MEGA MEDICAL TECHNOLOGY LIMITED
美 加 醫 學 科 技 有 限 公 司

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 876)

Annual Report

2015

年報

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wu Xiaolin
Mr. Wu Tianyu (appointed on 21 May 2015)
Mr. Wen Jialong (resigned on 29 June 2015)

Non-executive Directors

Mr. Lam Kwok Cheong
Dr. Jiang, Feng (appointed on 27 June 2015)
Mr. Chow Tak Hung (resigned on 18 March 2016)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Mr. Wu Jixian (appointed on 27 June 2015)
Mr. Song Qun (appointed on 27 June 2015)
Mr. Lung Chee Ming George (retired on 26 June 2015)
Mr. Zeng Zhaolin (retired on 26 June 2015)

AUDIT COMMITTEE

Dr. Loke Yu alias Loke Hoi Lam *(Chairman)*
Mr. Lam Kwok Cheong
Mr. Wu Jixian
Mr. Song Qun

REMUNERATION COMMITTEE

Mr. Wu Jixian *(Chairman)*
Mr. Song Qun
Mr. Wu Tianyu

NOMINATION COMMITTEE

Mr. Wu Tianyu *(Chairman)*
Mr. Wu Jixian
Mr. Song Qun

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS

Bermuda
Conyers Dill & Pearman

PRINCIPAL BANKERS

Hang Seng Bank Limited
Nanyang Commercial Bank, Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 805, 8/Floor
Star House
3 Salisbury Road
Tsim Sha Tsui
Kowloon, Hong Kong

SHARE REGISTRARS

Bermuda Principal

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch

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

STOCK CODE

Stock Code on The Stock Exchange of Hong Kong Limited: 876

COMPANY WEBSITE

www.megamedicaltech.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Mega Medical Technology Limited, (the "Company"), I present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. During the year, the Group achieved revenue of approximately HK$395.7 million (2014: approximately HK$363.5 million), representing an increase of 8.9% as compared with last year. Loss attributable to the shareholders of the Company was approximately HK$30.6 million (2014: loss of approximately HK$90.0 million). Loss per share was 0.86 HK cents (2014: loss per share of 3.40 HK cents). The Board does not recommend the payment of dividend for the year.

BUSINESS REVIEW

Electronic Manufacturing Services Business (the "EMS Business")

During 2015, the Group's EMS Business had continued to operate under very severe and challenging conditions as the US and European economic recovery was slow and the demand for electronic products was weak. Our customers continue to request major price reductions for our products. This further adversely affected our Group's sales performances and profitability as we are forced to maintain competitiveness by decreasing our product prices substantially. As the use of wireless technology and smart home related technology become more prevalent, connector products required for these products continue to decrease at a dramatic rate. These revolutionary technological changes will continue to make demands for traditional connector products decrease drastically.

Dental Prosthetics Business

Through the completion of the acquisition (the "On Growth Acquisition") of, among others, 100% equity interests in On Growth Global Development Limited ("On Growth") on 15 May 2015, the Group commenced to engage in the dental prosthetics business, including the sale (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. This business sector is contributing earnings to the Group already.

BUSINESS DEVELOPMENT STRATEGIES AND PROSPECTS

Through the completion of the On Growth Acquisition, the Group has positioned dental prosthetics business as one of its core businesses. The Group will continue to identify new and appropriate business opportunities in this new business sector, so as to provide appropriate returns to the shareholders with appropriate business risks.

It is expected that the dental prosthetics business will have huge growth potential and will increase the income stream of the Group, increase the return on equity and bring a long term benefit to the Group. On the other hand, the Directors expect such income stream from the dental prosthetics business will be used to finance part of the future capital requirements and/or appropriate investment opportunities.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our beloved shareholders, respectable customers, dedicated vendors and professional bankers for their support over the year and look forward to a closer cooperation in coming years.

I would also like to personally thank our management and staff for their hard work and commitment to the Group.

Wu Tianyu
Chief Executive Officer
Hong Kong, 31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year, the Group recorded a turnover of approximately HK$395.7 million (2014: HK$363.5 million), representing an increase of 8.9% compared with last year. The Group's loss attributable to the shareholders of the Company for the year ended 31 December 2015 was approximately HK$30.6 million, representing a basic loss per share of HK0.86 cents (2014: loss of HK$90.0 million, representing a basic loss per share of HK3.40 cents).

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2015.

BUSINESS REVIEW

Electronic Manufacturing Services Business (the "EMS Business")

During 2015, the Group's EMS Business had continued to operate under very severe and challenging conditions as the US and European economic recovery was slow and the demand for electronic products was weak.

During the financial year, instability in the financial markets continued and the US dollar remained strong which led to currencies in other parts of the world to plummet. Consumers in many regions continued to be more conservative when spending on electronic products, resulting in weakening of customers' orders and accordingly demand for our products was also hit.

Continuing from the previous year, our Korean, Japanese and European high-end consumer electronic branded customers continues to face intense competition from PRC brand name manufacturers of consumer electronic products compounded by drastic reduction of market demand for electronic products. As such, some of our customers have been adversely affected and ultimately exited from the consumer electronic products markets globally causing a dramatic reduction in demand for our products. In addition, our customers continue to request major price reductions for our products. This further adversely affected our Group's sales performances and profitability as we are forced to maintain competitiveness by decreasing our product prices substantially.

Due to the increasing labour costs in the PRC, many of our customers have also decided to move their production base out of the PRC to Southeast Asian countries with lower labour costs. This strategic move has caused the attrition of many of our basic customers as they seek to source electronic components from other suppliers in nearby locations to save costs.

As the use of wireless technology and smart home related technology become more prevalent, connector products required for these products continue to decrease at a dramatic rate. These revolutionary technological changes will continue to make demands for traditional connector products decrease drastically. Adding to the above, smartphones have been the go-to personal electronic product that encompasses several electronic functionalities into one. As such, the smartphone has replaced traditional audio visual products which led to the phase out of traditional audio visual products.

As a result of the aforementioned, our sales turnover dropped significantly as a whole. Sales turnover of EMS Business decreased by 18.6% to approximately HK$295.8 million as compared to last year (2014: HK$363.5 million).

As our connector products profit margins are low due to market price competition, the Group will continue to review the Group's product mix and customer portfolio and will phase out certain customers and product lines that are not profitable.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW – continued

Money Lending Business

In August 2014, the Group commenced its money lending business in Hong Kong to diversify the Group's income source. However, in view of the on-going uncertainty surrounding the Hong Kong money lending market and the higher associated market and credit risks during the year, the Group has exercised more stringent credit control and as such, the Directors have been cautious in new money lending activities during the year and decided to dispose of the money lending business. In August 2015, the Group disposed of its entire equity interest in Boundless Success Group, principally engaged in the money lending business.

Investment in Properties Business

Through the acquisition of 70% equity interest in Common Glory Global Limited (a then non wholly-owned indirect subsidiary of the Company) and its subsidiaries in 2014, the Group owned the investment properties (the "Investment Properties") which comprise (i) the land which is located in Chuan Hu Industrial District, 24 He Ping Road, Qinghu Community, Longhua Street, Longhua New Zone, Shenzhen, the PRC with a site area of approximately 6,841.81 sq.m.; and (ii) various buildings, including factories, offices, living quarters and ancillary facilities erected thereon. The related land use right has been granted for a term of 50 years expiring on 4 March 2049 for industrial use and with re-development potential. On 24 July 2015, in order to realize the value of the Investment Properties at a reasonable price, the Group entered into an agreement (the "Disposal") to dispose, among others, of all of the equity interests of a subsidiary of the Group owning the Investment Properties (the "Disposal Group") at a consideration of RMB158,000,000. The related details of the agreement and other details relating to the Disposal are set out in the announcement of the Company dated 24 July 2015. As at the date of this report, the Disposal has not yet been completed.

