

(Incorporated in Bermuda with limited liability) Stock Code: 1152



2015
Annual Report

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# Corporate Information

### **BOARD OF DIRECTORS**

### **Executive directors**

Mr. Yu Xueming (Chairman)

Mr. Yu Chuanfu (Chief Executive Officer)

Mr. Sit Yau Chiu Mr. Zheng Qiang Mr. Han Hanting

### Non-executive director

Mr. Chan Yee, Herman

### Independent non-executive directors

Mr. Wang Wei Hung, Andrew

Mr. Sin Ka Man Mr. Zhao Li Xin

### **REGISTERED OFFICE**

Clarendon House 2 Church Street Hamilton HM 11 Bermuda

# HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1208–10
Dah Sing Financial Center
108 Gloucester Road
Wan Chai
Hong Kong

### **COMPANY SECRETARY**

Mr. Chan King Keung

### **AUTHORISED REPRESENTATIVES**

Mr. Han Hanting
Mr. Chan King Keung

### **BERMUDA RESIDENT REPRESENTATIVE**

Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda

### **MEMBERS OF THE AUDIT COMMITTEE**

Mr. Sin Ka Man *(Chairman)* Mr. Wang Wei Hung, Andrew Mr. Zhao Lixin

# MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Zhao Lixin (Chairman)

Mr. Yu Chuanfu

Mr. Wang Wei Hung, Andrew

Mr. Sin Ka Man

### Corporate Information

# MEMBERS OF THE NOMINATION COMMITTEE

Mr. Wang Wei Hung, Andrew (Chairman)

Mr. Zhao Lixin

Mr. Sin Ka Man

# BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda

# HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong

China Citic Bank International Limited 80/F, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong

### **AUDITOR**

SHINEWING (HK) CPA Limited 43/F., The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong

### **COMPANY'S WEBSITE**

www.1152.com.hk

### STOCK CODE

1152

# Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Infinity Financial Group (Holdings) Limited (the "Company", together with its subsidiaries, the "Group"), I am honored to update you on the Group's position, performance, prospect and present the annual results of the Group for the year ended 31 December 2015.

The global economic growth was estimated approximately at 3.1 percent in 2015, is projected at 3.4 percent in 2016 and 3.6 percent in 2017. However, the pickup in global activity is projected to be more gradual than in the 2015, as it is currently influenced by: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery, as several other major advanced economies like EU and Japan Central banks continue to ease monetary policy.

Growth in China was 6.9 percent in 2015, and is expected to slow down to 6.3 percent in 2016 and 6.0 percent in 2017, primarily reflecting weaker investment growth as the economy continues to rebalance of economic activity from investment and manufacturing towards consumption and services. The monetary policy in China, in consistent with that in 2015, will continue to be relatively loose. The interest rates would be expected to be reduced further in 2016, and to release liquidity through the banking sector. The faster-than-expected slowdown in PRC imports and exports, in part reflecting weaker investment and manufacturing activities, together with the depreciation of RMB, arouse the market concerns about the future performance of the Chinese economy.

Although it is anticipated that the global and the PRC economies are facing challenges in 2016 with weakened industrial demand, business downturn, production undercapacity, intensified competition and deterioration of industrial credit standing; however; in accordance with the supporting statement in the Report on the Work of the Government delivered by Premier Li Keqiang in the Twelfth National People's Congress in March 2015 regarding the "Financial Reform to better serve the real economy", the management still have strong confidence that the finance industry will keep on prosperous with high growth yearly.

### Chairman's Statement

To cope with those future challenges in 2016, the Group will continue to provide professional financial and consultancy services to our esteem customers, to assist them to innovate their system, to strengthen their production capacity and enhance their corporate development, to develop innovative financial services in different industries; whereas the Group will play a more cautious and conservative role on strengthening the Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole.

On behalf of the Board, I would like to extend my appreciation to the management and staff for their dedication, contribution and hard work. I wish to also express my gratitude to the business partners and shareholders of the Group for their unequivocal support and confidence in the Group.

Yu Xueming

Chairman

18 March 2016

### FINANCIAL PERFORMANCE AND BUSINESS REVIEW

### **Textile Business**

Owing to the continuous weakening demand on the textile segment business, on 12 January 2015, the Board decided to cease the operation of the Group's textile segment.

For the year ended 31 December 2015, the textile segment recorded a revenue of approximately HK\$27,625,000, showing a decrease of approximately 88.7% from the 2014's revenue of approximately HK\$245,552,000.

Gross profit of the textile segment for the year ended 31 December 2015 decreased by approximately 96.8% from approximately HK\$47,730,000 in the previous year to HK\$1,507,000 in 2015. The gross profit margin also decreased from approximately 19.4% in 2014 to 5.5% in 2015.

For the year ended 31 December 2015, the textile segment recorded a loss after tax of approximately HK\$16,277,000 as compared with a loss after tax of approximately HK\$10,518,000 for the previous year ended 31 December 2014.

Details of the discontinued operation are listed in Note 14.

#### **Finance Services Businesses**

The financial services segment is principally engaged in finance leasing business, leasing business, purchasing of leased assets at domestic and overseas market, disposal of residual value and maintenance of leased assets, provision of consultation and guarantees for lease transactions, import and export of equipment, automatic system engineering and software system engineering.

The Group operates the finance lease business through its two wholly foreign owned enterprises ("WFOE") establishments in PRC, namely Shanxi Sino Top Leasing Company Limited\* (山西華威融資租賃有限公司) ("Shanxi Sino Top") and namely Rong Yuan Financial Leasing (Shanghai) Company Limited\* (融元融資租賃(上海)有限公司) ("Rong Yuan").

For the year ended 31 December 2015, the finance lease segment recorded a revenue of approximately HK\$103,171,000, showing an increase of 143.3% in revenue of approximately HK\$ 42,398,000 from previous year in 2014.

Gross profit of the finance lease segment for the year ended 31 December 2015 increased by approximately 71.5% from approximately HK\$9,508,000 in the previous year to HK\$16,310,000 in 2015. The gross profit margin decreased from 22.4% in 2014 to 15.8% in 2015.

The Group considers the finance lease industry in the PRC is prosperous and still has a great opportunity for business development. However, owing to the slower economic growth in the market, the management takes cautious and conservative risk management point of view to assess its customer profile.

### FINANCIAL POSITION AND LIQUIDITY

As at 31 December 2015, the Group recorded total assets of approximately HK\$359,824,000, which were financed by internal resources of approximately HK\$148,245,000 and liabilities of approximately HK\$211,579,000. The Group had total cash and bank balances of approximately HK\$219,553,000. The current ratio (current assets divided by current liabilities) of the Group decreased from 5.4 times as at 31 December 2014 to 4.6 times as at 31 December 2015.



### **CONTINGENT LIABILITIES**

As at 31 December 2015, our Group had no significant contingent liabilities.

### **FOREIGN EXCHANGE EXPOSURE**

In respect of the finance lease business, the Group's receipts, payments and operating expenses are all transacted in RMB, in which the Group expects the currency risks would be insignificant.

The Group has a foreign currency hedging policy to monitor the foreign exchange exposure. The Group will consider further hedging significant foreign currency exposure should the need arises.

### **ENVIRONMENT POLICY**

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of Recycling and Reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance. Our Group is also using office equipment carrying Energy Label issued by the Electrical and Mechanical Services Department which save energy in the offices.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs — Reduce, Recycle and Reuse and enhance environmental sustainability.

### **COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

During the Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

### **EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2015, the Group has a workforce of approximately 40 employees in Hong Kong and the PRC, including five executive Directors, one non-executive Director and three independent non-executive Directors.

Remuneration policies of the Group are determined with reference to performance, qualification and experience of the staff as well as the operating results of the Group and the current market condition with salaries and wages being reviewed on an annual basis. The Group also provides discretionary bonus, medical insurance, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the Shareholders on 11 October 2011, the Company has adopted a share option scheme (the "Scheme") for the purpose of motivating eligible participants. For the year ended 31 December 2015, no share options were granted by the Company since the adoption of the Scheme.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Company do not have any plans for material investments and capital assets.

### SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries, the Group did not hold significant investment for the year ended 31 December 2015.

# MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the year ended 31 December 2015, the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies.

#### RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year, there was no material and significant dispute between our Group and its business partners or bank enterprises.

### **KEY RISKS AND UNCERTAINTIES**

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

#### **Market Risks**

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Foreign Exchange Rates Risk

As our Group's assets and liabilities were mainly denominated in Hong Kong Dollars, U.S. Dollars and RMB, in view of the potential RMB exchange rate fluctuations, our Group will continue to closely monitor the exposure and take any actions when appropriate.



### **Interest Rate Risk**

For interest-sensitive products and investments, our Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

### **Liquidity Risk**

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

### **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 departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

#### Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Proper authorization system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

### **Manpower and Retention Risk**

Our Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of our Group. Our Group will provide attractive remuneration package to suitable candidates and personnel.

#### OUTLOOK

### **Global Economy**

The global economic growth was estimated approximately at 3.1 percent in 2015, is projected at 3.4 percent in 2016 and 3.6 percent in 2017. However, the pickup in global activity is projected to be more gradual than in the 2015, as it is currently influenced by: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery, as several other major advanced economies like EU and Japan Central banks continue to ease monetary policy.

### **China Economy**

Growth in China was 6.9 percent in 2015, and is expected to slow down to 6.3 percent in 2016 and 6.0 percent in 2017, primarily reflecting weaker investment growth as the economy continues to rebalance of economic activity from investment and manufacturing towards consumption and services.

The monetary policy in China, in consistent with that in 2015, will continue to be relatively loose. The interest rates would be expected to be reduced further in 2016, and to release liquidity through the banking sector.

The faster-than-expected slowdown in PRC imports and exports, in part reflecting weaker investment and manufacturing activities, together with the depreciation of RMB, arouse the market concerns about the future performance of the Chinese economy.

### **Financial Services Industry**

In mid of 2015, China's financial leasing industry maintained its rapid growth. There were approximately 3180 registered financial lease companies, an increase of approximately 980 in the year, with approximately 40 financial leasing companies, 190 domestic leasing and 2,950 foreign leasing WFOE. During this half year period from previous year of 2014, the total registered capital in the industry amounted to approximately RMB1000 billion, up approximately RMB340 billion; the balance of financial leasing contract also boomed and amounted to approximately RMB3.6 trillion, up 14% of approximately RMB450 billion.

Looking forward to the year of 2016, it is expected that the speed of increasing financial lease companies in the industry, will not slow down, as more financial institutions such as city commercial banks and rural commercial banks are applying licenses for financial lease companies, which will cause more severe competition among the industry.

### **Company Tactics**

Although it is anticipated that the global and the PRC economies are facing challenges in 2016 with weakened industrial demand, business downturn, production undercapacity, intensified competition and deterioration of industrial credit standing; however; in accordance with the supporting statement in the Report on the Work of the Government delivered by Premier Li Keqiang in the Twelfth National People's Congress in March 2015 regarding the "Financial Reform to better serve the real economy", the management still have strong confidence that the finance industry will keep on prosperous with high growth yearly.

To cope with those future challenges in 2016, the Group will continue to provide professional financial and consultancy services to our esteem customers, to assist them to innovate their system, to strengthen their production capacity and enhance their corporate development, to develop innovative financial services in different industries; whereas the Group will play a more cautious and conservative role on strengthening the Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole.

### **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. Yu Xueming ("Mr. Yu XM"), aged 42, was appointed as executive Director and Chairman of the Board on 4 June 2014. Mr. Yu XM is primarily responsible for the overall strategic planning of the Group. He possesses the title of senior engineer in China and has about 20 years of experience in construction, real estate development, coal mining and investment industries. He served as the manager of Shanxi branch of Fujian Gaohua Construction Engineering Co., Ltd.\* (福建省高華建設工程有限公司山西分公司) from 1995 to 2008, the chairman of Jiexiu City Wangyuan Coal Industry Co. Ltd.\* (介休市旺源煤業有限公司) from 2008 to 2012, and has been the chairman of Shanxi Xierun Investment Co. Ltd.\* (山西協潤投資有限公司) and Xiaoyi City Tiankai Real Estate Development Co. Ltd.\* (孝義市天凱房地產開發有限公司) since 2008. Mr. Yu XM obtained a bachelor degree from Huaqiao University in China, majoring in Civil Engineering, in July 1997.

Mr. Yu Chuanfu ("Mr. Yu CF"), aged 44, was appointed as an executive Director and Chief Executive Officer on 4 June 2014. Mr. Yu CF is primarily responsible for the overall strategic planning and business development of the Group. He has over 20 years of experience in different industries such as coal mining, logistic and investment industries. He served as the deputy general manager of Guangzhou Longtian Logistic Co. Ltd.\* (廣州龍田物流有限公司) from 2002 to 2008, and the general manager of Lan County Gaogupo Coal Mining Co. Ltd.\* (嵐縣高家坡煤礦有限公司) from 2008 to 2011. He has been the general manager of Lan County Jinqiao Investment Co. Ltd.\* (嵐縣金橋投資有限公司) since 2010.

Mr. Sit Yau Chiu ("Mr. Sit"), aged 51, was appointed executive Director on 4 June 2014. Mr. Sit has over 30 years of investment and business development experience in different industries such as trading and sales of internationally renowned brands (including the business of duty free shops), catering, information, real estate and chemical engineering industries. He devoted to expand the markets of international famous brands such as Japanese cosmetic and watches in the 80s. With the expansion of business into the areas of international famous brands covering handbags, leather products and jewellery, he established Top Pride International Limited in Hong Kong in 1997, Top Win International Trading Limited in 2001, Ho Hon Brothers Holdings Limited in 2005, Beijing Ho Hon Brothers Holdings Limited\* (北京浩瀚兄弟集團有限公司) and Top One International Holdings Limited subsequently. Currently, he is the chairman and president of the group with business footprints in Beijing, Shanghai, Nanjing, Guangzhou, Suzhou, Qingdao, Hangzhou and Fuzhou in China. Mr. Sit is the director of Top Star Group Holdings Limited, a substantial shareholding of the Company within the meaning of Part XV of the SFO.

