benefit schemes contribution represents gross contributions by the Group to the PRC Schemes operated by the relevant authorities of the PRC.

The total cost charged to the profit or loss of approximately HK$121,000 (2014: HK$131,000) represents contributions paid and payable to the MPF Scheme by the Group in respect of the current year.

47. SHARE OPTION SCHEME

On 22 May 2008, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the board of directors of the Company (the "Board") may, at its discretion, grant options to the eligible participants (as defined in the Share Option Scheme) including employees, directors, shareholders and other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a director, chief executive or substantial shareholder or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders. Options granted under the Share Option Scheme will entitle the holder to subscribe for shares from the date of grant up to the 10th anniversary of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

47. SHARE OPTION SCHEME *(continued)*

On 22 January 2015 and 31 December 2015, a total of 8,000,000 and 1,000,000 options were granted to Directors of the Group pursuant to the Share Option Scheme. The estimated fair value of share options granted on 22 January 2015 and 31 December 2015 are approximately HK$607,000 and HK$100,000 respectively. An amount of approximately HK$471,000, which has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015. The fair value of the share options is determined by Grant Sherman Appraisal Limited.

The inputs into the model as grant date were as follows:

	2015	2014
Grant date share price	**HK$0.405 – 0.415**	HK$0.265
Weighted average share price:	**HK$0.414**	HK$0.265
Weighted average exercise price:	**HK$1.156**	HK$0.273
Expected volatility:	**62.14% – 66.07%**	71.463%
Risk-free rate:	**0.7% – 0.9%**	0.62%
Expected dividend yield:	**0%**	0%
Option period:	**3 – 4 years**	10 years
Fair value per option	**HK$0.0683 – 0.1003**	HK$0.121

Expected volatility was determined by using the historical volatility of the Company's share price over the expected option period. As the fair value of the services received could not be estimated reliably by the Company, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this mode. Expectations of early exercise multiple are incorporated into the Binomial Option Pricing Model. The fair values are inherently subjective and uncertain due to the assumptions made and the conditions of the model used.

In respect of the share options exercised during the year, the weighted average share price at dates of exercise is HK$1.156 (2014: HK$0.65).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

47. SHARE OPTION SCHEME *(continued)*

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
22 January 2015	One year from the date of grant	22 January 2016 to 22 January 2018	HK$0.900
22 January 2015	Two year from the date of grant	22 January 2017 to 22 January 2019	HK$1.500
31 December 2015	One year from the date of grant	1 January 2017 to 31 December 2018	HK$0.800

Details of the terms and movements of the share options granted pursuant to the Share Option Scheme are as follows:

2015

Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.01.2015	Grant during the year	Exercise during the year	Balance as at 31.12.2015
Director							
Ms. Khoo Pui Wun	31.12.2015	HK$0.800	31.12.2018	–	1,000,000	–	**1,000,000**
Employee							
Ms. Diana Liu He	22.01.2015	HK$0.900	22.01.2018	–	4,000,000	–	**4,000,000**
	22.01.2015	HK$1.500	22.01.2019	–	4,000,000	–	**4,000,000**
				–	9,000,000	–	**9,000,000**
Exercisable at the end of the year							**–**
Weighted average exercise price *(HK$)*				–	1.156	–	**1.156**
Weighted average remaining contractual life (years)							**2.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

47. SHARE OPTION SCHEME *(continued)*

2014

Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 1.1.2014	Exercise during the year	Balance as at 31.12.2014
Directors						
Mr. So Yuen Chun	28.12.2012	HK$0.273	27.12.2022	4,351,200	(4,351,200)	–
Mr. Yeung Kwok Leung	28.12.2012	HK$0.273	27.12.2022	4,351,200	(4,351,200)	–
Ms. Yuen Wai Man	28.12.2012	HK$0.273	27.12.2022	434,400	(434,400)	–
Consultant	28.12.2012	HK$0.273	27.12.2022	4,351,200	(4,351,200)	–
				13,488,000	(13,488,000)	–
Exercisable at the end of the year						–
Weighted average exercise price *(HK$)*				0.273	0.273	–
Weighted average remaining contractual life						Nil

48. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year the Group had the following transactions with related parties.

(a) Income or expense items:

	2015 **HK$'000**	2014 HK$'000
Loan interest income from a company with common director	**–**	774
Interest expense to a company with common director	**–**	75
Commission to a company with common director	**–**	3,470
Interest charged for a loan from a shareholder	**675**	536
Rental expenses paid to a shareholder	**756**	396
Consultancy fee paid to a shareholder	**1,224**	–
Guarantee fee paid to a shareholder	**–**	350

The Directors are of the opinion that the transactions were entered into on normal commercial terms and in the ordinary course of the Group's business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

48. MATERIAL RELATED PARTIES TRANSACTIONS *(continued)*

(b) Balances

	2015	2014
	HK$'000	*HK$'000*
Amounts due to shareholders (Note 31)	**1,543**	52,681

(c) Compensation of key management personnel

The key management of the Group comprises all Directors, details of their remuneration are disclosed in Note 13 to the consolidated financial statements. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

49. NON-CASH TRANSACTIONS

In the year ended 31 December 2014, the Group acquired the entire issued share capital of Weldtech Technology Co. Limited for a total consideration of HK$2,476,000,010, the consideration was partly satisfied by promissory note with principal amount of approximately HK$474,400,000, Convertible bonds with principal amount of approximately HK$1,262,500,000 and 170,000,000 issued consideration shares of the Company of approximately HK$146,200,000.

50. PLEDGE OF ASSETS

The Group pledged the bank deposits of approximately HK$236,000 (2014: HK$254,000) as the security deposit for the warranty fund of sale of goods.

51. EVENT AFTER REPORTING PERIOD

On 4 March 2016, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of The BLA (Asia) to an independent third party for a total cash consideration of HK$1,200,000. The disposal was completed on 21 March 2016.

52. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2016.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2015, as extracted from the audited consolidated financial statements, is as set out below.

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**16,776**	16,423	47,046	42,224	37,995
(Loss)/profit for the year attributable to owners of the Company	**(815,428)**	(243,371)	(91,105)	10,324	(49,305)
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
(Loss)/earnings per share					
– Basic	**(52.33)**	(29.59)	(20.88)	2.37	(11.71)
– Diluted	**(52.33)**	(29.59)	(20.88)	2.34	(11.71)

ASSETS AND LIABILITIES

	At 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,554,198**	2,431,539	397,933	453,160	381,627
Total liabilities	**(796,897)**	(1,172,414)	(74,615)	(52,722)	(9,024)
Net assets	**757,301**	1,259,125	323,318	400,438	372,603