Dental Prosthetics Business

Through the completion of the acquisition (the "On Growth Acquisition") of, among others, 100% equity interests in On Growth Global Development Limited ("On Growth") on 15 May 2015, the Group commenced to engage in the dental prosthetics business ("Dental Prosthetics Business"), including the sale (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. This business sector is contributing earnings to the Group already. The Dental Prosthetics Business has a higher gross profit margin as compared to other business sectors of the Group. It is expected that this On Growth Acquisition will continue to contribute and enhance the earning quality of the Group in the future.

PROSPECT

The Group has a business strategy to diversifying its business and further enhancing shareholder value. The Group plans to leverage on the experience and network of the management to capture business and investment opportunities.

EMS Business

While the Group has been endeavoring to pursue the existing EMS Business, there continues to be revolutionary technological changes that are phasing out connector products. There continues to be intense price competition that will continue amongst PRC brand name manufacturers of consumer electronic products and our customers. Sales and market share of our customers is expected to decline which will detrimentally affect the Group's sales performance. Going forward, it is expected that the Group's EMS Business sales will continue to be reduced and record losses.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT – continued

EMS Business – continued

Currently, there remains certain buildings and land of the Group's Heyuan factory that is left idle. The Group will consider disposing of the aforementioned in the near future should a suitable opportunity arise. In order to push forward and remain competitive, the Group will continue its investment in research and development in new connector products for use in different applications to explore different markets and customers.

In view of the weakening performance and reshuffling of the Group's EMS Business, the Group has been actively exploring business diversification opportunities in order to enhance the long-term growth potential of the Group. Through the On Growth Acquisition, the Group can diversify into the denture business in the PRC and overseas markets.

Dental Prosthetics Business

The Group is optimistic about the long-term outlook of the dental prosthetics market in the PRC, particularly in view of the rising living standard causing surge in sugar consumption by the citizens and thereby faster dental decay among the general public and the increasing awareness of cosmetics, which together are expected to induce augmenting demand for dental prosthesis. In addition, the dental prosthetics industry on a global scale has been growing positively over the past few years and such trend is likely to continue.

After the On Growth Acquisition, the Group has formulated a number of growth strategies in the Dental Prosthetics Business, including enlarging its sales network in the PRC and foreign markets like the US, expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes. In order to develop the Dental Prosthetics Business, which in the view of the Company would become the most significant business segment of the Group with strongest growth potential, the Group would devote most of the Group's resources and efforts to this segment going forward.

In addition, on 20 August 2015, the Company and Shenzhen BGI Clinical Laboratories Center Limited) ("BGI Clinical") entered into a Cooperation Framework Agreement (the "Framework Agreement"), pursuant to which the parties agreed to cooperate in (i) developing the business of preservation of dental pulp stem cells; (ii) developing the genetic and metabolite testing services through the Company's sales channel in the PRC; and (iii) research and development on tooth preservation technologies, tooth regeneration technologies and products for a term of 3 years (the "Term Period") to 17 August 2018. Furthermore, on the same date, the Company and BGI Clinical entered into a specific cooperation agreement (the "Specific Cooperation Agreement"), pursuant to which the Company will engage BGI Clinical to provide preservation services and testing services to its end customers for the Term Period. BGI Clinical is a wholly-owned subsidiary of Shenzhen BGI Technology Limited, a leading genomics research institute which particularly focus on genetic sequencing and bioinformatics analysis. The entering into the Framework Agreement and the Specific Cooperation Agreement can be an important step forward for the Group to devote themselves to transforming the Group into a life science enterprise specializing in denture arena.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The sales for the year has been increased which is mainly due to the revenue contributed from the Dental Prosthetics Business after the On Growth Acquisition on 15 May 2015 and partly offset by the reduction of revenue from the EMS Business.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW – continued

Gross Profit

Gross profit for the year amounted to HK$61.5 million (2014: HK$60.4 million). Gross profit margin for the year has been slightly decreased to 15.5% (2014: 16.6%). This is mainly attributable to the deteriorate of profit contributed by the EMS Business while partly offset by the higher gross profit margin generated from the Dental Prosthetics Business after the On Growth Acquisition since 15 May 2015.

Intangible Assets

Intangible assets were acquired from the On Growth Acquisition. Intangible assets represent patents and trademarks of the acquired companies and the expected useful lives of these patents and trademarks were 8.7 years.

Goodwill

Goodwill of HK$330.8 million was generated from the On Growth Acquisition. A review on the carrying value of the goodwill has been conducted and no impairment of the Dental Prosthetics Business containing that goodwill was noted.

Cash Position and Cash Flow

The Group has a solid cash position for the year under review, with cash and cash equivalents amounting to approximately HK$130.2 million as at 31 December 2015 (31 December 2014: HK$28.0 million). During the year, the Group have positive cash flow from operating activities.

Asset classified as held for sale and liabilities associated with assets classified as held for sale

Balances represent the assets and liabilities of the Disposal Group respectively.

Deferred Taxation

Deferred taxation represent the deferred tax liabilities of the intangible asset acquired in the On Growth Acquisition.

Capital and Reserves

Equity attributable to owners of the Company amounted to approximately HK$507.4 million (31 December 2014: approximately HK$140.8 million).

Capital Expenditure and Capital Commitments

During the year, the Group invested approximately HK$4.0 million (2014: approximately HK$26.8 million), mainly on production equipment. As at 31 December 2015, there was no capital expenditure commitments.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW – continued

Treasury Policy

The Group's sales were principally denominated in Renminbi, EURO dollars, US dollars and Hong Kong dollars while purchases were transacted mainly in US dollars, Renminbi and Hong Kong dollars.

The fluctuation of Hong Kong dollars and other currencies did not materially affect the costs and operations of the Group for the year and the Directors do not foresee significant risk in exchange rate fluctuation currently. The Group has not entered into any financial instruments for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 31 December 2015 amounted to approximately HK$507.4 million (31 December 2014: approximately HK$140.8 million).

As at 31 December 2015, the net current assets of the Group amounted to approximately HK$196.9 million (31 December 2014: HK$17.2 million). The current and quick ratio was 1.79 and 1.76 respectively (31 December 2014: 1.10 and 1.07 respectively).

As at 31 December 2015, the borrowings of the Group totaled HK$46.8 million (31 December 2014: HK$6.0 million), comprising amounts due to former Directors and shareholders of the Company of HK$2.4 million (31 December 2014: Nil); amount due to the spouse of a Director of the Company of HK$1.2 million (31 December 2014: Nil); amount due to the father of a Director of the Company of HK$2.2 million (31 December 2014: HK$ Nil), amount due to a company owned by a former Director and shareholder of the Company of HK$38.0 (the "Loan") (31 December 2014: Nil); an amount due to a non-controlling shareholder of a subsidiary of HK$1.9 million (31 December 2014: HK$2.6 million) and bank borrowing of HK$1.1 million (31 December 2014: HK$1.6 million). As at 31 December 2014, apart from the above, there was also an amount due to a director of HK$1.8 million.

As at 31 December 2015, the gearing ratio of the Group, calculated by dividing total bank borrowings by equity attributable to owners of the Company of Group, was 0.22% (31 December 2014: 1.16%).

The Loan of HK$38.0 million has been fully settled subsequent to the year end. The bank loan, denominated in RMB, carried fixed interest rates of 7.62% (31 December 2014: 7.62%) per annum and is repayable within one year.

During the year, the Company had issued and allotted 250,000,000 placing shares for cash of HK$100,000,000. The placing proceeds together with the issue of 500,000,000 consideration shares had been applied to acquire the On Growth Global Development Limited and its subsidiaries. After the new issuance and allotment of the Shares of the Company during the year, the number of issued shares of the Company had been increased to 3,826,207,031 as at 31 December 2015.