Mr. Zheng Qiang ("Mr. Zheng"), aged 36, was appointed executive Director on 16 May 2013. Mr. Zheng has over 10 years of experience in corporate management and business development. Mr. Zheng has been an executive director of Heilongjiang Province Heihe City Hua Fu Real Estate Development Company Limited (黑龍江省黑河市華富房地產開發有限責任公司) and Heilongjiang Province Heihe Hua Fu Mall Company Limited (黑龍江省黑河華富商城有限責任公司). Mr. Zheng is the director of Billion Mission Limited, a substantial shareholding of the Company within the meaning of Part XV of the SFO.

Mr. Han Hanting ("Mr. Han"), aged 31, was appointed executive Director on 16 May 2013. Mr. Han has more than 7 years of experience in investment banking industry. He has been an investment manager of Fortune Assets Management Limited, a wholly owned subsidiary of China Fortune Group Limited (Stock Code: 290) which is listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prior thereto, he was research associate in CCB International Securities Limited and debt capital market in UBS, Investment Bank. Mr. Han obtained his bachelor degree from University of Warwick majoring in Mathematics, Operational Research, Statistics and Economics in July 2006.

#### **Non-executive Directors**

Mr. Chan Yee, Herman ("Mr. Chan"), aged 61, was appointed non-executive Director on 2 July 2013. Mr. Chan is currently a consultant of Y.T. Chan & Co., a firm of solicitors, and has more than 6 years of experience in the legal sector. He was admitted as Solicitor of the High Court in Hong Kong in May 2011. Prior to his legal career, he was a superintendent in the Hong Kong Police Force and had served the public for over 36 years. Mr. Chan obtained his bachelor of laws (LLB) degree from the University of London in 2003 and postgraduate certificate in laws from City University of Hong Kong in 2005.

### **Independent non-executive Directors**

Mr. Wang Wei Hung, Andrew ("Mr. Wang"), aged 60, was appointed as independent non-executive Director on 11 October 2011. He was admitted as Solicitor of the High Court in Hong Kong in January 1982 and has over 30 years of experience in the legal practice. Mr. Wang was the General Manager and General Counsel of Bank of China (Hong Kong) Limited between 2003–2006 and the Head of Legal and Compliance Department of China Development Bank Corporation Hong Kong Branch between 2009–2010. Before joining China Development Bank Corporation Hong Kong, he was the Partner of the Finance & Projects Group (Asia) of DLA Piper Hong Kong solicitors between the period from 2006 to 2009. Mr. Wang is also a Notary Public since 1992. Actively involved in Public Sector Advisory and Statutory Bodies, amongst the appointments he is Chairman of Residential Care Homes (Elderly Persons) Appeal Board, Chairman of Appeal Tribunal Panel (Building), former member of Notaries Public Disciplinary Tribunal Panel. Mr. Wang is a Fellow of the Hong Kong Institute of Directors. He served Tung Wah Group of Hospitals for eight years and became its 5th Vice Chairman of the Board in 1992–1993. In 2005, he was invited by former President Bill Clinton to participate as a business leader at the Clinton Global Initiative held in New York 2005.

Mr. Sin Ka Man ("Mr. Sin"), aged 48, was appointed as independent non-executive Director on 11 October 2011. Mr. Sin has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He became an associate member of The Hong Kong Institute of Certified Public Accountants (the "HKICPA") (formerly known as Hong Kong Society of Accountants) in January 1996, a fellow member of the Association of Chartered Certified Accountants in July 1997 and a certified practising accountant of the CPA Australia in December 2000. Mr. Sin obtained his bachelor degree in Social Sciences from the University of Hong Kong in December 1989, master degree in Finance from the University of Strathclyde, the United Kingdom in November 1993 and a master degree in Accounting from Curtin University of Technology, Australia in June 1998.

Mr. Sin is currently the company secretary of Huayu Expressway Group Limited (Stock Code: 1823), a company listed on the main board of the Stock Exchange. Mr. Sin serves as an independent non-executive director of Chinese People Holdings Company Limited (Stock Code: 0681), Easy One Financial Group Limited (formerly known as PNG Resources Holdings Limited) (Stock Code: 0221) and Xtep International Holdings Limited (Stock Code: 1368), all of which are currently listed on the main board of the Stock Exchange.

Mr. Zhao Li Xin ("Mr. Zhao"), aged 48, was appointed independent non-executive Director on 31 December 2014. Mr. Zhao is currently the General Manager of Amston Investment Limited (常盛投資有限公司), an independent director of Zhong Hui Futures Co., Ltd.\* (中輝期貨經紀有限公司), Gelin Dahua Futures Co., Ltd.\* (格林大華期貨經紀有限公司), Shanxi Baiyuan Trousers Chain Management Co., Ltd. (山西百圓褲業連鎖經營股份有限公司) (stock code 002640.SZ) and Nafine Chemical Industry Group Co., Ltd (南風化工集團股份有限公司) (stock code 000737.SZ). Mr. Zhao has over 20 years of professional experience in securities, initial public offerings and related investments, convertible debts, issue and allotment of securities and corporate auditing including asset restructuring and internal auditing. Mr. Zhao is a holder of various professional qualifications including being a non-practising member of The Chinese Institute of Certified Public Accountants and qualified to deal in securities and futures related business. He is also a Certified Public Valuer of the People's Republic of China and a Registered Tax Agent of the People's Republic of China. Mr. Zhao was previously an independent director of Shanxi Lu'an Environmental Energy Development Co., Ltd. (山西潞安環能股份有限公司) (stock code 601699.SH) and Shanxi Tond Chemical Co., Ltd. (山西同德化工股份有限公司) (stock code 002360.SZ) in the last three years.

### **SENIOR MANAGEMENT**

**Mr. Chan King Keung ("Mr. Chan")**, aged 51, was appoint Chief Financial Officer on 1 September 2014. Mr. Chan has more than 25 years of experience in accounting, auditing, corporate finance and consulting, and has held various senior positions with listed and private companies in Hong Kong and China. Mr. Chan holds a bachelor's degree in social sciences from the University of Hong Kong, and is a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Yu Jie, aged 51, was appointed General Manager of Shanxi Sino Top Leasing Company Limited in May 2014. Mr. Yu obtained his degree from Shanghai University of Finance and Economics majoring in Accounting and Finance in 1987. Having served in the Fujian Branch of Agricultural Bank of China, he was one of the early pioneers of financial professionals in the PRC and had extensive experiences and networks in the industry. Mr. Yu then started his own business in Australia with footprints in Australia and Indonesia, which demonstrated his excellent market development ability and corporate management skills. Mr. Yu was appointed as the Deputy General Manager of Shanghai Runjing Investment Co. Ltd., and General Manager of Evercredit Capital Investment Co. after he returned to China, and during his service period, Mr. Yu had successfully helped a number of enterprises to solve their financial problems by his professional knowledge and practical experiences in the finance industry.

Mr. Shao Zheng ("Mr. Shao"), aged 43, was appointed as marketing director of Shanxi Sino Top Leasing Company Limited in December 2014. Mr. Shao obtained his degree from Southwest University of Science and Technology in 1995, majoring in accountancy. He had held various senior positions within Industrial Bank, including general officer, settlement and accounting officer and business manager of credit division at Waigaoqiao branch from 1998 to 2002, during which he was responsible for the development of internal control system, and accounting and compliance affairs for the finance business; he served in risk control and management division from 2003 to 2006, during which he was responsible for the business development of the finance business, operations of the credit business, due diligence before credit approval, credit review and credit monitoring, and other tasks for the finance and credit businesses; and he served in investigation department of a branch risk management division from 2007 to 2013, during which he was responsible for the risk evaluation before credit approval, risk monitoring and review for the finance business.

From January to November 2014, Mr. Shao was general manager of Shanghai Hefeng Finance Leasing Co., Ltd. (上海禾峰融資租賃有限公司), responsible for supervising the risk management for the finance leasing business, preparing business evaluation report on companies engaging in finance leasing business, and giving advice on risk examination. Mr. Shao has worked in finance business for years from which he has gained extensive experience in finance leasing business. He possesses good ability in risk management and has profound knowledge in trade finance, supply chain finance, property financing, management of investment, financing and assets. He is able to master and is skillful in utilising financial products.

Mr. Zhu Peijun ("Mr. Zhu"), aged 41, was appointed as director of financial market department of Shanxi Sino Top Leasing Company Limited in March 2015. Mr. Zhu obtained his degree from Huazhong University of Science and Technology, majoring in international trade. He had served as branch banking manager for several banks in the PRC. He had held senior positions within Bank of Nanjing, Shanghai branch, namely vice manager of personal banking division, general manager of personal credit centre and executive member of the credit approval committee from 2008 to 2009. From October 2009 to July 2010, Mr. Zhu served as vice president of Bank of Beijing, Pudong of Shanghai branch. From January 2012 to February 2015, he was appointed as general manager of Shanghai Aorong Investment Management Co., Ltd. (上海傲融投資管理有限公司). During his service, Mr. Zhu contributed his expertise to the finance management business.

Mr. Liu Zhen ("Mr. Liu"), aged 30, was appointed as head of legal of Shanxi Sino Top Leasing Company Limited in September 2015. Mr. Liu obtained his master degree from Shanghai University of Finance and Economics in 2013, majoring in law. He worked in the foreign affairs department of DHH Law Firm, Shanghai office from 2011 to 2012, during which he was responsible for translating sales contract and organising files, checking cases and relevant legislations about dispute over labour contracts, and useful conclusions for the issue of legal opinions to companies for labour risk mitigation, as well as assisting lawyers in contract drafting for fund companies.

Since 2013, Mr. Liu has worked in the legal compliance department of Haitong Futures Co., Ltd., responsible for drafting and approving of general contracts, anti-money laundering affairs within all business departments and the headquarter, internal control in managing risks of subsidiaries, contract approval and giving advice on any new businesses, and reviewing the procedures and contracts of assets management business and taking active part in fund agency business, as well as giving legal advice.

Mr. Gong Zhechen ("Mr. Gong"), aged 26, was appointed as project manager of Shanxi Sino Top Leasing Company Limited in September 2015. Mr. Gong obtained his master degree in Guizhou University in 2015, majoring in law. He had worked in the trust service department of Yihui Asset Management Co., Ltd., responsible for devising trust and asset management products, conducting research and evaluation of risk management measures on trust products and private equity fund products, verifying the qualification of counterparties, carrying out on-site investigations of the operation of projects, and giving advice on risk management. He specialises in the sales of financial hedging products, legal risk control and providing support for the subsequent operation of projects. During his service, he has visited numerous financial companies in Lujiazui, including P2Ps, banks, trust companies, assets management companies and fund companies, from which he understood the operation system of financial companies and learnt various standards of risk management on devising products.

From January to August 2015, Mr. Gong served as assets manager of the legal department of International Far Eastern Leasing Co., Ltd. (遠東國際租賃), responsible for due diligence on project introduction, customer credit examination and legal risk hedging. In the course of project operations, he was responsible for payment collection for construction works and on-site business negotiation for projects. His legal experience enables him to play a significant role in legal affairs or risk management in financial organisations.

The Board and management are committed to achieve high standards of corporate governance to safeguard the interests of the Shareholders and to enhance its transparency and accountability. The Group has adopted the practices that has complied with all the code provisions as set out in Appendix 14 — Corporate Governance Code and Corporate Governance Report ("CG Code") of the Listing Rules. The Group will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business. It will review its corporate governance practices regularly to ensure compliance with the CG Code.

### **BOARD OF DIRECTORS**

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Each of the Directors has entered into a service contract with the Company for a term of two years. All Directors including the Chairman are required to retire from office by rotation and subject to re-election by the Shareholders at annual general meeting at least once every 3 years. Under the Company's bye-laws, one third of the Directors, must retire and be eligible for re-election at each annual general meeting. As such, no Director has a term of appointment longer than two years. The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the CG Code and Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent. Within the three independent non-executive Directors, at least one of them possesses the appropriate professional qualifications, accounting or related financial management expertise.

The members of the Board for the year ended 31 December 2015 were:

### **Executive Directors**

Mr. Yu Xueming (Chairman)

Mr. Yu Chuanfu (Chief Executive Officer)

Mr. Sit Yau Chiu

Mr. Zheng Qiang

Mr. Han Hanting

### Non-executive director

Mr. Chan Yee, Herman

### **Independent non-executive Directors**

Mr. Wang Wei Hung, Andrew

Mr. Sin Ka Man

Mr. Zhao Lixin

The Chairman and Chief Executive Officer of the Company are two distinct and separate positions, which are held by Mr. Yu Xueming and Mr. Yu Chuanfu respectively, both being executive Directors.

The Board is responsible for promoting the success of the Group and its business by leading and supervising the Company's affairs. The Board is responsible for determining the Group's objectives, overall strategies and policies, approving business plan, evaluating operating, instilling corporate culture and financial performance. Its role is clearly separated from that of the senior management.

The Board has delegated the day-to-day operation responsibility of the Group to executive Directors and senior management. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. Biographical details of and the relationship between the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

### NOMINATION OF DIRECTORS

The Board is responsible for the formulation of nomination policies, making recommendations to the shareholders for reelection, providing sufficient and accurate biographical details of directors to enable the Shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill in causal vacancies or as additions to the Board. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there are an appropriate number of Directors on the Board independent of management. He also identifies and nominates qualified individuals for appointment as new Directors. When considering appointment of new Directors, the Board will take into consideration of criteria such expertise, experience, integrity and commitment.

### **DIRECTORS' AND OFFICERS' INSURANCE**

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

### **CONTINUOUS PROFESSIONAL DEVELOPMENT**

Pursuant to the revised CG Code which has come into effect from 1 April 2012, all Directors and company secretary should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2015, all Directors and company secretary confirmed that they have complied with the CG Code.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the directors during the year ended 31 December 2015.

### **NOMINATION COMMITTEE**

The Company established nomination committee of the Company (the "Nomination Committee") on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group's engagement of appropriate directors and managerial personnel (including the expertise, experience, integrity and commitment) to complement the Company's corporate objectives and strategies. The terms of reference of the Nomination Committee were posted on the Company's website.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee comprises three independent non-executive Directors, namely, Mr. Wang Wei Hung, Andrew, Mr. Zhao Li Xin and Mr. Sin Ka Man and is chaired by Mr. Wang Wei Hung, Andrew.

During the year ended 31 December 2015, the Nomination Committee had held one meeting and the Nomination Committee has reviewed the structure, size and composition of the Board, and recruitment procedure of Executive Directors and senior management.