Taking the above figures into account, together with the expected cash inflow arising from the Disposal as well as its strong operational cash flows arising from the Dental Prosthetics Business, the management is confident that the Group will have adequate resources to settle its outstanding debts and to finance its daily operational and capital expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW – continued

Acquisition of Subsidiaries

On 16 March 2015, the Company, View Bright Global Investments Limited (the "Vendor", a company which is wholly-owned by Mr. Yan XT Timothy, an independent third party of the Group ("Mr. Yan")), Mr. Yan, Mr. Wu, Ms. Jiang and Royal Dental Laboratory Limited, independent third parties of the Group, entered into an acquisition agreement ("Acquisition Agreement"), pursuant to which (i) the Vendor conditionally agreed to sell and Mr. Yan conditionally agreed to procure the sale of, and the Company conditionally agreed to purchase, the entire 100% issued share capital of On Growth Global Development Limited ("On Growth"), a wholly-owned subsidiary of the Vendor (the "Acquisition"); and (ii) Mr. Yan (being the ultimate beneficial owner of the Vendor and the lender of the shareholder's loan) conditionally agreed to sell and assign, and the Company conditionally agreed to accept the sale and assignment of, a shareholder's loan due to Mr. Yan of RMB2,200,000 (equivalent to HK$2,757,000) at the acquisition completion date for a nominal cash consideration of HK$1. The consideration in respect of the Acquisition, pursuant to the Acquisition Agreement includes (i) HK$100,000,000 cash consideration payable on the acquisition completion date; and (ii) 500,000,000 ordinary shares of the Company (the "Consideration Shares"). Pursuant to the Acquisition Agreement, the Vendor provides the profit guarantees and the number of Consideration Shares to be eventually vested with the Vendor will be variable depending on the actual consolidated net profit after tax of On Growth Group for the years ended and ending 31 December 2015 and 31 December 2016 respectively. Details of the Acquisition are set out in an announcement issued by the Company dated 17 March 2015.

Disposal of Subsidiaries

On 24 July 2015, Common Glory Global Limited ("Common Glory"), a non wholly-owned indirect subsidiary of the Company, entered into an agreement with Hang Sheng International Capital Company Limited, an independent third party, to conditionally acquire for and Common Glory has conditionally agreed to dispose of the entire issue share capital of Decent Choice Limited, a 70% owned indirect subsidiary of the Company, and the shareholder's loan (the "Disposal"). The Disposal mainly involves a disposal of a piece of land held by the Group as investment properties. The consideration for the Disposal is RMB158,000,000. The details of the Disposal are set out in the Company's announcement dated 24 July 2015. The Disposal is subject to shareholder's approval at a special general meeting of the Company. As the date of this report, the Disposal has not yet been completed.

In August 2015, the Group disposed of its entire equity interest in Boundless Success Group, principally engaged in money lending business to an entity in which one of the directors in a subsidiary in Boundless Success Group has directorship, for a cash consideration of HK$1,272,000.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 1,053 employees in total as at 31 December 2015 (31 December 2014: 160) in Hong Kong, Macau and the PRC. Increase in number of employees is due to the On Growth Acquisition during the year. The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness.

In addition, the Group had also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the Company's Remuneration Committee, having regard to the Group's performance, individual performance and comparable market conditions.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The biographical details of the Directors are set out as follows:

EXECUTIVE DIRECTORS

Mr. Wu Tianyu

Mr. Wu Tianyu, aged 52, has approximately 28 years of experience in denture profession. Mr. Wu obtained a bachelor degree in Department of Stomatology of The Fourth Military Medical University. In his early years, Mr. Wu had developed extensive experience in stomatology and reparative surgery as a clinician in a hospital in Qingdao, the People's Republic of China (the "PRC") for more than 7 years, during which various research articles had been pronounced by Mr. Wu in various famous professional research magazines. Mr. Wu has been the key operators of the denture business of the companies for approximately 20 years, with Mr. Wu overseeing the production of the denture products and the daily operations. In 1999, Mr. Wu went to the United States for studying dental prosthetics technology and successfully developed a number of patents and trademarks, including the name of MEGA, which has become a well-known brand name in the PRC and overseas markets. Mr. Wu did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Mr. Wu is currently a director of On Growth Global Development Limited and Royal Dental Laboratory Limited and the general manager of Shenzhen Jinyouran Technology Company Limited, all of which are the subsidiaries of the Company. Mr. Wu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries. Mr. Wu had certain interests in shares and underlying shares of the Company and had been disclosed in the section headed "Directors' and Chief Executives' Interests in Shares or Short Position in Shares and Underlying Shares and Debentures" of the Directors' Report.

Mr. Wu Xiaolin

Mr. Wu Xiaolin, aged 34, graduated from Huaibei Normal University with a Bachelor of Science Degree in Information and Computer Science. Mr. Wu is currently serving as the legal representative and the general manager of 深圳市茂商會小額貸款有限公司 and a supervisor of the Shenzhen Cancare Commercial Development Company Limited (深圳市智偉龍商業發展有限公司).

Mr. Wu is currently an executive director of China New Energy Power Group Limited (stock code: 1041), a company listed on the Main Board of the Stock Exchange.

Mr. Wu does not hold any directorships with any listed companies in the last three years. Mr. Wu does not have any relationship with any Directors, senior management or substantial or controlling Shareholders of the Company. Mr. Wu does not have any interest in the Shares of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

NON-EXECUTIVE DIRECTORS

Mr. Lam Kwok Cheong

Mr. Lam Kwok Cheong, aged 62, is a Justice of Peace and a solicitor of the High Court of the HKSAR. He holds a Bachelor of Laws degree from the University of Hong Kong. Mr. Lam is currently a China-appointed Attesting officer, Civil Celebrant of Marriages and a member of Buildings Ordinance Appeal Tribunal Panel, a member of Panel of Adjudicators, Obscene Articles Tribunal and an Ex-Officio Member of Heung Yee Kuk New Territories. Mr. Lam is also an independent non-executive director of Sparkle Roll Group Limited (stock code: 970), Southwest Securities International Securities Limited (formerly known as "Tanrich Financial Holdings Limited") (stock code: 812) and Prosten Technology Holdings Limited (stock code:8026), which are all listed on the Stock Exchange. He was formerly an independent non-executive director of GCL New Energy Holdings Limited (formerly known as "Same Time Holdings Limited") (stock code: 451), a company listed on the Stock Exchange, until his resignation in May 2014. He was also appointed as non-executive director of Sky Forever Supply Chain Management Group Limited (stock code: 8047), a company listed on the Stock Exchange, on 17 June 2015 and resigned on 28 July 2015.

Mr. Lam is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Lam does not have any interest in any Shares of the Company. Save as disclosed above, Mr. Lam has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Dr. Jiang Feng

Dr. Jiang Feng, aged 53, graduated from the Fourth Military Medical University with a bachelor degree of medicine in 1985, obtained an EMBA degree from Tsinghua University in 2007 and received a doctoral degree of clinical degree in 1995 from the Fourth Military Medical University. Dr. Jiang is currently standing vice president of China Association for Medical Devices Industry, chairman of China Strategic Alliance of Medical Devices Innovation, deputy director of Biomedical Engineering Education Steering Committee of the Ministry of Education, executive director of Chinese Society of Biomedical Engineering and Chinese Society for Biomaterials, researcher of Zhejiang University and director of Biomedical Technology Assessment Centre of Zhejiang University and president of the magazine China Medical Device Information. Dr. Jiang is formerly executive director of China Instrument and Control Society and chairman of its medical devices branch, and the executive director of China Association for Disaster & Emergency Rescue Medicine. Dr. Jiang has worked for 12 years as a clinician until 1997. In view of his outstanding achievements, Dr. Jiang was introduced as leaders of national scalable medicine and device companies, including as chairman and general manager of China National Pharmaceutical Group Corporation North West Company and China National Medical Equipment Co., Ltd for 9 years. Dr. Jiang has been the president and standing vice president of China Association for Medical Devices Industry, and the chairman of China Strategic Alliance of Medical Devices Innovation for 12 years and 5 years, respectively. Dr. Jiang is expert at the operation and management of medical companies and understands development trend in the industry.