### **REMUNERATION COMMITTEE**

The Company established remuneration committee of the Company (the "Remuneration Committee") on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group's policies and structure for remuneration of Directors and senior management of the Group; determining the remuneration packages of Directors and senior management of the Group; and reviewing and approving their performance-based remuneration. The terms of reference of the Remuneration Committee were posted on the Company's website.

The Remuneration Committee comprises Mr. Zhao Li Xin, Mr. Yu Chuan Fu, Mr. Wang Wei Hung, Andrew and Mr. Sin Ka Man and is chaired by Mr. Zhao Li Xin.

During the year ended 31 December 2015, the Remuneration Committee had held one meeting and the Remuneration Committee has reviewed the remuneration policy and structure relating to Directors and senior management of the Group.

### **AUDIT COMMITTEE**

The Company established audit committee of the Company (the "Audit Committee") on 11 October 2011 which is primarily responsible for overseeing the relationship between the Company and its external auditor in relation to the matters coming within the scope of the Group's audit; reviewing the Group's financial reporting process, adequacy and effectiveness of the Group's internal control system and risk management system. The terms of reference of the Audit Committee which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the HKICPA and were posted on the Company's website.

The Audit Committee comprises Mr. Sin Ka Man, Mr. Wang Wei Hung, Andrew and Mr. Zhao Lixin and is chaired by Mr. Sin Ka Man.

During the year ended 31 December 2015, the Audit Committee had held three meetings and the Audit Committee reviewed the interim and annual results, and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; and assisted the Board in meeting its responsibilities for maintaining an effective system of internal control.

### ATTENDANCE OF MEETINGS

The Company held Board meetings regularly for at least four times a year at approximately quarterly intervals with at least 14 days' notice was given to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice was given. The attendance record for each of the Directors at the Board meeting during the year ended 31 December 2015 was set out below.

	A				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Yu Xueming	3/15	_	_	_	_
Mr. Yu Chuanfu	11/15	_	1/1	_	1/1
Mr. Sit Yau Chiu	3/15	_	_	_	_
Mr. Zheng Qiang	13/15	_	_	_	1/1
Mr. Han Hanting	14/15	_	_	_	1/1
Non-executive Directors					
Mr. Chan Yee, Herman	7/15	_	_	_	_
Independent Non-executive Directors					
Mr. Wang Wei Hung, Andrew	7/15	3/3	1/1	1/1	_
Mr. Sin Ka Man	8/15	3/3	1/1	1/1	_
Mr. Zhao Li Xin	6/15	3/3	1/1	1/1	_

### DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Directors acknowledge responsibilities for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2015 which should give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis.

The Directors' responsibilities in the preparation of the financial statements of the Group and the auditor's responsibilities are set out in the independent auditor's report.

#### **INTERNAL CONTROL**

The Board is responsible for overseeing the Group's internal control system and ensuring that a sound and effective internal control system is maintained. The Company has engaged SHINEWING Risk Services Limited ("SHINEWING Risk Services") to conduct review and make recommendations for the improvement and strengthening of the internal control system. SHINEWING Risk Services has reviewed the major internal controls and measures, including financial, operational and compliance as well as risk management and has made relevant recommendations for improvement of the internal control system to the Board. Any material non-compliance or failures in internal controls maintained by the Group and relevant recommendations for improvements are reported to the Audit Committee.

The Board has to be fully responsible for the stability and effectiveness of the systems of internal control and with management of the Group. It is also responsible for ensuring that recommendations made by the internal audit function and SHINEWING Risk Services are properly implemented. The Board recognizes that the Group's internal control system plays a key role in the management of risks, and the assurance of continued compliance with laws and regulations by the Group.

The Audit Committee has kept under review the system of internal control. Based on review undertaken together with reports submitted by the management and SHINEWING Risk Services, the Audit Committee will provide the Board with advice on the adequacy of the Group's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, in order to ensure that an effective internal control system is put in place. During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

### **AUDITOR'S REMUNERATION**

The fees in relation to the audit and non-audit services provided by SHINEWING (HK) CPA Limited, the external auditor, to the Company and its subsidiaries for the year ended 31 December 2015 is analysed below:

### Type of services provided by the external auditor

	<b>Fee</b> HK\$'000
Audit service	920
Non-audit services	
Review of preliminary announcement of results	10
Acted as tax representative of the Group's entities	40
Review of the internal control system of the Group for the year ended 31 December	120

# HOW SHAREHOLDERS CAN CONVENE A SPECIAL GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Pursuant to the bye laws of the Company, any one or more Shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the company by mail at Suites 1208–10, 12/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

### PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary by mail at Suites 1208–10, 12/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong, or by email at info@1152. com.hk. The company secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the managing director of the Company.

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

### COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

General meeting of the Company provides a communication channel between the Shareholders and the Board that the shareholders of the Company are encouraged to participate in the Company's annual general meeting and any other meetings for any enquiries about the Company's performance.

The Company also maintains a website at www.1152.com.hk to disseminate information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information to Shareholders as well as investors.

The Directors present their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2015.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 44 to the financial statements.

#### **RESULTS AND APPROPRIATIONS**

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 100 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015.

### **BUSINESS REVIEW**

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on pages 4 to 5 and pages 6 to 10 of this annual report.

### **FIVE YEAR FINANCIAL SUMMARY**

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarized on pages 101 to 102 of this report.

### PROPERTY, PLANT AND EQUIPMENT

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

#### SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 34 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

### PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

### **TAX RELIEF**

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

#### **RESERVES**

Details of movements in the reserves of the Company and of the Group during the year are set out in note 43 to the financial statements and in the consolidated statement of changes in equity, respectively.

#### **DISTRIBUTABLE RESERVES**

At 31 December 2015, the Company's reserves available for cash distribution and distribution in specie were HK\$143,335,000. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK\$190,049,000, are distributable in the form of fully paid bonus shares.

### **INTEREST CAPITALISED**

No interest was capitalised by the Group during the year ended 31 December 2015.

### **MAJOR CUSTOMERS AND SUPPLIERS**

### **Finance Service Business**

In the year under review, the percentages of sales and purchases attributable to the finance lease major customers and suppliers were as follows:

- (i) The aggregate amount of sales attributable to the Group's five largest customers represented 100% of the total sales of the segment for the year. The sales attributable to the Group's largest customer represented 47.7% of the Group's total sales for the year.
- (ii) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 100% of the total purchases of the Group for the year. The purchases attributable to the Group's largest supplier represented 56.1% of the Group's total purchases for the year.

As far as the Directors are aware, neither the Directors, their close associates nor any shareholder (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

The Group entered into one finance lease agreement during the year ended 31 December 2015 (2014: 2), with a customer on 22 May 2015, resulting in the total revenue of approximately HK\$15,829,000.

Regarding the purchases arrangement, a finance lease customer (the "lessee") sold its shipping vessel to the Group at RMB20,000,000 (equivalent to approximately HK\$23,874,000) and leased back the vessel with a lease period of 1 year from the date of inception.

### **DIRECTORS**

The Directors during the year ended 31 December 2015 were:

#### **Executive Directors**

Mr. Yu Xueming (Chairman)

Mr. Yu Chuanfu (Chief Executive Officer)

Mr. Sit Yau Chiu

Mr. Zheng Qiang

Mr. Han Hanting

#### Non-executive director

Mr. Chan Yee, Herman

### **Independent non-executive Directors**

Mr. Wang Wei Hung, Andrew

Mr. Sin Ka Man Mr. Zhao Lixin

In accordance with the Company's bye-laws, all executive Directors and non-executive Director shall retire from office by rotation, and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

All independent non-executive Directors are appointed for a term of two years. In accordance with the Company's bye-laws, all of them shall retire from office by rotation, and, being eligible, shall offer themselves for re-election at the Company's annual general meeting.

### **DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES**

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 15 of the annual report.

#### **DIRECTORS' SERVICE CONTRACTS AND REMUNERATION**

Mr. Yu Xueming, Mr. Yu Chuanfu and Mr. Sit Yau Chiu have entered into a service agreement with the Company for a term of two years, commencing from 4 June 2014 with an annual remuneration of approximately HK\$780,000, HK\$750,000 and HK\$600,000 respectively. Mr. Zheng Qiang and Mr. Han Hanting have entered into a service agreement with the Company for an initial term of two years, commencing from 16 May 2013 with an annual remuneration of approximately HK\$600,000 and HK\$600,000 respectively. Either party has the right to give not less than three months' written notice to terminate the respective service agreement. In addition, each of these Directors will be entitled to a discretionary bonus to be calculated based on individual performance. Each of these Directors will also be reimbursed all reasonable out-of-pocket expenses properly recurred by him in the performance of his duties as a director.

Pursuant to the letter of appointment from the Company to the non-executive Directors dated 2 July 2013, the appointment of Mr. Chan Yee, Herman has been for an initial term of two years commencing from 2 July 2013 with a director's fee of HK\$100,000 per annum. The director's fee has been increased to HK\$200,000 per annum starting from 1 January 2015.

Pursuant to the renewed letters of appointment from the Company to each of the independent non-executive Directors dated 11 October 2013, the appointment of each of Mr. Wang Wei Hung Andrew and Mr. Sin Ka Man has been for a term of two years commencing from 11 October 2013 with a director's fee of HK\$100,000 and HK\$100,000 per annum respectively. The director's fee has been increased to HK\$200,000 per annum starting from 1 January 2015.

Pursuant to the letter of appointment from the Company to the independent non-executive Directors dated 31 December 2014, the appointment of Mr. Zhao Li Xin has been for an initial term of two years commencing from 31 December 2014 with a director's fee of HK\$200,000 per annum.

The Board has the general power of determining the Directors' remuneration, subject to the authorisation of the Shareholders given at the annual general meeting of the Company each year. The remuneration of the executive Directors is subject to the review of the Company's remuneration committee, and their remuneration is determined with reference to directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors, their remuneration is determined by the Board, upon recommendation of the Company's remuneration committee, with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

Details of Directors' emoluments during the year are set out in note 15(a) to the financial statements.

Save as aforesaid, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Except for those disclosed in section headed "Connected Transactions" below and note 37 to the financial statements, no contracts, transactions or arrangements of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the year or at any time during the year ended 31 December 2015.

At no time during the year ended 31 December 2015 was the Company, any of its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

### **MANAGEMENT CONTRACTS**

Other than the service contracts of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

### SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to the written resolutions of all the shareholders passed on 11 October 2011. The Scheme operates for purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. The Company and any of its associate do not grant/exercise any share option since the date of the Listing, 28 October 2011.

### **EQUITY-LINKED AGREEMENTS**

Details of movements in the Company's share capital, warrants and convertible bonds during the year are set out in notes 33, 34 and 35 to the financial statements.

Save as disclosed above and the share option scheme of the Company as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Group, or existed during the Year.

#### PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the company and its subsidiaries.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and/or short positions of directors in the share, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

#### The Company:

Name of director	Capacity and nature of interest	Percentage the Compar Number of issued sh Shares held cap (Note 1)		
Mr. Sit Yau Chiu	Interest of controlled corporation (Note 2)	208,000,000 (L)	21.18	
Mr. Zheng Qiang	Interest of controlled corporation (Note 3)	208,000,000 (L)	21.18	

#### Notes:

- 1. The letter "L" denotes a long position in the directors' interest in the share capital of the Company.
- 2. Mr. Sit Yau Chiu is the beneficial owner of 100% of the issued share capital of Top Star Group Holdings Limited and is deemed to be interested in the 208,000,000 Shares held by Top Star Group Holdings Limited under the SFO.
- 3. Mr. Zheng Qiang is the beneficial owner of 100% of the issued share capital of Billion Mission Limited and is deemed to be interested in the 208,000,000 Shares held by Billion Mission Limited under the SFO.

Save as disclosed above, as at 31 December 2015, to the best knowledge of the Directors, none of the Directors nor the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to 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.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouses or minor children to acquire such rights in any other body corporate.

# SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

### Long position:

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Percentage of the Company's issued share capital
Top Star Group Holdings Limited (Note 2)	Beneficial interest	208,000,000 (L)	21.18
Billion Mission Limited (Note 3)	Beneficial interest	208,000,000 (L)	21.18
Integrated Asset Management (Asia) Limited (Note 4)	Beneficial interest	173,398,000 (L)	17.66
Shanxi Coking Coal Electrical (Hong Kong) Company Limited (Note 5)	Beneficial interest	58,800,000 (L)	5.99

#### Notes:

- 1. The letter "L" denotes a long position in the Shareholder's interest in the share capital of the Company.
- 2. Mr. Sit Yau Chiu is the beneficial owner of 100% of the issued share capital of Top Star Group Holdings Limited and is deemed to be interested in the 208,000,000 Shares held by Top Star Group Holdings Limited under the SFO.
- 3. Mr. Zheng Qiang is the beneficial owner of 100% of the issued share capital of Billion Mission Limited and is deemed to be interested in the 208,000,000 Shares held by Billion Mission Limited under the SFO.



- 4. Mr. Yam Tak Cheung is the beneficial owner of 100% of the issued share capital of Integrated Asset Management (Asia) Limited and is deemed to be interested in the 173,398,000 Shares held by Integrated Asset Management (Asia) Limited under the SFO.
- Shanxi Coking Coal Group Company Limited is the beneficial owner of 100% of the issued share capital of Shanxi Coking Coal Electrical (Hong Kong)
  Company Limited and is deemed to be interested in the 58,800,000 Shares held by Shanxi Coking Coal Electrical (Hong Kong) Company Limited under
  the SFO.

Save as disclosed above, as at 31 December 2015, no person, other than a Director, whose interests are set out under the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules as all times up to the date of this report (being the latest practicable date prior to the issue of this report).

#### **CORPORATE GOVERNANCE**

Principal corporate governance practices of the Company and the Group are set out in the Corporate Governance of this Annual Report.

### **IMPORTANT EVENTS AFTER YEAR END**

There have been no important events affecting the Group that have occurred since the end of the year.

### **AUDITOR**

SHINEWING (HK) CPA Limited retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD
Yu Xueming
Chairman

Hong Kong 18 March 2016



# Independent Auditor's Report



### TO THE MEMBERS OF INFINITY FINANCIAL GROUP (HOLDINGS) LIMITED (FORMERLY KNOWN AS FORNTON GROUP LIMITED)

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Infinity Financial Group (Holdings) Limited (formerly known as Fornton Group Limited) (the "Company") and its subsidiaries set out on pages 32 to 100, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.