Dr. Jiang is currently an independent non-executive director of Guangdong Biolight Meditech Co., Ltd. Grandhope Biotech Co., Ltd and Dirui Industrial Co., Ltd., all of which are listed on the Shenzhen Stock Exchange, and a non-executive director of Lifetech Scientific Corporation (stock code: 1302), a company being listed on the Stock Exchange. Dr. Jiang is formerly an independent non-executive director of Zhejiang Tiansong Medical Instrument Co. Ltd, a company listed on the Shenzhen Stock Exchange, until May 2015.

Dr. Jiang does not hold any position in the Company or its subsidiaries and saved as disclosed above, Dr. Jiang did not hold any other directorship in any other public companies in Hong Kong or overseas in the last three years and Dr. Jiang does not have any interest in the Shares of the Company. Dr. Jiang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Jixian

Mr. Wu Jixian, aged 52, has over 20 years of working experience in, variously, trading, marketing and coal industry of the PRC. Mr. Wu worked as the manager of Electric Appliance Export Division and the manager of Metallurgy & Mining Division of China National Machinery & Equipment Import & Export Shenzhen Co. Ltd.. Mr. Wu had been an executive director and chief executive officer of Huscoke Resources Holdings Limited (stock code: 704), a Hong Kong listed company, since June 2008 and had been re-designated to non-executive director in September 2011 until he resigned in October 2014. Mr. Wu had also worked for certain overseas corporations, including the sales manager of JH Coal & Chemical International Inc., Canada, president of Marcell Industrial Inc., Canada and general manager of Great Launch Inc., Canada.

Saved as disclosed above, Mr. Wu did not hold any other directorship in any other public companies in Hong Kong or overseas in the last three years. Mr. Wu does not have any interest in the Shares of the Company. Mr. Wu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Dr. Loke Yu alias Loke Hoi Lam

Dr. Loke Yu alias Loke Hoi Lam, aged 66, he has over 40 years' experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration Degree from Universiti Teknologi Malaysia and a Doctor of Business Administration Degree from University of South Australia. Dr. Loke is a Fellow member of The Institute of Chartered Accountants in England & Wales; the Hong Kong Institute of Certified Public Accountants; the Hong Kong Institute of Chartered Secretaries and the Hong Kong Institute of Directors. Dr. Loke is currently the company secretary of Minth Group Limited (stock code: 425), a company listed on the Stock Exchange. He also currently serves as an independent non-executive director of China Household Holdings Limited (stock code: 692), China New Energy Power Group Limited (stock code: 1041), Matrix Holdings Limited (stock code: 1005), SCUD Group Limited (stock code: 1399), Tianhe Chemicals Group Limited (stock code: 1619), V1 Group Limited (formerly known as "VODone Limited") (stock code: 82), Winfair Investment Company Limited (stock code: 287), Zhong An Real Estate Limited (stock code: 672), China Fire Safety Enterprise Group Limited (stock code: 445), China Beidahuang Industry Group Holdings Limited (formerly known as "Sino Distillery Group Limited") (stock code: 39), Chiho-Tiande Group Limited (stock code: 976) and Tianjin Development Holdings Limited (stock code: 882).

Dr. Loke does not have any interest in the shares of the Company, nor does Dr. Loke have any relationship with any Directors or senior management, or substantial or controlling Shareholders of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS – continued

Mr. Song Qun

Mr. Song Qun, aged 50, currently acts as a finance strategy advisor for Tencent Technology (Shenzhen) Company Limited, a leading internet company, and the vice-chairman of Lefu Payment Company Limited, a leading third party payment company in the PRC. Mr. Song obtained a master degree of Business Administration from University of Melbourne and a bachelor degree in Engineering from Huazhong University of Science and Technology of the PRC. Mr. Song was formerly the president and chief executive officer of China Resources Bank and prior to that he was the global head of Trust and Agency Services at HSBC. His working experience also included holding senior management positions in JP Morgan Chase and ANZ Bank.

Mr. Song does not hold any position in the Company or its subsidiaries and Mr. Song did not hold any other directorship in any other public companies in Hong Kong or overseas in the last three years. Mr. Song does not have any interest in the shares of the Company and he does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

SENIOR MANAGEMENT

Ms. Jiang Sisi, is the Chief Operating Officer of the Company. She obtained a master degree in business administration in the University of Wales. Ms. Jiang has been a key management personnel and operator of On Growth Global Development Limited (which the Company acquired in May 2015) for more than 5 years, with Ms. Jiang being responsible for the sales, marketing and administration. During her tenure of services with the On Growth Group, Ms. Jiang has demonstrated her strong marketing and management expertise by successfully building up a nationwide customer network in the PRC and overseas. Ms. Jiang is currently the director of certain subsidiaries of the Company and is the spouse of Mr. Wu Tianyu, an executive Director and the Chief Executive Officer of the Company.

Mr. Xu Zhigang, Ken, aged 45, holds the Master of Business Management Degree in Southwest Jiaotong University, in People Republic of China. Mr. Xu is currently employed as the Vice-President. He had over 6 years experiences as the Vice Chairman and Executive Director of Shenzhen Cancare Group Ltd, and took park in investment, business financing merger & acquisition and business restructuring activities.

Ms. Hui Wai Man, Shirley, aged 48, is the company secretary of the Company. Ms. Hui is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. In addition. Ms. Hui is the member of The Society of Chinese Accounts and Auditors and Hong Kong Securities and Investment Institute. She has more than 25 years of professional experience in public accounting and corporate finance.

Mr. Lam Wai Fung, Dominic, aged 43, is the Chief Financial Officer of the Company. Mr. Lam holds a Bachelor of Arts Degree in Accountancy and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the CFA Institute and a certified financial risk manager of the Global Association of Risk Professionals. He is responsible for the finance and accounting, internal control and investor relationship of the Company and its subsidiaries (the "Group"). Prior to joining the Group, Mr. Lam worked for an international accounting firm in Hong Kong for over 7 years for assurance and business advisory services and has been worked in various finance roles and secretarial roles in commercial sector including listed companies for over 10 years.

Mr. Hui Hoi Wun, James, aged 45, graduated from the University of Hull, United Kingdom, is the financial controller of the Company. Mr Hui is a qualified certified public account of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants. He had over 10 years professional experience in both auditing and accounting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the year 2015, the Group continued with initiatives to foster the well-being of the community, its employees and the environment. We have factored the concept of corporate social responsibility into our business practice while conveying the message of sustainability. Going forward, the Group will continue to identify new opportunities in promoting sustainability through its business operations, as well as to provide a safe and good working condition to our employees.

WORKPLACE QUALITY AND WORKING CONDITIONS

The Group treasures talent as it is the key for driving the success and maintaining sustainability of the corporation.

The Group is dedicated to provide employees with good working conditions and a safe working environment and promote a healthy living style.

Besides, employees are encouraged to have a good balance among work, health and social activities which has been supported by adopting a five-day work per week and arranging early release from work for festivals.

In providing a safe working environment for employees, risk assessments of workstations, equipment and tools for all users are performed on a regular basis. Upgrades and maintenance are performed in line with the pace of technology advancement and the needs and demands of colleagues. To ensure hygienic working conditions, cleaning of air-conditioning systems and disinfection treatment of carpets are carried out at regular intervals.

EMPLOYEES

Competitive remuneration is offered to employees and reviewed individually on an annual basis reflecting each employee's work performance and contributions, and also the market developments. Other fringe benefits include comprehensive medical, life and travel insurance coverage, annual leave, sick leave and maternity leave, as well as educational and training sponsorship. Red pocket money, gift coupons and cash bonus are distributed to staff in festivals.

Moreover, the Group has strictly complied with the relevant labor law and regulations and industry practices, including minimum wages, gender equality, statutory holidays, prohibition of child labor, etc..

Moreover, it is always the policy of the Group to promote equal opportunities in recruitment, internal transfer and promotion. The Group also hosts various lunch at which the colleagues can interact socially and enjoy the fellowship. The Group has also organized various team building and social activities, including outdoor activities and dinners at festivals for the employees to participate.