### Independent Auditor's Report

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and 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 accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### SHINEWING (HK) CPA Limited

Certified Public Accountants

**Pang Wai Hang** 

Practising Certificate Number: P05044

Hong Kong 18 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 (Restated)
Revenue Cost of sales	9	103,171 (86,861)	42,398 (32,890)
Gross profit Other operating income Change in fair value of held-for-trading investment Gain on early redemption of convertible bonds Selling and distribution expenses	9	16,310 5,116 (11,252) 4,992 (1,853)	9,508 3,537 — 17,928 (73)
Administrative and other expenses Finance costs	11	(45,690) (27,640)	(26,813) (15,556)
Loss before taxation Income tax expense	12	(60,017) (1,116)	(11,469) (1,453)
Loss for the year from continuing operations  Discontinued operation	13	(61,133)	(12,922)
Loss for the year from discontinued operation  Loss for the year	14	(16,277)	(10,518) (23,440)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:  Exchange differences arising on translation of foreign operations  Fair value gain on available-for-sale investment		(7,364) 330	(2,754)
Total other comprehensive expense		(7,034)	(2,754)
Total comprehensive expense for the year		(84,444)	(26,194)
Loss per share (HK cents)  For continuing and discontinued operations:	15		
Basic and diluted		(8.00)	(2.58)
For continuing operations:  Basic and diluted		(6.31)	(1.42)



# Consolidated Statement of Financial Position

As at 31 December 2015

Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Property, plant and equipment 18	19,560	12,417
Finance lease receivables 19	_	129,515
Deposits paid for acquisition of property, plant and equipment 20	609	11,816
	20,169	153,748
Current assets		
Inventories 21	_	11,199
Trade and other receivables 22	20,967	51,745
Finance lease receivables 19	78,035	110,631
Held-for-trading investment 23	11,220	_
Available-for-sale investment 24	9,880	_
Bank balances and cash 25	219,553	238,308
	339,655	411,883
Current liabilities		
Trade and other payables 26	34,263	50,887
Derivative financial instruments 27	_	110
Bank and other borrowings 28	30,000	13,530
Obligations under finance leases		
<ul><li>due within one year</li><li>29</li></ul>	268	256
Income tax payables	2,504	1,908
Promissory notes 30	_	9,375
	67,035	76,066
Net current assets	272,620	335,817
Total assets less current liabilities	292,789	489,565
Non-current liabilities		
Obligations under finance leases		
<ul><li>due after one year</li></ul>	186	454
Deferred taxation 32	_	68
Bank and other borrowings 28	80,000	40,320
Convertible bonds 33	55,804	104,989
Corporate bonds 31	8,554	_
Promissory notes 30	_	132,417
	144,544	278,248
	148,245	211,317

### Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Capital and reserves			
Share capital	34	4,910	4,760
Reserves		143,335	206,557
		148,245	211,317

The consolidated financial statements on pages 32 to 100 were approved and authorised for issue by the board of directors on 18 March 2016 and are signed on its behalf by:

**Yu Xueming** *Director* 

**Yu Chuanfu** *Director* 

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

			Convertible bonds					Retained earnings/		
	Share capital HK\$'000	capital	Share	- 1 - 2	reserve HK\$'000	HK\$'000	Other reserve HK\$'000 (Note)	reserve	(accumulated loss) HK\$'000	Total HK\$'000
			premium HK\$'000	HK\$'000 (note 33)						
At 1 January 2014	4,160	43,607	_	-	_	9,943	3,786	71,117	132,613	
Loss for the year Other comprehensive expense for the year: Exchange difference arising on	_	_	_	_	-	-	_	(23,440)	(23,440)	
translation of foreign operations	_	_	_	_	_	_	(2,754)	_	(2,754)	
Total comprehensive expenses										
for the year	_		_	_	_	_	(2,754)	(23,440)	(26,194)	
Issue of new shares	600	119,400	_	-	_	_	-	_	120,000	
Transaction costs of new shares Issue of convertible bonds,	_	(3,060)	_	-	-	-	-	-	(3,060)	
net of transaction costs	-	-	22,600	-	-	-	-	_	22,600	
Early redemption of convertible bonds	_	-	(34,642)	_	_	_	-	_	(34,642)	
Transfer to retained earnings upon early redemption of convertible bonds	_	_	20,496	_	-	-	-	(20,496)	_	
At 31 December 2014	4,760	159,947	8,454	-	_	9,943	1,032	27,181	211,317	
Other comprehensive income (expense) for the year: Fair value gain on available-for-sale	-	-	-	_	_	-	_	(77,410)	(77,410)	
investment Exchange difference arising on	-	-	-	-	330	-	-	_	330	
translation of foreign operations	_	_	_	-	_	_	(7,364)	_	(7,364)	
Total comprehensive expense for the year	_	_	_	_	330	_	(7,364)	(77,410)	(84,444)	
Issue of shares upon exercise of										
convertible bonds	100	20,152	(1,478)	_	_	_	_	_	18,774	
Issue of shares upon exercise of warrant	50	9,950	_	_	_	_	_	_	10,000	
Early redemption of convertible bonds	_	_	(7,402)	_	_	_	_	_	(7,402)	
Transfer to retained earnings upon early										
redemption of convertible bonds	_	_	4,670	_	_	_	_	(4,670)	_	
At 31 December 2015	4,910	190,049	4,244	_	330	9,943	(6,332)	(54,899)	148,245	

Note: Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

# Consolidated Statement of Cash Flow

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000 (Restated)
OPERATING ACTIVITIES		
Loss before taxation from continuing operations	(60,017)	(11,469)
Loss before taxation from discontinued operations	(15,650)	(9,465)
	(75,667)	(20,934)
Adjustments for:		
Loss on change in fair value of derivative financial instrument	_	110
Change in fair value of held-for-trading investment	11,252	_
Depreciation of property, plant and equipment	3,519	12,331
Finance costs	27,692	15,947
Gain on early redemption of convertible bonds	(4,992)	(17,928)
Gain on disposal of property, plant and equipment	(657)	(422)
Impairment loss in respect of trade receivables	_	51
Impairment loss in respect of property, plant and equipment	_	6,815
Impairment loss in respect of deposit paid for		
acquisition of property, plant and equipment	_	2,130
Written off of property, plant and equipment	_	761
Bank interest income	(2,368)	(1,743)
Net investment income from derivative financial instruments	_	(2,252)
Operating cashflows before movements in working capital	(41,221)	(5,134)
Decrease in inventories	11,119	11,761
Decrease (increase) in trade and other receivables	29,606	(6,939)
Decrease (increase) in finance lease receivables	157,411	(242,136)
(Decrease) increase in trade and other payables	(17,595)	7,927
Cash generated from (used in) operations	139,320	(234,521)
Income tax (paid) refund	(1,106)	1,970
NET CASH FROM (USED IN) OPERATING ACTIVITIES	138,214	(232,551)
INVESTING ACTIVITIES		
Deposit paid for acquisition of property, plant and equipment	(717)	(11,910)
Acquisition of property, plant and equipment	(8,238)	(3,272)
Proceeds from disposal of property, plant and equipment	9,276	2,762
(Payment for) receipt from settlement of derivative financial instruments	(110)	2,252
Interest received	2,368	1,743
Purchase of available-for-sale investment	(9,550)	_
Purchase of held-for-trading investment	(27,000)	_
Proceeds from disposal of held-for-trading investment	4,528	_
NET CASH USED IN INVESTING ACTIVITIES	(29,443)	(8,425)



### Consolidated Statement of Cash Flow

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000 (Restated)
FINANCING ACTIVITIES		
Redemption of convertible bonds	(405)	(144,814)
Redemption of promissory notes	(140,000)	_
Repayment of bank borrowings	(10,850)	(61,898)
Repayment of promissory notes	(1,894)	(9,375)
Transaction costs of issuing of convertible bonds	_	(7,650)
Transaction costs of issuing of corporate bonds	(1,600)	_
Transaction costs of placing	_	(3,060)
Transaction costs of issuing of promissory notes	_	(997)
Interest paid	(10,207)	(880)
Repayment to directors	_	(565)
Repayment of obligations under finance leases	(256)	(243)
Proceeds from issuing convertible bonds	_	300,000
Proceeds from issuing corporate bonds	10,000	_
Proceeds from issuing promissory notes	_	150,000
Proceeds from placing	_	120,000
New bank and other borrowings raised	30,000	54,703
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(125,212)	395,221
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,441)	154,245
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	238,308	84,584
EFFECT ON FOREIGN EXCHANGE RATES CHANGES	(2,314)	(521)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,		
represented by bank balances and cash	219,553	238,308

For the year ended 31 December 2015

#### 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Infinity Financial Group (Holdings) Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 45.

On 12 January 2015, the Board has decided to cease the operation of the Group's textile segment. Since then, the Group is principally engaged in finance services and trading of metal and equipment. The accompanying consolidated financial statements and the comparative figures have been prepared to reflect the results of the discontinued business separately.

The financial services segment is principally engaged in finance leasing business and trading of metal and equipment.

In prior years, the functional currency of the Company was United States dollars ("US\$"). Due to the continuing expansion of the Group's business operation in the PRC, the directors have determined that the functional currency of the Company be changed from US\$ to Renminbi ("RMB") with effective from 1 January 2015. The consolidated financial statements are presented in Hong Kong dollars ("HK\$") as the directors of the Company consider that HK\$ is appropriate presentation currency for the users of the Group's consolidated financial statements.

The change in functional currency of the Company was applied prospectively from date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rate". On the date of the change of functional currency, all assets, liabilities, share capital and reserves and profit or loss account items were translated into RMB at the exchange rate on that date.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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



For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") AND NEW HONG KONG COMPANIES ORDINANCE (Continued)

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

#### New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014) Financial Instruments<sup>2</sup>

HKFRS 15 Revenue from Contracts with Customers<sup>2</sup>

Amendments to HKFRSs 2012–2014 Cycle<sup>1</sup>

Amendments to HKAS 1 Disclosure Initiative<sup>1</sup>

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptance Methods of Depreciation

and Amortisation<sup>1</sup>

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants<sup>1</sup>

Amendments to HKAS 27 Equity Method in Separate Financial Statements<sup>1</sup>

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

or Joint Venture<sup>3</sup>

Investment Entities: Applying the Consolidation Exception<sup>1</sup>

Amendments to HKFRS 10, HKFRS 12

and HKAS 28

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations<sup>1</sup>

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Effective for annual periods beginning on or after 1 January 2016.

<sup>&</sup>lt;sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>&</sup>lt;sup>3</sup> Effective date not yet been determined.

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") AND NEW HONG KONG COMPANIES ORDINANCE (Continued)

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

Key requirements of HKFRS 9 (2014) are described as follows:

- 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), 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 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under 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.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") AND NEW HONG KONG COMPANIES ORDINANCE (Continued)

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

• HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

#### **HKFRS 15 Revenue from Contracts with Customers**

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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") AND NEW HONG KONG COMPANIES ORDINANCE (Continued)

#### **HKFRS 15 Revenue from Contracts with Customers (Continued)**

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. 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.

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

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- (i) at cost;
- (ii) in accordance with HKFRS 9 (or HKAS 39); or
- (iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Company does not have any investment in associates or joint ventures, the directors of the Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Company's financial statements.

#### Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") AND NEW HONG KONG COMPANIES ORDINANCE (Continued)

#### Amendments to HKAS 1 Disclosure Initiative (Continued)

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, 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.

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (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 in the principal market at the measurement date under current market condition (i.e. an exit price), 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 Company 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 in determined on such a 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.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances (please specify), appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether 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.

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of consolidation (Continued)**

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries 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.

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.

#### Investment in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

#### Property, plant and equipment

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments

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

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

#### Financial assets

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

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 the initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

#### Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; 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 profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the change in fair value of held-for-trading investment line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 8.

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial instruments (Continued)**

#### Financial assets (Continued)

Loans and receivables

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

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

#### Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

#### Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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 an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial instruments (Continued)**

#### Impairment loss on financial assets (Continued)

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 0–45 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in revaluation reserve. For 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.

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

#### Financial liabilities and equity instruments

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

The Group's financial liabilities are classified as at financial liabilities at FVTPL or other financial liabilities.

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; 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 profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability 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 liability 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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the other operating income or administrative expenses line item in profit or loss and includes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 8.

#### Other financial liabilities

Other financial liabilities including trade and other payables, bank and other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

#### Effective interest method

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

Interest expenses are recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

#### Equity instruments

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

#### Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definition of 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 classified as an equity instrument.

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

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to their relative fair values. Transaction costs relating to the equity components are charged to profit or loss immediately. 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.



For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

#### Promissory note

The promissory note is initially measured at the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities.

The promissory note is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the promissory note is calculated using the effective interest method.

Transaction costs that are directly attributable to the issue of the promissory note are included in the carrying amount of the promissory note and amortised over the period of the promissory note using the effective interest method.

#### Corporate bonds

The corporate bonds is initially measured at the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities.

The corporate bonds is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the corporate bonds is calculated using the effective interest method.

Transaction costs that are directly attributable to the issue of the corporate bonds are included in the carrying amount of the corporate bonds and amortised over the period of the corporate bonds using the effective interest method.

#### Unlisted warrant

The warrants are recognised in warrant reserve in equity until they are exercised. If the warrants are exercised, the warrant reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the warrant reserve is released directly to retained earnings.

#### Derivative financial instruments

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

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognise its retained interest in the asset 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.

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial instruments (Continued)**

#### Derecognition (Continued)

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

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

#### Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of bank balances and cash as defined above.

#### Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.



For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Revenue recognition**

#### (i) Sale of goods

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

Revenue from sale of goods is recognised when the goods are delivered and title has 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.

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

#### (ii) 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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the that asset's net carrying amount on initial recognition.

#### (iii) Finance lease interest income

Finance lease interest 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.

#### (iv) Dividend income

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

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leasing

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

#### **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.

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

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Employee benefits**

#### Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered services entitling them to the contribution.

#### Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

#### **Taxation**

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

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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

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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Taxation** (Continued)

#### Deferred tax (Continued)

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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

#### Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

For the year ended 31 December 2015

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

#### Critical judgements in applying accounting policies

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

#### Classification between finance leasing and operating leasing

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). The directors of the Company are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts entered are classified as finance leases. Details are set out in note 19.

#### Key sources of estimation uncertainty

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

#### Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

## Impairment loss and write-off recognised in respect of property, plant and equipment and deposits paid for acquisition of property, plant and equipment

In determining whether the property, plant and equipment and deposits paid for acquisition of property, plant and equipment are impaired, the directors of the Company assesses the recoverable amount of the property, plant and equipment which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of the property, plant and equipment, the directors of the Company require an estimation of the future cash flows expected to arise from the expected economic inflow from the property, plant and equipment in order to determine the value in use of the property, plant and equipment or take into consideration the amount obtainable from the sales of property, plant and equipment in an arm's length transaction in order to obtain its the estimated market value (i.e. estimated selling price less estimated costs to sell).

For the year ended 31 December 2015

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### **Key sources of estimation uncertainty (Continued)**

Impairment loss and write-off recognised in respect of property, plant and equipment and deposits paid for acquisition of property, plant and equipment (Continued)

As at 31 December 2015, the carrying amount of property, plant and equipment was approximately HK\$19,560,000 (2014: HK\$12,417,000), net of impairment loss of approximately HK\$2,960,000 (2014: HK\$6,815,000).

The write-off of property, plant and equipment is recognised in accordance with the Group's accounting policy. Carrying amount of property, plant and equipment of approximately HK\$761,000 (2015: nil) was written off during the year ended 31 December 2014.

As at 31 December 2015, the carrying amount of deposits paid for acquisition of property, plant and equipment was approximately HK\$609,000 (2014: HK\$11,816,000). Impairment loss in respect of such deposits of approximately HK\$2,130,000 (2015: nil) was recognised during the year ended 31 December 2014.

#### Estimated impairment loss recognised in respect of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. The carrying amounts of trade receivables were approximately HK\$27,465,000 at 31 December 2014 (2015: nil), net of impairment loss of approximately HK\$51,000 (2015: nil).

#### Estimated allowance for inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for such raw materials, work-in-progress and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items. The carrying amounts of inventories were approximately HK\$11,199,000 (2015: nil) at 31 December 2014. No impairment loss was recognised during the years ended 31 December 2015 and 2014.

#### Valuation of liability component of convertible bonds

The fair values of liability component of convertible bonds that are not traded in an active market are estimated by management based on the valuation performed by an independent valuer. The fair values of liability component of convertible bonds are valued using discounted cash flow model based on assumptions supported, where possible, by observable market prices or rates. A gain on early redemption of approximately HK\$4,992,000 (2014: HK\$17,928,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015. The carrying amount of the liability component of convertible bonds as at 31 December 2015 was approximately HK\$58,804,000 (2014: HK\$110,839,000). Further details are set out in note 33.



For the year ended 31 December 2015

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

#### Measurement of promissory note

On issue of promissory note, the fair value is determined using a market rate for an equivalent loan and this amount is carried at amortised cost basis until extinguished on redemption or cancellation.

#### 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts which include the bank and other borrowings, obligations under finance leases, convertible bonds, promissory notes, corporate bonds and net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt and new share issues.

#### 6. FINANCIAL INSTRUMENTS

#### **Categories of financial instruments**

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Financial assets at FVTPL held for trading	11,220	_
Available-for-sale investments	9,880	_
Loans and receivables (including bank balances and cash)	317,680	528,511
Financial liabilities		
Financial liabilities at amortised cost	196,208	337,368
Derivative financial instruments	_	110

For the year ended 31 December 2015

#### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include finance lease receivables, trade and other receivables, held-for-trading investment, available-for-sale investment, derivative financial instruments, bank balances and cash, trade and other payables, bank and other borrowings, obligations under financial leases, promissory notes, corporate bonds and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to financial risk or the manner in which it manages and measures the risk.

#### Market risk

#### Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB-denominated assets, however, HK\$-denominated bank and other borrowings, convertible bonds and corporate bonds and in aggregate account for 82% of the Group's total liabilities. In addition, the Group has certain assets are denominated in US\$. In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of RMB against HK\$/US\$.

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

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
RMB	1,711	815	_	13,482
HK\$	218	_	186,408	_
US\$	16,857	_	_	_

During year ended 31 December 2014, the management monitors foreign exchange exposure by using structured forward contracts to manage and hedge significant foreign currency exposures. Such structured forward contracts are not accounted for under hedge accounting (see note 3 for details). During year ended 31 December 2015, no such structured forward contracts have been entered by the Group.

For the year ended 31 December 2015

#### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency risk of HK\$/US\$/RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2015 and 2014.

	HK\$		US\$		RMB	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on post-tax loss						
for the year	7,773	_	(632)	_	(71)	529

The result of sensitivity analysis on HK\$ is mainly attributable to the exposure on outstanding bank balance and cash, trade and other payables, bank and other borrowings, convertible bonds and corporate bonds denominated in HK\$ at the end of the reporting period.

The result of sensitivity analysis on US\$ is mainly attributable to the exposure on outstanding bank balance and cash denominated in US\$ at the end of the reporting period.

The result of sensitivity analysis on RMB is mainly attributable to the exposure on outstanding trade and other receivables, bank balance and cash and trade and other payables denominated in RMB at the end of the reporting period.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

For the year ended 31 December 2015

#### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Market risk (Continued)

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, convertible bonds, corporate bonds, other borrowings and obligations under finance leases. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

As at 31 December 2014, the Group is also exposed to cash flow interest rate risk in relation to certain variable-rate bank borrowings (see note 28 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. As at 31 December 2015, the Group is no longer exposed to cash flow interest rate in relation to variable-rate bank borrowings.

The Group's bank balances and deposits are short-term in nature and the exposure of the interest rate risk is minimal.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used for the year ended 31 December 2015 (2014: 50 basis points) when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the year and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2014 would increase/decrease by approximately HK\$54,000 (2015: nil). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

#### Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in The Stock Exchange of Hong Kong Limited. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.



For the year ended 31 December 2015

#### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Market risk (Continued)

#### Sensitivity analysis

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

If the prices of the respective equity instruments had been 5% (2014: N/A) higher/lower, the post-tax loss for the year ended 31 December 2015 would decrease/increase by approximately HK\$468,000 (2014: nil) as a result of the changes in fair value of the equity instruments.

#### Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk on finance lease receivables, the Group would assess the credit quality of each potential lessee and define limits for each lessee before accepting any new finance lease. The Group also demands certain finance lease borrowers to pledge further collaterals with the Group apart from the subject leased assets at the time the finance lease arrangement is entered into where considered necessary. In addition, the Group would also monitor the repayment history of finance lease payments from each finance lease lessee with reference to the repayment schedule from the date of finance lease was initially granted up to the reporting date to determine the recoverability of a finance lease receivable. Furthermore, the Group would assess and review the fair value of the pledged assets continuously to ensure the value of the relevant collateral could well cover the finance lease amount granted to the customers and any outstanding finance lease receivables.

During the year ended 31 December 2014, in order to minimise the credit risk on trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. During the year ended 31 December 2015, the trade receivables have been fully settled.

The credit risk on liquid funds is limited because majority of the funds are deposited in banks with high credit ratings assigned by international credit rating agencies.

The Group has concentration of credit risk of finance lease receivables, as 84% of the total finance lease receivables at 31 December 2015 was due from the Group's largest lessee (2014: 53%).

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for all of the finance lease receivables at 31 December 2014 and 2015.



For the year ended 31 December 2015

#### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Credit risk (Continued)

#### Collateral held as security and other credit enhancement

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for finance lease receivables. Credit risks associated with the finance lease receivables are mitigated because the finance lease receivables are secured over the leased assets and other securities provided by lessees. Details of these securities are set out in note 19. The carrying amounts of the finance lease receivables amounted to approximately HK\$78,035,000 (2014: HK\$240,146,000).

#### Liquidity risk

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

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cashflows on interest are estimated based on interest rates at the end of the reporting period, and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	At 31 December 2015					
	Within one year or on demand HK\$'000	More than one year less than two years HK\$'000	More than two years less than five years HK\$'000	More than five years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
Non-derivative financial						
liabilities						
Trade and other payables	17,896	_	_	_	17,896	17,896
Bank and other borrowings	34,151	90,400	_	_	124,551	110,000
Convertible bonds	3,000	63,000	_	_	66,000	58,804
Corporate bonds	700	700	2,100	11,750	15,250	9,054
Obligations under finance						
leases	283	189	_	_	472	454
	56,030	154,289	2,100	11,750	224,169	196,208

For the year ended 31 December 2015

#### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

			At 31 Dece	ember 2014		
		More than	More than		Total	
	Within one	one year	two years		contractual	
	year or on	less than	less than	More than	undiscounted	Carrying
	demand	two years	five years	five years	cash flow	amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial						
liabilities						
Trade and other payables	30,177	_	_	_	30,177	30,177
Bank and other borrowings	13,530	5,590	48,590	_	67,710	53,850
Convertible bonds	5,850	5,850	120,310	_	132,010	110,839
Promissory notes	9,375	168,750	_	_	178,125	141,792
Obligations under finance						
leases	283	283	189	_	755	710
	59,215	180,473	169,089	_	408,777	337,368

As at 31 December 2014, derivative financial liability of approximately HK\$110,000 (2015: nil) was outstanding and was fully executed in current year.

Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. At 31 December 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK\$3,073,000 (2015: nil). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$3,085,000 (2015: nil).

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

For the year ended 31 December 2015

### 8. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

## (a) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial instruments	Fair valu	e as at	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2015 HK\$'000	2014 HK\$'000			
Held-for-trading investment  — listed equity securities	11,220	_	Level 1	Quoted price in active market	N/A
Available-for-sale investment  — unlisted instruments	9,880	_	Level 2	Quoted from bank	N/A
Foreign currency forward contract	_	110	Level 2	Quoted from bank	N/A

The fair values of available-for-sale investment was determined by using discounted cash flow method with the key inputs of quoted market prices and prevailing observable interest rates discounted at a rate that reflected the credit risk of various counterparties.

The fair value of foreign currency forward contract was determined by using discounted cash flows based on forward exchange rates from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There was no transfer of fair value hierarchy between level 1 and 2 in the reporting period.

For the year ended 31 December 2015

## 8. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

## (b) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

	Fair value hierarchy	Valuation technique and key inputs	Fair value	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial liability					
Liabilities component of convertible bonds	Level 2	Market value basis Key inputs: exercise price, expected volatility, risk free rate, effective interest rate, expected life	HK\$56,925,000 (2014: HK\$96,243,000)	N/A	N/A

The directors of the Company also consider that the fair value of the long-term portion of liabilities approximates to their carrying amount as they are carried at amortised cost by using the effective interest method.

#### 9. REVENUE AND OTHER OPERATING INCOME

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

	2015 HK\$'000	2014 HK\$'000 (Restated)
Trading of metal and equipment	87,342	33,547
Finance leasing	15,829	8,851
	103,171	42,398
Other operating income		
Bank interest income	2,257	1,285
Net investment income from derivative financial instruments	_	2,252
Value added tax refund	2,859	_
	5,116	3,537
	108,287	45,935

For the year ended 31 December 2015

#### 10. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

An operating segment (textile segment) was discontinued during the year. Following the discontinuance of the segment, the Group is principally engaged in financial services business and trading of metal and equipment. For financial presentation purposes, the finance services business and trading of metal and equipment have been aggregated into a single operating segment taking into account the following factors:

- these operating segments have similar economic characteristics;
- the nature of resources allocations are similar;
- the nature of products are similar; and
- the method used to provide their services are similar.

Accordingly, the Group's continuing operation is attributable to a single reportable and operating segment under HKFRS 8 and no segment information is presented.

#### **Geographical information**

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

All of the Group's revenue from external customers is derived from the PRC during the years ended 31 December 2015 and 2014.

The Group's information about its non-current assets based on geographical location of the assets is detailed below:

#### Non-current assets (Note)

	2015 HK\$'000	2014 HK\$'000
The PRC Hong Kong	18,102 2,067	21,362 2,871
	20,169	24,233

Note: Non-current assets excluded financial lease receivables.

For the year ended 31 December 2015

#### 10. SEGMENT INFORMATION (Continued)

#### Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the years are as follows:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Customer A	48,995	_
Customer B	38,347	_
Customer C	12,857	4,629
Customer D	_	33,547

#### 11. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations		
Interests on:		
- bank and other borrowings	9,175	993
- discounted bills	_	210
- convertible bonds	7,709	12,189
- corporate bonds	654	_
- promissory notes	10,102	2,164
	27,640	15,556

For the year ended 31 December 2015

#### 12. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	_	_
PRC Enterprise Income Tax	1,116	1,453
	1,116	1,453

- (i) Hong Kong Profits Tax was calculated at 16.5% of the estimated profit for the year ended 31 December 2015 (2014: 16.5%). No provision for Hong Kong profits tax has been made for the year ended 31 December 2015 and 2014 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the years.
- (ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The income tax expense for the years ended 31 December 2015 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Loss before taxation (from continuing operations)	(60,017)	(11,469)
Tax at domestic income tax rate of 25% (2014: 25%)	(15,004)	(2,867)
Tax effect of expense not deductible for tax purposes	11,952	8,541
Tax effect of income not taxable for tax purposes	(1,250)	(5,689)
Effect of different tax rate of subsidiaries operating in other jurisdiction	4,948	1,468
Tax effect of tax loss not recognised	470	_
Income tax expense for the year	1,116	1,453

Details of the deferred taxation are set out in note 32.

For the year ended 31 December 2015

#### 13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations		
Directors' emoluments (note 16)	4,226	4,161
Salaries and allowances (excluding directors' emoluments)	7,194	6,510
Retirement benefit scheme contributions (excluding directors)	1,008	279
Total staff costs	12,428	10,950
Auditor's remuneration	963	306
Amount of inventories recognised as expense	86,861	32,890
Depreciation of property, plant and equipment	2,263	363
Loss on change in fair value of derivative financial instruments	_	110
Net exchange loss	5,800	_
Minimum lease payments in respect of operating lease for office premises	7,696	2,893

#### 14. DISCONTINUED OPERATION

On 12 January 2015, the Group announced that the Board has decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry. The cessation of operation was completed on 30 September 2015. Textiles segment was classified as discontinued operation.

The loss for the year from the discontinued operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to represent the textile segment as a discontinued operation.