The Group strives to develop employees by providing them with opportunities to advance their career. Employees of the Group are encouraged to take part in external training courses and examinations. The Group's policy is to support employees who attend job related training courses or professional seminars through sponsoring.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

As a responsible corporate citizen, the Group is aims to protect the environment and recognize the importance of weaving environmental sustainability into our daily business operations. We have established several targets to ensure that our efforts are on the right track. We are further committed to reduce of our CO2 emissions in specific areas include electricity, gasoline and paper consumption from our business activities annually. More specifically, the environmental policy of the Group is as follows:

- Ensure compliance with all applicable environmental and related legislation and encourage staff, business partners and other stakeholders to meet their environmental obligations;
- Identify environmental impacts associated with our operations, and set targets to continually improve our environmental performance;
- Improve energy efficiencies by adopting best practicable designs and technologies without compromising service;
- Minimize waste generation whenever practical in daily operations through source reduction and recycling;
- Embrace green purchase practices and adopt best practicable technologies to conserve natural resources where applicable;
- Provide good indoor environmental quality to ensure that all the working environments are healthy;

In respect of the Dental Prosthetic Business, there are quantitative requirements set to the factory such that polluted water and polluted gas must be treated with a quantitative standard before release or disposal. There is also control on the noise level in day time and night time. For the Electronic Manufacturing Services, we have and will continue to encourage our business partners and sub-contractors to meet their environmental obligations.

SAFETY

The Group is monitoring continuously the health and safety related issues, including conducting regular safety inspections, monitoring high risk operations, identifying and monitoring occupational harmful factors and providing safety equipment; and continually monitoring law and regulations to ensure compliance. The Group strives to eliminate work related injuries.

OPERATING PRACTICES

The Group is committed to upholding high standards of business integrity, honesty and transparency in its business dealings and to respecting the rights and interests of customers.

In line with the Group's commitment to integrity in business, employees and stakeholders who deal with the Group including customers and suppliers are encouraged to report any suspected impropriety, misconduct or malpractice with the Group.

COMMUNITY INVOLVEMENT

The Group is committed to make a positive contribution to the communities in which it operates. During the year, the Group continued to actively support meaningful activities in the community.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Board considers effective corporate governance a key component in the Group's sustained development and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has considered and applied the principles set out in the "Corporate Governance Code" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2015, except for code provisions A.2.1, A.5.1, A.6.7 and E.1.2. The details of the foregoing deviations are provided below.

The Company periodically reviews its corporate governance practices to ensure that they comply with the statutory and regulatory standards and align with the latest developments.

A. BOARD OF DIRECTORS

(1) Responsibilities

The overall management of the Group's business is vested in the Board, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs and overseeing the implementation of plans to enhance shareholder value. Every Director carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and takes decisions objectively in the interests of the Group and the shareholders.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company ("Company Secretary"), with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the Board.

(2) Board Composition

The Board comprises the following Directors:

Executive Directors

Mr. Wu Xiaolin
Mr. Wu Tianyu (appointed on 21 May 2015)
Mr. Wen Jialong (resigned on 29 June 2015)

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(2) Board Composition – continued

Non-executive Directors

Mr. Lam Kwok Cheong
Dr. Jiang Feng (appointed on 27 June 2015)
Mr. Chow Tak Hung (resigned on 18 March 2016)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Mr. Wu Jixian (appointed on 27 June 2015)
Mr. Song Qun (appointed on 27 June 2015)
Mr. Lung Chee Ming George (retired on 26 June 2015)
Mr. Zeng Zhaolin (retired on 26 June 2015)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time. The biographical details of the Directors of the Company as well as the relationships among them, if any, are set out under the section headed "Directors and Senior Management Profile" on pages 11 to 14 of this report.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors representing at least one-third of the Board, with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from all of its Independent Non-executive Directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers that all of them are independent in accordance with the independence guidelines set out in the Listing Rules.

The Independent Non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all Independent Non-executive Directors make various contributions to the effective direction of the Company.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(3) Chairman and Chief Executive Officer

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual so that power is not concentrated in one individual. There is a deviation from provision A.2.1 of the Code:

Mr. Wen Jialong was both the Chairman and Chief Executive Officer ("CEO") of the Company until 21 May 2015. On 21 May 2015 and 29 June 2015, Mr. Wen Jialong resigned as CEO and Chairman of the Company, respectively. Mr. Wu Tianyu was appointed as the new CEO of the Company on 21 May 2015. The Board considers that vesting the roles of Chairman and CEO in the same person can facilitate the execution of the Company's business strategies and maximize the effectiveness of its operation. As other Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are delegated to the management, the Board considers that the structure of vesting the roles of Chairman and CEO in the same person will not impair the balance of power and authority. However, as a result of the On Growth Acquisition, the Board considers it necessary to vest the two roles in different persons in order to enhance the effectiveness of the Group's corporate governance structure.

(4) Appointment and Re-Election of Directors

According to code provision A.4.2 of the CG Code of the Listing Rules, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the clause 86(2) of the Bye-Laws of the Company, the Board shall have power from time to time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board or, subject to authorization by the Members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following Annual General Meeting of the Company and shall then be eligible for re-election at the meeting.

During the year, Mr. Wu Tianyu was appointed as the Executive Director on 21 May 2015 and has been re-elected by shareholders at the annual general meeting held on 26 June 2015. Dr. Jiang Feng was appointed as Non-Executive Director on 27 June 2015 and Mr. Wu Jixian and Mr. Song Qun were appointed as Independent Non-Executive Directors on 27 June 2015. Dr. Jiang Feng, Mr. Wu Jixian and Mr. Song Qun were subject to election by shareholders at the first annual general meeting after their appointment on 27 June 2015.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

Nomination Committee

The Company has established a Nomination Committee with written terms of reference to consider for the appointment of new Director(s) of the Company and other related matters. The existing Nomination Committee comprises one executive Director, Mr. Wu Tianyu (Chairman) (appointed on 30 June 2015) and two Independent Non-Executive Directors, namely Mr. Wu Jixian (appointed on 27 June 2015) and Mr. Song Qun (appointed on 27 June 2015). Mr. Zeng Zhaolin (retired on 26 June 2015) and Mr. Lung Chee Ming George (retired on 26 June 2015) were the members of the Nomination Committee, and Mr. Wen Jialong (resigned on 29 June 2015) was the chairman of the Nomination Committee during the year.

Code Provision A.5.1

There is a deviation from provision A.5.1 of the Code: Nomination Committee should be chaired by the Chairman of the Board or an independent non-executive director. Mr. Wu Tianyu, CEO and executive Director, was appointed as the Chairman of the Nomination Committee with effect from 30 June 2015.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessment of the independence of the Company's Independent Non-executive Directors.

As set out in the Nomination Committee's Terms of Reference, the Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, character, personal ethics and integrity and time commitments of such individuals as well as the Company's needs and market conditions. An external recruitment agency may be engaged to carry out the selection process when necessary.

The Nomination Committee held three meetings during the year ended 31 December 2015 and the attendance record is set out under the section headed "Directors' Attendance Records" of this report. The Nomination Committee performed the following work during the year:

(a) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company;

(b) determined the policy for the nomination of directors; and

(c) assessed the independence of the Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

Nomination Committee – continued

Code Provision A.5.1 – continued

During the year, the Company continued to monitor the board composition having regard to an objective criteria, including the needs of the Group's business and diversity.

The current board composition was also evaluated by reference to, among other things, the age, gender, cultural and educational background and professional experience of each director, against the Company's business model and specific needs. The Company will continue to monitor and develop new objectives for implementing and achieving improved diversity of the Board as and when it considers appropriate with regard to the specific needs of the Company and the market from time to time.