	From 1 January 2015 to 30 September 2015 HK\$'000	2014 HK\$'000
Revenue	27,625	245,552
Cost of sales	(26,118)	(197,822)
Gross profit	1,507	47,730
Other operating income	1,416	1,827
Selling and distribution expenses	(679)	(7,542)
Administrative and other expenses	(17,842)	(51,089)
Finance costs	(52)	(391)
Loss before taxation	(15,650)	(9,465)
Income tax expense	(627)	(1,053)
Loss for the year	(16,277)	(10,518)

For the year ended 31 December 2015

#### 14. DISCONTINUED OPERATION (Continued)

Loss for the year from discontinued operation included the following.

	From 1 January 2015 to 30 September 2015 HK\$'000	2014 HK\$'000
Salaries and allowances	4,416	15,091
Termination benefit	695	_
Retirement benefit scheme contributions	86	579
Total staff costs	5,197	15,670
Auditor's remuneration	173	739
Impairment loss in respect of trade receivables	_	51
Amount of inventories recognised as expense	26,118	197,822
Depreciation of property, plant and equipment	1,256	11,968
Written off of property, plant and equipment	_	761
Impairment loss in respect of property, plant and equipment	_	6,815
Impairment loss in respect of deposit paid for acquisition		
of property, plant and equipment	_	2,130
Minimum lease payments in respect of operating		
leases for office premises	2,424	7,028
Processing fees (Note)	12,646	43,994
Sub-contracting fee (included in cost of sales)	9,232	61,983
Bank interest income	(111)	(458)
Gain on disposal of property, plant and equipment	(657)	(422)

Note: The processing fees include the following components in accordance with the processing agreement:

	From 1 January 2015 to 30 September 2015 HK\$'000	2014 HK\$'000
Salaries and allowances	5,793	16,579
Minimum lease payments in respect of operating leases for factory	512	2,071
Labour cost — direct and indirect	6,021	21,977
Utilities	320	3,367
	6,853	27,415
	12,646	43,994

During the year, the discontinued operation incurred approximately RMB16,993 (2014: RMB11,007) to the Group's net operating cash inflows (2014: net operating cash outflows), received approximately RMB9,387 (2014: RMB3,200) in respect of investing activities and paid approximately RMB10,902 (2014: RMB7,586) in respect of financing activities.

For the year ended 31 December 2015

#### 15. LOSS PER SHARE

#### From continuing and discontinued operations

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

	2015 HK\$'000	2014 HK\$'000
Loss		
Loss for the year attributable to owners of the Company for		
the purposes of basic and diluted loss per share	(77,410)	(23,440)
	2015	2014
	'000	'000
Number of shares		
Weighted average number ordinary shares for the purpose of basic and		
diluted loss per share	968,164	909,918

The weighted average number of ordinary shares for the purpose of basic loss per share for the years ended 31 December 2014 had been adjusted for the subdivision of shares as approved by the Company's shareholders on 5 March 2014.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and warrants since their exercise would result a decrease in a loss per share for the year ended 31 December 2015.

#### From continuing operations

The calculation of the basis and diluted loss per share from continuing operations attributable to the ordinary owners of the Company is based on the following data.

Loss figures are calculated as follows

	2015 HK\$'000	2014 HK\$'000
Loss for the year attributable to owners of the Company Less: Loss for the year from discontinued operation	(77,410) 16,277	(23,440) 10,518
Loss for the purposes of basic and diluted loss per share from continuing operations	(61,133)	(12,922)

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#### 15. LOSS PER SHARE (Continued)

#### From discontinued operation

Basic and diluted loss per share for the discontinued operation is 1.69 cents per share (2014: 1.16 cents), based on the loss for the year from discontinued operation of HK\$16,277,000 (2014: HK\$10,518,000), and the denominators detailed about for both basic and diluted loss per share.

### 16. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

#### (a) Directors' emoluments

Details of emoluments paid and payable to the directors of the Company for the year are as follows:

	Year ended 31 December 2015					
	Fees HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments (note) HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
Executive directors: Mr. Zheng Qiang Mr. Han Hanting Mr. Yu Xueming Mr. Yu Chuanfu Mr. Sit Yau Chiu	- - - -	600 600 780 756 600	- - - - -	18 18 18 18	618 618 798 774 618	
Non-executive directors: Mr. Chan Yee, Herman Independent non-executive	200	_	-	_	200	
directors:  Mr. Wang Wei Hung, Andrew Mr. Sin Ka Man Mr. Zhao Li Xin	200 200 200 800	3,336	- - -	_ _ _ _ 90	200 200 200 200	

### 16. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

#### (a) Directors' emoluments (Continued)

	Year ended 31 December 2014						
		Performance					
		related	Retirement				
	Salaries and	incentive	benefit				
	other	payments	scheme				
Fees	allowances	(note)	contributions	Total			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking

_			
-VOCI	ITIN/O	directors:	
	11117年	UII GULUI 5.	

Executive directors:					
Ms. Wong Kan Kan, Kandy					
(resigned on 4 June 2014)	_	536	5	6	547
Mr. Yam Tak Cheung (resigned					
on 4 June 2014)	_	510	5	6	521
Mr. Wong Tat Wai (resigned on					
4 June 2014)	_	214	5	6	225
Mr. Zheng Qiang	_	600	_	17	617
Mr. Han Hanting	_	600	_	17	617
Mr. Yu Xueming (appointed on					
4 June 2014)	_	449	_	10	459
Mr. Yu Chuanfu (appointed on					
4 June 2014)	_	435	_	10	445
Mr. Sit Yau Chiu (appointed on					
4 June 2014)	_	345	_	10	355
Non-executive directors:					
Mr. Chan Yee, Herman	100	_	_	_	100
Independent non-executive					
directors:					
Mr. Wang Wei Hung, Andrew	100	_	_	_	100
Mr. Cheng Dickson (resigned on					
1 October 2014)	75	_	_	_	75
Mr. Sin Ka Man	100	_	_	_	100
Mr. Zhao Li Xin (appointed on					
31 December 2014)	_	_	_	_	_
	375	3,689	15	82	4,161

For the year ended 31 December 2015

#### 16. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

#### (a) Directors' emoluments (Continued)

Ms. Wong Kan Kan, Kandy was the Chief Executive Officer of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer. She resigned as the executive director from the Group on 4 June 2014.

Mr. Yu Chuanfu was appointed as Chief Executive Officer of the Company on 4 June 2014 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during the year.

#### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four were (2014: there was no directors of the Company) directors of the Company for the year ended 31 December 2015. The emoluments of the directors are included in the disclosures in note 16(a) above. The emoluments of the remaining one (2014: five) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other allowances	987	3,875
Performance related incentive payments (Note)	_	629
Retirement benefit scheme contributions	18	54
	1,005	4,558

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during both years.

Their emoluments were within the following bands:

#### Number of individuals

	2015	2014
Not more than HK\$1,000,000	_	4
HK\$1,000,000 to HK\$1,500,000	1	1
	1	5

During the years ended 31 December 2015 and 2014, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office.

For the year ended 31 December 2015

#### 17. DIVIDENDS

No dividend has been declared by the Company for the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

### 18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold						
	land and	Plant and	Office	Furniture	Leasehold	Motor	
	buildings	machinery	equipment	and fixtures	improvement	vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST							
At 1 January 2014	_	60,337	14,866	2,253	4,509	4,353	86,318
Additions	_	843	303	30	689	1,407	3,272
Disposal	_	(6,091)	(35)	_	_	_	(6,126)
Write-off	_	(2,710)	(604)	(1,888)	_	_	(5,202)
Exchange realignment	_	(570)	_	_	_	_	(570)
At 31 December 2014	_	51,809	14,530	395	5,198	5,760	77,692
Additions	10,107	_	595	1,886	6,424	1,042	20,054
Disposal	_	(51,809)	(1,455)	(11)	(443)	(2,117)	(55,835)
Exchange realignment	(439)	_	(22)	(69)	(237)	(81)	(848)
At 31 December 2015	9,668	_	13,648	2,201	10,942	4,604	41,063
ACCUMULATED							
DEPRECIATION AND							
IMPAIRMENT							
At 1 January 2014	_	35,319	12,421	2,109	2,331	2,505	54,685
Provided for the year	_	9,826	863	66	902	674	12,331
Eliminated on disposal	_	(3,751)	(35)	_	_	_	(3,786)
Eliminated on write-off	_	(2,123)	(482)	(1,836)	_	_	(4,441)
Impairment losses recognised	_	3,322	1,542	56	1,895	_	6,815
Exchange realignment	_	(329)	_	_	_	_	(329)
At 31 December 2014	_	42,264	14,309	395	5,128	3,179	65,275
Provided for the year	263	948	294	191	1,005	818	3,519
Eliminated on disposal	_	(43,212)	(1,475)	(11)	(412)	(2,106)	(47,216)
Exchange realignment	(9)	_	(19)	(8)	(37)	(2)	(75)
At 31 December 2015	254	_	13,109	567	5,684	1,889	21,503
CARRYING VALUES							
At 31 December 2015	9,414	_	539	1,634	5,258	2,715	19,560
At 31 December 2014	_	9,545	221	_	70	2,581	12,417

For the year ended 31 December 2015

#### 18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and buildings Over the shorter of term of the lease or 50 years

Plant and machinery 20%
Office equipment 20%

Furniture and fixtures 10% to 20%

Leasehold improvement Over the shorter of term of the lease or 5 years

Motor vehicles 20%

- (ii) The carrying values of motor vehicles as at 31 December 2015 included an amount of approximately HK\$503,000 in respect of assets under finance leases (2014: HK\$805,000).
- (iii) During the year ended 31 December 2014, the directors of the Company conducted a review of the Group's manufacturing assets of textile business and determined that a number of property, plant and equipment was impaired, due to worsening of market situation of textile industry which resulted in the idleness of certain property, plant and equipment. Accordingly, impairment losses of approximately HK\$6,815,000 have been recoginsed in respect of property, plant and equipment which are related to textile segment. The directors of the Company assessed the recoverable amounts based on the amount obtainable from the sales of those property, plant and equipment in an arm's length transaction in order to obtain its estimated market value (i.e. estimated selling price less estimated costs to sell). The recoverable amounts of impaired assets as at 31 December 2014 was approximately HK\$9,527,000. During the year ended 31 December 2015, these impaired assets are either being disposed of or fully depreciated.

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#### 19. FINANCE LEASE RECEIVABLES

Certain of the vessel and machinery are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	Present value of minimum			
	Minimum leas	se payments	lease pay	ment
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables comprises:				
Within one year	84,484	143,850	78,035	110,631
After one year but within two years	_	143,850	_	129,515
	84,484	287,700	78,035	240,146
Less: Unearned finance income	(6,449)	(47,554)	_	_
Present value of minimum lease payment				
receivables	78,035	240,146	78,035	240,146
Analysed for reporting purposes as:				
Current assets			78,035	110,631
Non-current assets			_	129,515
			78,035	240,146

Effective interest rates of the above finance lease ranged from 14.5% to 18.81% per annum.

The relevant lease contracts entered into of approximately HK\$78,035,000 (2014: HK\$240,146,000) was aged within 2 years (2014: 1 year) at the end of the reporting period.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at 31 December 2014 and 2015.

Finance lease receivables are secured over the vessel and machinery leased. In addition to the leased assets, all finance lease receivables are secured by equities of private entities in the PRC and finance lease receivables of approximately HK\$65,555,000 (2014: HK\$122,283,000) are further secured by a mining right in the PRC.

The ownership of leased assets will be transferred to the lessees at a purchase option of RMB100 upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

The finance lease receivables are neither past due nor impaired.

The fair value of receivable under finance lease arrangement approximates to its carrying amount.

The Group's finance lease receivables are denominated in RMB, the functional currency of the relevant group entity.

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#### 20. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2015 HK\$'000	2014 HK\$'000
At 1 January	11,816	2,036
Addition	609	11,910
Utilised	(11,816)	_
Impairment loss recognised	_	(2,130)
At 31 December	609	11,816

At 31 December 2014, included in the allowance for impairment of deposit paid for acquisition of property, plant and equipment are individually impaired of approximately HK\$2,130,000 (2015: nil) as the ERP system is no longer to be installed for use of textile business. During the year ended 31 December 2014, impairment loss of approximately HK\$2,130,000 (2015: nil) was recognised.

#### 21. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	_	1,449
Work-in-progress	_	4,174
Finished goods	_	5,576
	_	11,199

#### 22. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	_	27,516
Less:		
Impairment loss recognised	_	(51)
	-	27,465
Purchase deposit	13,130	-
Other receivables	6,962	22,592
Prepayment	875	1,688
	20,967	51,745

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#### 22. TRADE AND OTHER RECEIVABLES (Continued)

(i) The Group generally allows an average credit period of 0–45 days to its trade customers. The Group does not hold any collateral over these balances.

An aged analysis of trade receivables, net of impairment loss recognised presented based on the invoice date which is approximate to the revenue recognition dates at the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
0 to 45 days	_	27,004
46 to 90 days	_	171
91 to 365 days	_	_
Over 365 days	_	290
	_	27,465

The movements in impairment loss of trade receivables were as follows:

	2015 HK\$'000	2014 HK\$'000
As at 1 January	51	_
Recognised during the year	_	51
Written off during the year	(51)	_
As at 31 December	_	51

At 31 December 2014, included in the impairment loss of trade receivables are individually impaired trade receivables which is considered uncollectible with an aggregate balance of approximately HK\$51,000 (2015: nil).

(ii) At the end of the reporting period, the analysis of trade receivables that were neither past due nor impaired and past due but not impaired are as follows:

	Neither past	Past due but not impaired			d 
	due nor	Less than	46 to 90	91 to 365	Over 365
Total HK\$'000	impaired HK\$'000	<b>45 days</b> HK\$'000	<b>days</b> HK\$'000	days HK\$'000	days HK\$'000
_	_	_	_	_	_
27,465	25,088	1,916	171	_	290
	HK\$'000 —	due nor Total impaired HK\$'000 HK\$'000	due nor Less than  Total impaired 45 days  HK\$'000 HK\$'000 HK\$'000	due nor   Less than   46 to 90	due nor   Less than   46 to 90   91 to 365     Total   impaired   45 days   days   days     HK\$'000   HK\$'000   HK\$'000   HK\$'000   HK\$'000

No impairment loss is provided for the trade receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and the management considers the default rate is low for such receivables based on historical information and past experience.