(5) Induction and Continuing Development for Directors

Each newly appointed Director shall receive an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continuously updated with legal and regulatory developments, and the business and market changes to ensure that they have a proper understanding of the Company's business and operations and are fully aware of their duties and responsibilities under statute and common law, the Listing Rules and the Company's business and governance policies, to facilitate the discharge of their responsibilities. Professional briefings and development to directors will be arranged whenever necessary.

(6) Directors' Training

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. For the period from 1 January 2015 to 31 December 2015, all Directors provided their records of training to the Company. All Directors, namely Mr. Wu Xiaolin, Mr. Wu Tianyu, Mr. Lam Kwok Cheong, Dr. Jiang Feng, Dr. Loke Yu alias Loke Hoi Lam, Mr. Wu Jixian and Mr. Song Qun, participated in this continuous professional development mainly by reading various materials regarding directors' responsibilities, prevention of breaching listing rules and disclosure of inside information, etc.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(7) Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer and Company Secretary normally attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests between any member of the Group and a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Pursuant to the Company's Bye-laws, Directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2015, seventeen Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(7) Board Meetings – continued

Directors' Attendance Records – continued

The attendance records of each Director/Committee member at the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee during the year ended 31 December 2015 are set out below:

	Number of meetings attended/ Number of meetings held during the Directors' tenure of office			
	Board meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Audit Committee Meetings
Executive Directors:				
Mr. Wu Xiaolin	17/17	N/A	N/A	N/A
Mr. Wu Tianyu (note (a))	4/11	0/0	1/1	N/A
Mr. Wen Jialong (note (b))	9/9	4/4	3/3	N/A
Non-Executive Directors:				
Mr. Lam Kwok Cheong	14/17	N/A	N/A	3/3
Dr. Jiang Feng (note (a))	1/8	N/A	N/A	N/A
Mr. Chow Tak Hung (note (c))	0/17	N/A	N/A	N/A
Independent Non-Executive Directors:				
Dr. Loke Yu alias Loke Hoi Lam	12/17	N/A	N/A	2/3
Mr. Wu Jixian (note (a))	6/8	N/A	1/1	2/2
Mr. Song Qun (note (a))	5/8	N/A	1/1	1/2
Mr. Zeng Zhaolin (note (b))	9/9	4/4	3/3	1/1
Mr. Lung Chee Ming George (note (b))	9/9	4/4	3/3	1/1

Notes:

(a): These Directors were appointed during the financial year.

(b): These Directors retired during the financial year.

(c): This Director resigned after the financial year.

CORPORATE GOVERNANCE REPORT

A. BOARD OF DIRECTORS – continued

(8) Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incidence of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on corporate governance matters, and is responsible for ensuring that procedures of the Board are followed, and for facilitating communications among directors as well as with shareholders and management.

The Company Secretary's biography is set out in the section headed "Directors and Senior Management Profile" of this report. In compliance with Rule 3.29 of the Listing Rules, the Company Secretary has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

B. DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Group, including the approval and monitoring of all policy matters, overall strategies and development, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, budgets, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operations of the Group are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. The Board will give directions to the senior management as to their powers of management, and circumstances where they should report back. Approval has to be obtained from the Board prior to any decision making on significant transactions or entering into any significant commitments on behalf of the Company.

The senior management has an obligation to supply the Board and its Committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each Director have separate and independent access to the senior management.

In addition, the Board has established three Committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Group's affairs. All these Committees are established with defined written terms of reference which are published on the Company's website at www.megamedicaltech.com and on the Stock Exchange's website at www.hkexnews.hk.

CORPORATE GOVERNANCE REPORT

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the directors and senior management of the Group. Details of the remuneration of each Director of the Company for the year ended 31 December 2015 are set out in note 11 to the consolidated financial statements.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference to consider for the remuneration for Directors and senior management of the Company and other related matters. The existing Remuneration Committee comprises one executive Director, Mr. Wu Tianyu (appointed on 30 June 2015) and two Independent Non-executive Directors, namely Mr. Wu Jixian (Chairman) (appointed on 27 June 2015) and Mr. Song Qun (appointed on 27 June 2015). Mr. Lung Chee Ming George (retired on 26 June 2015) and Mr. Wen Jialong (resigned on 29 June 2015) were the members of the Remuneration Committee and Mr. Zeng Zhaolin (retired on 26 June 2015) was the chairman of the Remuneration Committee during the year.

The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure and determining the remuneration packages of Directors and senior management. It is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of human resources data and making recommendations to the Remuneration Committee for consideration.

The Remuneration Committee held four meetings during the year ended 31 December 2015 and the attendance record is set out under the section headed "Directors' Attendance Records" of this report. The Remuneration Committee performed the following work during the year:

(a) reviewed generally the remuneration policy (including for Executive Directors) and structure of the Group;

(b) assessed the performance of the Executive Directors and the senior management; and

(c) determined the remuneration packages as well as the annual bonuses of the Executive Directors and the senior management.

CORPORATE GOVERNANCE REPORT

D. ACCOUNTABILITY AND AUDIT

(1) Directors' Responsibilities for Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements on inside information and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(2) Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board is also responsible for maintaining an adequate internal control system, including determining the policies on corporate governance to safeguard the interests of the shareholders and the assets of the Company and, with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The Board has conducted an annual review of the effectiveness of the internal control system of the Group for the year ended 31 December 2015. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

(3) Audit Committee

The Audit Committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The existing Audit Committee comprises of one non-executive Director and three independent non-executive Directors, namely Dr. Loke Yu alias Loke Hoi Lam (chairman), Mr. Lam Kwok Cheong, Mr. Wu Jixian (appointed on 27 June 2015) and Mr. Song Qun (appointed on 27 June 2015). Mr. Zeng Zhaolin (retired on 26 June 2015) and Mr. Lung Chee Ming George (retired on 26 June 2015) were the members of the Audit Committee during the year.

The main duties of the Audit Committee include review of the financial information of the Group, review of the relationship with and the terms of appointment of the independent auditor, and review of the Group's financial reporting system, internal control system, risk management system and associated procedures.

CORPORATE GOVERNANCE REPORT

D. ACCOUNTABILITY AND AUDIT – continued

(3) Audit Committee – continued

The Audit Committee held three meetings during the year ended 31 December 2015. The attendance records are set out under the section headed "Directors' Attendance Records" of this report. The Audit Committee performed the following work during the year:

(a) reviewed with the independent auditor of the Group's annual audited financial statements for the year ended 31 December 2014, and reviewed the unaudited interim financial statements for the six months ended 30 June 2015, including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made re-commendations on the reappointment of Deloitte Touche Tohmatsu as the independent auditor of the Group, and the terms of engagement.

(4) Independent Auditor and Auditor's Remuneration

The report from independent auditor of the Company about their responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 40 to 41.

The remuneration paid to the Company's independent auditor, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2015 is set out below:

Services rendered	Remuneration paid/Payable
Audit services	HK$2,500,000
Non-audit services	HK$380,400

E. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information, which enable shareholders and investors to make the best investment decision.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective Committees normally attend shareholders' meetings of the Company to answer shareholders' questions. During the year ended 31 December 2015, the Company held 4 special general meetings and the annual general meeting was held on 26 June 2015.

CORPORATE GOVERNANCE REPORT

E. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS – continued

Code Provision A.6.7

There was a deviation from provision A.6.7 of the Code:

Pursuant to provision A.6.7 of the Code, independent non-executive Directors and non-executive Directors should attend general meetings in order to develop a balanced view of the shareholders. Due to the various business commitments, not all the independent non-executive Directors and non-executive Directors of the Company attended the special general meetings of the Company held on 5 and 21 May 2015, 8 June 2015 and 24 July 2015 and the annual general meeting of the Company held on 26 June 2015. The Company will finalize and inform the dates of the general meetings as earliest as possible to make sure that all the independent non-executive Directors and non-executive Directors can attend the general meetings in future.

Code Provision E.1.2

There was a deviation from provision E.1.2 of the Code:

Pursuant to provision E.1.2 of the Code, the chairman of the Board, and the chairmen (or one of the members in case of the absence of chairmen) of the Audit Committee, Remuneration Committee and Nomination Committee should attend the annual general meeting to answer the questions (if any) raised by shareholders. Due to the various business commitments, the chairman of the Board and the members of the Audit Committee, Remuneration Committee and Nomination Committee have not attended the annual general meetings of the Company held on 26 June 2015. The Company will finalize and inform the date of the annual general meeting as earliest as possible to make sure that the chairman of the Board and the members of the various committees can attend the general meetings in future.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, business developments and operations, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

F. SHAREHOLDERS' RIGHTS

(1) Voting by Shareholders

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

CORPORATE GOVERNANCE REPORT

F. SHAREHOLDERS' RIGHTS – continued

(2) Convening of Special General Meetings and Requisition by Shareholders

Shareholders shall have the right to request the Board to convene a special general meeting ("SGM"). Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company may send a written request to the Board or the Company Secretary to requisition an SGM for the transaction of any business specified in such requisition. The written requisition, duly signed by the shareholders concerned, must state the purpose of the meeting and must be deposited at the registered office of the Company.

The Company will take appropriate actions and make necessary arrangements and the shareholders concerned will be responsible for any expenses incurred in giving effect thereto in accordance with the requirements under Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act") once a valid requisition is received.

(3) Procedures for Making Proposals at General Meetings by Shareholders

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

(a) any members representing not less than one-twentieth (5%) of the total voting rights of the Company on the date of the requisition; or

(b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company. The Company will take appropriate action and make necessary arrangements and the shareholders concerned will be responsible for any expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act once valid documents are received.

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company.

Shareholders may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 21 May 2015 and approved by the Registrar of Companies in Bermuda, with effect from 8 June 2015, the Company's name was changed from "Wing Tai Investment Holdings Limited" to "Mega Medical Technology Limited". The Chinese name of the Company was changed from" 永泰投資控股有限公司" to " 美加醫學科技有限公司".

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by principal activities for the year ended 31 December 2015 is set out in note 7 to the consolidated financial statements.

RESULTS

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

BUSINESS REVIEW

The business review of the Group for the year is set out in the section headed "Management Discussion and Analysis" on pages 5 to 10 of this report.

A discussion of environmental, social and governance matters, covering the Group's environmental policies, is set out in the Environmental, Social and Governance Report on pages 15 to 16.

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 17 to 29.

The Group recognises the importance of compliance with rules and regulations and the impact of non-compliance with such rules and regulations on the business. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the year ended 31 December 2015, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

The Company strives to achieve corporate sustainability through providing quality services for our customers and collaborating with our suppliers. To enhance customer satisfaction and promote a customer oriented culture within the Company, we take 'Customer First' as one of our core values. We value the feedback from customers and proactively collaborate with our suppliers and contractors to deliver quality sustainable products and services. We have developed included certain requirements in our standard tender documents. These requirements include regulatory compliance, labour practices, anti-corruption and other business ethics.

DIRECTORS' REPORT

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 121 and 122 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers was approximately 55.2% (2014: 83.25%%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 26.4% (2014: 53.19%) of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers was approximately 78.79% (2014: 83.73%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 76.23% (2014: 35.48%) of the Group's total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the share capital of the five largest customers or suppliers of the Group.

SHARE CAPITAL AND SHARE OPTION

Details of the movements in the issued share capital of the Company during the year ended 31 December 2015 are set out in note 32 to the consolidated financial statements.

Details of movements in the Company's share options during the year ended 31 December 2015 are set out in note 34 to the consolidated financial statements.

PURCHASE, REDEMPTION OF SALE OF LISTED SECURITIES

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

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 30 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit scheme in operation for the year ended 31 December 2015 are set out in note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution approximately amounted to HK$4,919,000, which is consisted of contributed surplus of HK$24,930,000 less accumulated losses of the Company of HK$20,011,000.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY – continued

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year ended 31 December 2015 are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group invested HK$3,979,000 (2014: HK$26,788,000) in property, plant and equipment. Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 17 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Wu Xiaolin
Mr. Wu Tianyu (appointed on 21 May 2015)
Mr. Wen Jialong (resigned on 29 June 2015)

Non-executive Directors

Mr. Lam Kwok Cheong
Dr. Jiang, Feng (appointed on 27 June 2015)
Mr. Chow Tak Hung (resigned on 18 March 2016)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Mr. Wu Jixian (appointed on 27 June 2015)
Mr. Song Qun (appointed on 27 June 2015)
Mr. Lung Chee Ming George (retired on 26 June 2015)
Mr. Zeng Zhaolin (retired on 26 June 2015)

In accordance with the Bye-law 87 of the Bye-laws of the Company, Mr. Lam Kwok Cheong shall retire from office by rotation and being eligible, Mr. Lam Kwok Cheong will offer himself for re-election at the forthcoming AGM. In accordance with the Bye-law 86(2) of the Bye-laws of the Company, Dr. Jiang Feng, Mr. Wu Jixian and Mr. Song Qun, being the newly appointed Directors, shall retire from office and, being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Mr. Wu Tianyu, being an executive Director, entered into service contract with the Company for an initial term of three years commencing on 21 May 2015.

Dr. Jiang Feng, being a non-executive Director, entered into service contract with the Company for an initial term of two years commencing on 27 June 2015.

Each of Mr. Wu Jixian and Mr. Song Qun, being independent non-executive Directors, entered into service contract with the Company for an initial term of two years commencing on 27 June 2015 respectively.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share options disclosures in note 34 to the consolidated financial statements, at no time during the year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2015, the interests of the Directors and the chief executives and their associates in the shares and debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (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 and the SFO, were as follows:

(a) Shares of the Company

Name	Capacity/ nature of interest	Number of shares held	Total interests in the issued share capital (approximately)
Mr. Wu Tianyu	Beneficial owner	61,940,000 (L)	1.62%
Ms. Jiang Sisi	Interest of spouse	61,940,000 (L) (Note 2)	1.62%

Note 1: The Letters "L" denote long position in the Shares of the Company.

Note 2: Mr. Wu Tianyu, executive Director of the Company and spouse of Ms. Jiang Sisi, has personal interests in 61,940,000 Shares.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES AND DEBENTURES – continued

(b) Share options of the company

Name	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Balance as at 31 December 2015	Exercisable period	Exercisable price	Approximate percentage of issued share capital of the Company
Mr. Wu Tianyu (note 1)	–	74,070,000 (note 2)	–	74,070,000	16 June 2016- 15 June 2020	HK$0.784	1.94%
Ms. Jiang Sisi (note 1)	–	74,070,000 (note 2)	–	74,070,000	16 June 2016- 15 June 2020	HK$0.784	1.94%

Note 1: Ms. Jiang Sisi is the Chief Operating Officer of the Group and also the director of certain subsidiaries of the Company. She is also the spouse of Mr. Wu Tianyu. As such, Ms. Jiang Sisi and Mr. Wu Tianyu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 148,140,000 as at 31 December 2015.

Note 2 These share options were granted on 24 July 2015. 25% of the granted share options would vest on 16 June 2016 and be exercisable from 16 June 2016 to 15 June 2020. Another 25% of the granted share options would vest on 16 June 2017 and be exercisable from 16 June 2017 to 15 June 2020. A further 25% of the granted share options would vest on 16 June 2018 and be exercisable from 16 June 2018 to 15 June 2020. The remaining 25% of the granted share options would vest on 16 June 2019 and be exercisable from 16 June 2019 to 15 June 2020.

DIRECTORS' REPORT

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, the register of substantial shareholders maintained under Section 336 of the SFO shown that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors in the section headed "Directors' and Chief Executives' Interests in Shares or Short Position in Shares and Underlying Shares and Debentures".