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#### 22. TRADE AND OTHER RECEIVABLES (Continued)

(ii) (Continued)

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

(iii) Included in other receivables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2015 HK\$'000	2014 HK\$'000
RMB	395	815

#### 23. HELD-FOR-TRADING INVESTMENT

Held-for-trading investment comprises:

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong	11,220	_
	11,220	_

#### 24. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2015 HK\$'000	2014 HK\$'000
Unlisted instruments, at fair value	9,880	-
	9,880	_

The available-for-sale investment represented wealth management products issued by financial institutions. Major investment targets of these products are bills issued by the People's Bank of China, debt securities issued by policy banks, debt securities issued by Chinese government in the national financial market for institutional investors, and other financial instruments.

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#### 25. BANK BALANCES AND CASH

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the year ended 31 December 2015 carried interest at the prevailing market rate ranging from 0.001% to 0.4% per annum (2014: 0.001% to 0.6% per annum).

The Group's bank balances and cash denominated in RMB amounted to approximately HK\$184,751,000 at 31 December 2015 (2014: HK\$67,338,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

As at 31 December 2015, approximately HK\$218,000 (2014: nil), HK\$16,857,000 (2014: nil) and HK\$1,316,000 (2014: nil) of the bank balances and cash of the Group were denominated in HK\$, US\$ and RMB which are not the functional currency of the relevant group entities.

#### 26. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables	_	13,299
Receipt in advance	1,129	4,417
Interest payable	9,208	6,563
Value added tax payables	11,738	10,443
Other payables	12,188	16,165
	34,263	50,887

(i) An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
0 to 90 days	_	12,470
91 to 365 days	_	16
Over 365 days	_	813
	_	13,299

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

(ii) Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective sales contracts.

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#### 26. TRADE AND OTHER PAYABLES (Continued)

(iii) Included in trade and other payables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2015 HK\$'000	2014 HK\$'000
HK\$	12,050	_
RMB	_	13,482

#### 27. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK\$'000	2014 HK\$'000
Derivative financial liabilities not under hedge accounting consists		
of the fair value of foreign currency forward contracts and		
are analysed for reporting purpose as current	_	110

The derivatives were measured with reference to exchange rates from financial instruments for equivalent instruments.

The Group entered into several non-deliverable structured forward contracts (the "Forward Contracts") denominated in US\$ and RMB during the year ended 31 December 2014 with a bank. During the year ended 31 December 2015, all the Forward Contracts brought forward from 2014 have been terminated after criteria stated in the contracts met. During the year ended 31 December 2015, no Forward Contacts have been entered into by the Group. As at 31 December 2015, no (2014: one) foreign exchange contract is outstanding.

The major terms of the foreign exchange contract outstanding as at 31 December 2014 are as follows:

Notional amount	Maturity	Predetermined exchange rates	Note
US\$500,000 (equivalent to approximately HK\$3,875,000)	5 May 2014 to 29 April 2015	US\$1: RMB6.1850	(a)

The Forward Contract comprises 12 forward exchange transactions at relevant determination dates.

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#### 27. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Pursuant to the terms of the Forward Contract, on each of the 12 determination dates, the Group will have to sell US\$500,000 against RMB at the predetermined exchange rate as disclosed above. If the spot exchange rate of US\$ against RMB (the "Spot Rate") is lower than the predetermined exchange rate (the "Condition"), the Group will receive a gain of US\$500,000 multiplied by the difference between the Spot Rate at the determination date and the predetermined exchange rate. This Forward Contract will be terminated on any determination date that the accumulative gain reaches RMB900,000.

If the Spot Rate is higher than the predetermined exchange rate, the exposure of the Group is to pay the bank US\$500,000 multiplied by the difference between the Spot Rate and the predetermined exchange rate for this Forward Contract. There is no cap on the exposure.

#### 28. BANK AND OTHER BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Unsecured:		
Machinery loan (Note i)	_	9,659
Other bank loan (Note ii)	_	600
Trust receipt loan (Note iii)	_	591
Other loan (Note iv)	110,000	43,000
	110,000	53,850
Bank and other borrowings repayable*:		
Within one year	30,000	10,457
More than one year but not exceeding two years	80,000	8,664
More than two years but not exceeding five years	_	34,729
	110,000	53,850
Less: Carrying amount of machinery loan that are not repayable within one year from the end of the reporting period but contain a repayment on		
demand clause (shown under current liabilities)	_	(3,073)
Less: Amounts due within one year shown under current liabilities	(30,000)	(10,457)
	(30,000)	(13,530)
Amount shown under non-current liabilities	80,000	40,320

<sup>\*</sup> The amounts due are based on scheduled repayment dates set out in the loan agreements.

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#### 28. BANK AND OTHER BORROWINGS (Continued)

#### Notes:

- (i) At 31 December 2014, approximately HK\$9,659,000 of machinery loans was outstanding, which carries floating rate at 1 month HIBOR plus 1.1% per annum and contain a repayment on demand clause. The machinery loans has been fully repaid during the year ended 31 December 2015.
- (ii) At 31 December 2014, HK\$600,000 of other bank loan was outstanding under the Special Loan Guarantee Scheme ("Special Loan") of Hong Kong, which carries floating-rate at 1 month HIBOR plus 1.25% per annum, repayable in 60 installments commencing on 31 July 2010. 80% of the principal amount of the Special Loan was guaranteed by the Government of Hong Kong Special Administrative Regions. The guarantee has been released and a repayment on demand clause has been added during the year ended 31 December 2014. The Special Loan has been fully repaid during the year ended 31 December 2015.
- (iii) At 31 December 2014, approximately HK\$591,000 of trust receipt loan was outstanding, which carries floating rate at HIBOR plus 2% per annum. The trust receipt loan has been fully repaid during the year ended 31 December 2015.
- (iv) At 31 December 2014, other loan of approximately HK\$43,000,000 was raised from a convertible bondholder for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The convertible bondholder has became a shareholder of the Company upon a partial conversion of convertible bonds by the convertible bondholder during the year ended 31 December 2015. Details are set out in note 33.
  - At 31 December 2015, other loan of approximately HK\$37,000,000 was raised from a subsidiary of a shareholder of the Company for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The amounts due are based on the scheduled repayment dates set out in the loan agreements. Details are set out in note 33.

At 31 December 2015, other loan of approximately HK\$30,000,000 was raised from an entity under the control of a shareholder of the Company which carries an interest rate of 10%, and which is to be repayable before 31 December 2016. The other loan is secured by the personal guarantee provided by a director of the Company.

At 31 December 2014, the Group has unused banking facilities of HK\$135,000,000. These bank facilities have been fully released during the year ended 31 December 2015.



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#### 29. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term of these leases is five years (2014: five years).

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

			Present value	of minimum
	Minimum leas	se payments	lease pay	yments
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Amounts payable under finance leases: Within one year More than one year, but not more than	283	283	268	256
two years More than two years, but not more than	189	283	186	268
five years	_	189	_	186
Less: Future finance charges	472 (18)	755 (45)	454	710
Present value of lease obligations	454	710		
Less: Amounts due within one year shown under current liabilities			(268)	(256)
Amounts due after one year			186	454

All obligations under finance leases of the Group bear interest at fixed interest rates. The underlying interest rates of these obligations under finance leases are ranged from 2.9% to 4.7% per annum during the years ended 31 December 2015 and 2014. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets. These leases had no terms of renewal or purchase options and escalation clauses.

All obligations under finance leases are denominated in HK\$.

#### **30. PROMISSORY NOTES**

On 17 October 2014, the Company issued a 12.5% promissory note in the amount of HK\$150,000,000, with a maturity date of 24 months from the date of issue. The effective interest rate of the promissory notes was 13.5% per annum.

On 8 June 2015, principal amount of HK\$10,000,000 of promissory note has been offset with the consideration receivable in respect of the exercise of 10,000,000 warrant, at exercise price of HK\$1 each. Further on 25 June 2015, the remaining promissory notes of an aggregate principal amount of HK\$140,000,000 was early redeemed in cash.

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#### 30. PROMISSORY NOTES (Continued)

	HK\$'000
At 1 January 2014	_
Issue of promissory note	150,000
Transaction costs	(997)
Interest charged	2,164
Repayment during the year	(9,375)
At 31 December 2014	141,792
Interest charged	10,102
Repayment during the year	(1,894)
Redemption of promissory note	(150,000)
At 31 December 2015	-

	2015 HK\$'000	2014 HK\$'000
Analysed for reporting purpose as:		
Current portion	_	9,375
Non-current portion	_	132,417
	_	141,792

The promissory notes were secured by composite share mortgage by two substantial shareholders of the Company and the personal guarantee provided by a director of the Company. The security was released upon the full redemption of promissory notes.

#### 31. CORPORATE BONDS

During the year ended 31 December 2015, the Group issued an aggregate principal amount of HK\$10,000,000 unlisted corporate bonds bearing an interest rate of 7% per annum. The corporate bonds will be repayable on the expiry day of the ninetieth month of the date of issuing the relevant corporate bonds. The effective interest rate of the corporate bonds is 10.2%.

	HK\$'000
At 1 January 2015	_
Issue of corporate bonds	10,000
Transaction costs	(1,600)
Interest charged	654
At 31 December 2015	9,054

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#### 31. CORPORATE BONDS (Continued)

	2015 HK\$'000	2014 HK\$'000
Analysed for reporting purpose as:		
Non-current portion	8,554	_
Current portion (included in other payables)	500	_
	9,054	_

#### 32. DEFERRED TAXATION

The movement in deferred tax liabilities during the year are as follows:

Difference between depreciation allowance and related depreciation

HK\$'000

	*
At 1 January 2014	(176)
Credit to profit or loss during the year	108
At 31 December 2014	(68)
Credit to profit or loss during the year	68
At 31 December 2015	_

At the end of the reporting period, the Group has unused tax losses of approximately HK\$6,439,000 (2014: HK\$4,559,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At 31 December 2015, approximately HK\$1,888,000 (2014: HK\$8,000) included in the above unused tax losses will expire after five years from the year of assessment to which they relate to. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$2,960,000 (2014: HK\$6,815,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the Post-2008 Earnings amounting to approximately HK\$3,582,000 (2014: HK\$5,462,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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#### 33. CONVERTIBLE BONDS

On 9 May 2014, the Company issued 5% per annum coupon rate convertible bonds at principal amount of HK\$200,000,000 and HK\$100,000,000 to Vision Future Global Limited ("Vision Future") and Orient Finance Holdings (Hong Kong) Ltd. ("Orient Finance"), the independent third parties, respectively. The convertible bonds are denominated in HK\$. The bonds mature in 36 months from the date of issuance and can be converted into shares of the Company with the agreement from bondholders at any time before the maturity date at an initial conversion price of HK\$1 per share. The convertible bonds are transferable and non-redeemable before maturity.

On 25 September 2014, a deed of amendment has been entered into by the Company and the convertible bondholders that the convertible bonds were changed to be redeemable upon mutual consent between the Company and the bondholders. Other terms of the convertible bonds remain unchanged. On 15 October 2014, such modification have been duly passed by shareholders in a special general meeting. Such modification of terms did not result in the extinguishment of the financial liability of the convertible bonds.

On 14 November 2014 and 18 November 2014, the Company early redeemed partially the convertible bonds with the principal amounts of HK\$140,000,000 and HK\$43,000,000 from Vision Future and Orient Finance, respectively. This gave rise to an early redemption gain of approximately HK\$17,928,000 for the year ended 31 December 2014 recognised in profit or loss.

On 20 May 2015, the principal amount of HK\$10,000,000 convertible bonds was converted into 10,000,000 shares by Orient Finance at conversion price of HK\$1 each.

On 28 July 2015, the Company further early redeemed partially the convertible bonds with the principal amounts of HK\$37,000,000 from Orient Finance. This gave rise on an early redemption gain of approximately HK\$4,992,000 for the year ended 31 December 2015 recognised in profit of loss. On the same date, another principal amount of HK\$10,000,000 convertible bonds was converted into 10,000,000 shares by Orient Finance at conversion price of HK\$1 each.

The convertible bonds contain two components, liability and equity elements. The equity element is presented in equity heading convertible bonds equity reserve. The effective interest rate of the liability component is 8% per annum.



For the year ended 31 December 2015

### 33. CONVERTIBLE BONDS (Continued)

The movement of the convertible bonds for the year is set out below:

	Liability	Liability Equity	
	component	component	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	_	_	_
Issued on 9 May 2014	276,809	23,191	300,000
Transaction costs	(7,059)	(591)	(7,650)
Imputed interests charged	12,189	_	12,189
Gain on early redemption of convertible bonds	(17,928)	_	(17,928)
Early redemption of convertible bonds	(153,172)	(34,642)	(187,814)
Transfer to retained earnings upon early redemption			
of convertible bonds	_	20,496	20,496
At 1 January 2015	110,839	8,454	119,293
Conversion to ordinary shares	(18,774)	(1,478)	(20,252)
Imputed interests charged	7,709	_	7,709
Interests paid	(5,975)	_	(5,975)
Gain on early redemption of convertible bonds	(4,992)	_	(4,992)
Early redemption of convertible bonds	(30,003)	(7,402)	(37,405)
Transfer to retained earnings upon early redemption			
of convertible bonds	_	4,670	4,670
At 31 December 2015	58,804	4,244	63,048

	2015 HK\$'000	2014 HK\$'000
Convertible bonds — liability component:		
Analysed for reporting purpose as:		
Non-current liabilities	55,804	104,989
Current liabilities (included in other payables)	3,000	5,850
	58,804	110,839

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#### 34. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised		
Ordinary shares of HK\$0.01 each as at 1 January 2014	10,000,000	100,000
Effect of share subdivision to HK\$0.005 each (note (i))	10,000,000	_
Ordinary shares of HK\$0.005 each as at 31 December 2015	20,000,000	100,000
Issued and fully paid		
Ordinary shares of HK\$0.01 each as at 1 January 2014	416,000	4,160
Effect of share subdivision to HK\$0.005 each (note (i))	416,000	_
Issue of shares (note (ii))	120,000	600
Ordinary shares of HK\$0.005 each as at 31 December 2014	952,000	4,760
Issue of shares from conversion of convertible bonds (note (iii))	20,000	100
Issue of shares from exercise of warrants (note (iv))	10,000	50
Ordinary shares of HK\$0.005 each as at 31 December 2015	982,000	4,910

#### Notes:

- (i) With effective from 5 March 2014, each share of the Company of HK\$0.01 per share was subdivided into 2 shares of HK\$0.005 per share. Share capital is therefore presented on a post share subdivision basis.
- (ii) On 9 May 2014, arrangements were made for a private placement to an independent private investor of 120,000,000 ordinary shares of HK\$0.005 each at the share placing price of HK\$1.00 per placing share representing a discount of 18.6% to the closing market price of the Company's shares on 9 May 2014.

The proceeds were used as general working capital of the Group and for obtaining a finance lease business license and developing the finance lease business in the PRC. These new shares were issued under the specific mandate granted to the directors at a special general meeting of the Company held on 5 March 2014.

- (iii) On 20 May 2015 and 28 July 2015, HK\$10,000,000 convertible bonds were converted into 10,000,000 shares at conversion price of HK\$1 each for each of the date (see note 33).
- (iv) On 8 June 2015, 10,000,000 warrants were exercised at HK\$1 each (see note 35).

All the ordinary shares issued during the year ended 31 December 2015 rank pari passu with the then existing shares in all respects.

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#### 35. UNLISTED WARRANTS

On 18 November 2014, the Company issued 60,000,000 warrants (the "Warrants") to an independent third party at a cash consideration of HK\$1. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.005 each at an exercise price of HK\$1.00, subject to normal adjustment, at any time falling 24 months from the date of issue.

During the year ended 31 December 2015, 10,000,000 warrant were exercised at HK\$1 each. Except for the aforesaid exercise of warrant, no warrants were exercised or lapsed during years ended 31 December 2014 and 2015.

Exercise in full of the outstanding warrants would result in the issue of approximately 50,000,000 (31 December 2014: 60,000,000) additional ordinary shares of HK\$0.005 each.

#### **36. RETIREMENT BENEFIT SCHEMES**

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014). Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of approximately HK\$1,184,000 for the year ended 31 December 2015 (2014: HK\$940,000).



For the year ended 31 December 2015

#### 37. OPERATING LEASE COMMITMENT

The Group leases certain of its factory premises and offices under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years and rentals are fixed. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

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

	2015 HK\$'000	2014 HK\$'000
Within one year	5,653	3,061
In the second to fifth year inclusive	4,140	_
	9,793	3,061

#### 38. CAPITAL COMMITMENT

	2015 HK\$'000	2014 HK\$'000
Capital expenditure contracted for but not provided in		
the consolidated financial statements in respect of		
acquisition of property, plant and equipment	2,734	444

#### 39. LITIGATION

On 16 November 2011, the High Court made a judgement (the "Judgement") in favour of a subsidiary of the Group to dismiss a claim from a supplier (the "Supplier").

On 23 July 2012, the Supplier has filed a notice of appeal against the Judgement (the "Appeal") and the Appeal was heard on 8 March 2013.

On 14 March 2013, the Court of Appeal ordered that the Appeal is allowed and the Judgement is set aside. The Court of Appeal also ordered that unless the dispute between the Supplier and the subsidiary of the Group can be settled by other means, the dispute should be remitted for a retrial by another judge.

On 21 August 2015, the Supplier and the Group reached a settlement agreement, and the Supplier and the Group was then submitted a joint application to the District Court regarding the agreed settlement.

On 21 September 2015, the District Court ordered that the Group shall pay the Supplier a sum of HK\$1,200,000 on without admission of liability basis, and the parties shall discontinue their respective claim and counterclaim against each other upon the Supplier's receipt of the said sum of HK\$1,200,000. The Group has fully settled the sum of HK\$1,200,000 during the year ended 31 December 2015. Therefore, no provision for this claim has been made in the consolidated financial statements for the year ended 31 December 2015.

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#### **40. RELATED PARTY TRANSACTIONS**

In addition to those balances with related parties disclosed in note 28, the Group has entered into the following significant transactions with related parties during the year.

#### (a) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2015 and 2014 are as follows:

	2015 HK\$'000	2014 HK\$'000
Short-term employee benefits Post-employment benefits	6,710 167	8,841 163
	6,877	9,004

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

#### (b) Other related parties transaction

Name of company	Relationship	Nature of transaction	2015 HK\$000	2014 HK\$000
Long Rise Investment Development Limited	Common director	Rental charged therefrom	_	1,148

The above transaction was at terms determined and agreed by the Company and the relevant party and constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules. The transaction is ceased to be related parties transaction or continuing connected transaction after the common director resigned on 4 June 2014.

#### (c) Guarantee provided by shareholders and a director of the Company

As at 31 December 2015, other borrowing of HK\$30,000,000 (2014: nil) is secured by the personal guarantee provided by a director of the Company. Details are set out in note 28.

As at 31 December 2014, the promissory notes were secured by composite share mortgage by two substantial shareholders of the Company and the personal guarantee provided by a director of the Company. These securities had been released during the year ended 31 December 2015. Details are set out in note 30.

For the year ended 31 December 2015

#### 41. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 11 October 2011, the Company has adopted a Share Option Scheme (the "Scheme") for the purpose of motivating eligible participants to optimise their performance and efficiency for the benefit of the Group. The Board of directors shall be entitled at any time on a business day within 10 years commencing on the effective date of the Scheme to offer the grant of option to any eligible participants.

Eligible participants of the Scheme include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

Any grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates representing in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK\$5,000,000 in such person in any 12-months period up to and including the date of each grant must be approved by the independent non-executive directors, but excluding any independent non-executive director who is a proposed grantee and any further grant of options must be approved by the shareholders of the Company.

No share options are granted since the adoption of the Scheme and during the years ended 31 December 2015 and 2014.

#### 42. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, other borrowing of HK\$37,000,000 (2014: HK\$43,000,000) was arising from the early redemption of convertible bonds. Details are set out in notes 28 and 33.

During the year ended 31 December 2015, consideration receivable in respect of the exercise of 10,000,000 warrant, at exercise price of HK\$1 each, had been offset with the redemption of promissory notes. Details are set out in note 30.



For the year ended 31 December 2015

#### 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

Notes	2015 HK\$'000	2014 HK\$'000
Non-current asset		
Investment in a subsidiary	17,138	17,916
Current assets		
Other receivables	254	172
Amounts due from subsidiaries (a)	417,024	428,217
Bank balances and cash	100	100
	417,378	428,489
Current liabilities		
Other payables	11,950	8,634
Promissory notes	_	9,375
Other borrowings	30,000	2,680
Amounts due to subsidiaries (a)	113,322	_
	155,272	20,689
Net current assets	262,106	407,800
Total assets less current liabilities	279,244	425,716
Non-current liabilities		
Convertible bonds	55,804	104,989
Corporate bonds	8,554	_
Promissory notes	_	132,417
Other borrowings	80,000	40,320
	144,358	277,726
Net assets	134,886	147,990
Capital and reserves		
Share capital	4,910	4,760
Reserves (b)	129,976	143,230
Total equity	134,886	147,990

For the year ended 31 December 2015

#### 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

#### (b) Reserves

	Share premium	Other reserve (Note)	Convertible bonds reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	43,607	81,270	_	_	(14,015)	110,862
Loss for the year and total						
comprehensive expense for the year	-	-	_	_	(71,930)	(71,930)
Issue of new shares	119,400	_	_	_	_	119,400
Transaction cost of issuance						
of new shares	(3,060)	_	_	_	_	(3,060)
Issue of convertible bonds	_	_	22,600	_	_	22,600
Early redemption of convertible bonds	_	_	(34,642)	_	_	(34,642)
Transfer to accumulated earnings upon						
early redemption of convertible bonds	_	_	20,496	_	(20,496)	_
At 31 December 2014	159,947	81,270	8,454	_	(106,441)	143,230
Loss for the year and total						
comprehensive expense for the year	_	_	_	_	(28,304)	(28,304)
Exchange difference arising on						
translation of foreign operations	_	_	-	(6,172)	_	(6,172)
Issue of converted shares from bonds	20,152	_	(1,478)	_	_	18,674
Issue of shares from warrant exercise	9,950	_	_	_	_	9,950
Early redemption of convertible bonds	_	_	(7,402)	_	_	(7,402)
Transfer to accumulated earnings upon						
early redemption of convertible bonds	_	_	4,670	_	(4,670)	_
At 31 December 2015	190,049	81,270	4,244	(6,172)	(139,415)	129,976

Note: The other reserve represents the difference between the nominal value of the shares issued for the acquisition of Wide Reach Limited ("Wide Reach") and the consolidated net asset value of Wide Reach and its subsidiaries at the date of acquisition.

#### (c) Financial guarantee contracts

At 31 December 2014, the Company had given guarantees to banks of certain subsidiaries in respect of their machinery loan, other loan and banking facilities as set out in note 28. Such guarantees have been released during year ended 31 December 2015.

The directors of the Company are of the opinion that it was not probable that the repayment of loans would be in default and that the fair value of the financial guarantee contracts is insignificant.



For the year ended 31 December 2015

#### 44. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries, all of which adopted a financial years end date of 31 December 2015 and 2014:

Name of Company	Place of Issued and fully incorporation or paid share establishment/ capital/registered capital		Percentage of equity interest attributable to the Company Direct Indirect				Principal activities	
			2015	2014	2015	2014	l	
Wide Reach	British Virgin Islands	Ordinary shares US\$3,000	100%	100%	_	_	Investment holding	
West Harbour Group Limited 宏海集團有限公司	British Virgin Islands	Ordinary shares US\$ 1	100%	100%	-	-	Investment holding	
Fornton Knitting Company Limited 豐臨針織有限公司	Hong Kong	Ordinary shares HK\$10,000,000	_	-	100%	100%	Inactive (2014: Trading of knitwear)	
Nice Regent Industries Limited 毅俊實業有限公司	Hong Kong	Ordinary shares HK\$10,000	-	-	100%	100%	Inactive (2014: Sub-contacting of knitted garments)	
Fornton Holdings Company Limited 豐臨控股有限公司	Hong Kong	Ordinary shares HK\$10,000	-	_	100%	100%	Inactive (2014: Trading of knitwear and investment holding)	
東莞豐正針織有限公司 (Note a)	The PRC	Registered capital US\$ 8,000,000	_	_	100%	100%	Inactive (2014: Manufacturing and trading of knitwear)	
Fornton Apparel Company Limited (Note b)	British Virgin Islands	Ordinary shares US\$1,000	-	-	N/A	100%	Inactive (2014: Trading of knitwear)	
Bravo Magic Holdings Limited	British Virgin Islands	Ordinary shares US\$50,000	-	-	100%	100%	Inactive	
Prokit Limited	Hong Kong	Ordinary shares HK\$1	-	-	100%	100%	Inactive	
Peak Matrix Holdings Limited	British Virgin Islands	Ordinary shares US\$50,000	-	-	100%	100%	Inactive	
King All Investment Group Limited (Note b)	Hong Kong	Ordinary shares HK\$1	_	-	N/A	100%	Inactive	

For the year ended 31 December 2015

#### 44. SUBSIDIARIES OF THE COMPANY (Continued)

Name of Company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/registered capital	Percentage of equity interest attributable to the Company Direct Indirect			Principal activities	
			2015	2014	2015	2014	
Sino Top Capital Resources Limited	Hong Kong	Ordinary shares HK\$1	_	_	100%	100%	Finance leasing
山西華威融資租賃有限公司 (Note a)	The PRC	Ordinary shares US\$35,000,000	_	-	100%	100%	Finance leasing and trading of metal and equipment
World Channel Development Limited	British Virgin Islands	Ordinary shares US\$1	-	-	100%	100%	Investment holding
Professional Leasing Limited 專業租賃有限公司	Hong Kong	Ordinary shares HK\$1	-	-	100%	100%	Finance leasing
Fornton Group Limited	Hong Kong	Ordinary shares HK\$1	-	-	100%	100%	Inactive
Rong Shan Capital Resources Limited 融山資本有限公司	Hong Kong	Ordinary shares HK\$10,000	-	_	100%	N/A	Inactive
融元融資租賃(上海)有限公司 (Note a)	The PRC	Note c	_	-	100%	N/A	Inactive

Note a: Wholly foreign-owned enterprise established in the PRC.

Note b: Dissolved during the year ended 31 December 2015.

Note c: The registered capital of 融元融資租賃(上海)有限公司 amounted to US\$50,000,000 (equivalent to approximately HK\$389,000,000) which remained outstanding and not yet paid up to the report date.

None of the subsidiaries had any debt securities issued subsisting at the end of both years or any time during both years.

# Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

#### **RESULTS**

#### Year ended 31 December

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	130,796	287,950	310,867	400,035	326,624
Cost of sales	(112,979)	(230,712)	(256,573)	(323,989)	(247,233)
Gross profit	17,817	57,238	54,294	76,046	79,391
Other operating income	732	5,364	4,240	5,457	3,933
Gain on early redemption of					
convertible bonds	4,992	17,928	_	_	_
Change in FV of HFT Investments	(11,252)	_	_	_	_
Selling and distribution expenses	(2,532)	(7,615)	(9,441)	(9,567)	(9,669)
Administrative and other expenses	(57,732)	(77,902)	(56,118)	(53,361)	(57,051)
Finance costs	(27,692)	(15,947)	(350)	(641)	(700)
(Loss) profit before taxation	(75,667)	(20,934)	(7,375)	17,934	15,904
Income tax (expense) credit	(1,743)	(2,506)	186	(4,196)	(4,823)
(Loss) profit for the year	(77,410)	(23,440)	(7,189)	13,738	11,081
Item that may be reclassified subsequently					
to profit or loss:					
Exchange differences arising on					
translation of foreign operations and					
total other comprehensive (expense)					
income	(7,034)	(2,754)	561	565	2,411
Total comprehensive (expense) income					
for the year	(84,444)	(26,194)	(6,628)	14,303	13,492
(Loss) earnings per share (HK cents)					
Basic and diluted	(8.00)	(2.58)	(0.86)	1.65	1.68

# Five Year Financial Summary

### **ASSETS AND LIABILITIES**

#### Year ended 31 December

	2015	2014	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS TOTAL LIABILITIES	359,824	565,631	188,982	206,359	196,219
	211,579	(354,314)	(56,369)	(67,118)	(71,281)
NET ASSETS	148,245	211,317	132,613	139,241	124,938