Name	**Capacity/ Nature of interest**	**Total number of Shares** (Note 1)	**Approximate percentage of the Company's issued share capital**
Xianjian Advanced Technology Limited (Note 2)	Beneficial owner	744,000,000 (L)	19.44%
Mr. Xie Yuehui (Note 2)	Interest of controlled corporation	744,000,000 (L)	19.44%
Genius Earn Limited (Note 3)	Interest of controlled corporation/ Beneficial owner	356,410,256 (L)	9.31%
Mr. Liu Xiaolin (Note 3)	Interest of controlled corporation	356,410,256 (L)	9.31%
Silver Empire Holding Limited (Note 3)	Beneficial owner	256,410,256 (L)	6.70%
ABG II-RYD Limited (Note 4)	Beneficial owner	270,300,000 (L)	7.06%
Ally Bridge Group Capital Partners II, L.P. (Note 4)	Interest of controlled corporation	270,300,000 (L)	7.06%
ABG Capital Partners II GP, L.P (Note 4)	Interest of controlled corporation	270,300,000 (L)	7.06%
ABG Capital Partners II GP Limited (Note 4)	Interest of controlled corporation	270,300,000 (L)	7.06%
Yu Fan (Note 4)	Interest of controlled corporation	270,300,000 (L)	7.06%

Note:

1. The letters "L" denote long position in the shares of the Company.

2. Xianjian Advanced Technology Limited is a company incorporated in the BVI and is wholly owned by Mr. Xie Yuehui.

3. According to the information available to the Company, Silver Empire Holding Limited is wholly owned by Genius Earn Limited. Genius Earn Limited is wholly owned by Mr. Liu Xiaolin.

4. According to the information available to the Company, ABG II-RYD Limited is wholly owned by Ally Bridge Group Capital Partners II, L.P.. Ally Bridge Group Capital Partners II, L.P.'s general partner is ABG Capital Partners II GP, L.P. and Ally Bridge Group Capital Partners II, L.P is also 0.91% owned by ABG Capital Partners II GP, L.P.. ABG Capital Partners II GP, L.P. is 50% owned by Mr. Yu Fan and 50% owned by ABG Capital Partners II GP Limited which is wholly owned by Mr. Yu Fan.

DIRECTORS' REPORT

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY – continued

Save as disclosed above, as at 31 December 2015, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The old share option scheme had already expired on 31 January 2013. There was no share options outstanding under the old share option scheme.

A new share option scheme (the "Scheme") was approved by ordinary resolutions passed by shareholders of the Company on 8 June 2015. The purpose of the Scheme is to recognise the contribution of the Directors of the Company, employees and consultants of the Group by granting share options to them as incentives or rewards. The major terms of the Scheme are summarised as follows:

1. Eligible participants of the Scheme include any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its Subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or has contributed to the Company and/or any of its Subsidiaries;

2. the maximum number of Shares in respect of which Options under this Scheme or options under the other schemes may be granted must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

3. The total number of Shares to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the Shares in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.

4. Any grant of share options to any connected person, such grant shall be subject to the approval by all the independent non-executive directors of the Company (and in the event that the Board offers to grant Options to an independent non-executive director of the Company, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant);

5. Any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or any of their associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the Shares in issue and having an aggregate value (based on closing price of the Company's Shares at the date of the grant) in excess of HK$5 million, is subject to prior approval by shareholders in a general meeting.

DIRECTORS' REPORT

SHARE OPTION SCHEME – continued

6. The offer for the grant of options (the "Offer") must be taken up within 14 days from the date of Offer, with a payment of HK$1.00 as consideration by the grantee.

7. The exercise price of the share option will be determined at the highest of (i) the average closing prices of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Offer; and (iii) the nominal value of the Shares.

8. The period within which the Shares must be taken up under the option, which must not be more than 10 years from the date of grant of the option;

9. The Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing on the date of approval of the Scheme and ending on 7 June 2025 (both dates inclusive);

CONNECTED TRANSACTIONS

The Group had entered into the following transactions with connected parties, as defined under the Listing Rules as follows:

During the year ended 31 December 2015, the Group had rented certain properties from Ming Ah Holdings Limited, amounting to HK$960,000. Ming Ah Holdings Limited is an associate of a director of the Company and the lease constituted an exempted connected transaction of the Company under Chapter 14A of the Listing Rules.

During the year ended 31 December 2015, the Group disposed of its entire equity interest in Boundless Success Group to an entity in which one of the directors in Boundless Success Group has directorship, for a cash consideration of HK$1,272,000. This transaction constituted an exempted connected transaction of the Company under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above connected transactions for the year ended 31 December 2015 and have confirmed that the connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; and

3. in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' REPORT

CONTRACTS OF SIGNIFICANCE

Save for the transactions disclosed in the section headed "Connected Transactions" in this annual report, no other contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year.

Save for the transactions disclosed in the section headed "Connected Transactions" in this annual report, there is no other contract of significance (including any contract for the provision of services) between the Company or any of its subsidiaries and the controlling shareholder of the Company (as defined in the Listing Rules) or any subsidiaries of the controlling shareholder.

PERMITTED INDEMNITY PROVISIONS

The Bye-Laws of the Company provides that the Directors and officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred or omitted in the execution of their duty in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty. The Bye-Laws of the Company also stipulates that each Shareholder agrees to waive any claim or right of action he might have against any Director on account of any action taken by such Director or the failure of such Director to take any action in the performance of his duties for the Company, provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty. Directors Liability Insurance is in place to protect the Directors and officers of the Company and its subsidiaries against potential costs and liabilities arising from claims brought against the Directors and officers.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received, from each Independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent non-executive Directors are independent.

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2015 and as at the date of this report.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Company has established the Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The Audit Committee which comprised Dr. Loke Yu alias Loke Hoi Lam (Chairman), Mr. Wu Jixian and Mr. Song Qun, being independent non-executive Directors, and Mr. Lam Kwok Cheong, being non-executive Director, has reviewed the accompanying financial statement prior to their publication.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Wu Tianyu
Chief Executive Officer
31 March 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF MEGA MEDICAL TECHNOLOGY LIMITED
(FORMERLY KNOWN AS WING TAI INVESTMENT HOLDINGS LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Mega Medical Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 120, 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 applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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 Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Turnover	7	**395,678**	363,455
Cost of goods sold		**(334,213)**	(303,027)
Gross profit		**61,465**	60,428
Other income, gains and losses	8	**4,409**	(34,821)
Selling and distribution costs		**(25,146)**	(40,027)
Administrative expenses		**(75,700)**	(82,555)
Other expenses		**–**	(39,225)
Impairment loss recognised in respect of property, plant and equipment		**–**	(36,375)
Changes in fair value of investment properties		**–**	164
Finance costs	9	**(296)**	(8,844)
Gain on disposal of subsidiaries	36	**–**	53,277
Share of profit of an associate		**–**	3,331
Loss before taxation	10	**(35,268)**	(124,647)
Taxation	13	**(4,112)**	(983)
Loss for the year		**(39,380)**	(125,630)
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(9,966)**	(4,212)
Reclassification of exchange differences upon disposal of subsidiaries		**–**	(29,315)
Other comprehensive expense for the year		**(9,966)**	(33,527)
Total comprehensive expense for the year		**(49,346)**	(159,157)
Loss for the year attributable to:			
Owners of the Company		**(30,613)**	(90,005)
Non-controlling interests		**(8,767)**	(35,625)
Loss for the year		**(39,380)**	(125,630)
Total comprehensive expense attributable to:			
Owners of the Company		**(37,980)**	(129,678)
Non-controlling interests		**(11,366)**	(29,479)
		(49,346)	(159,157)
Loss per share	15		
– Basic		**(0.86) HK cents**	(3.40) HK cents
– Diluted		**(0.86) HK cents**	(3.40) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties	16	–	183,554
Property, plant and equipment	17	9,113	2,233
Prepaid lease payments	18	7,968	8,519
Intangible assets	20	29,839	–
Goodwill	21	330,805	–
		377,725	194,306
Current assets			
Inventories	22	7,796	4,716
Trade and other receivables	23	89,467	142,872
Amount due from a director	24	40,772	5,600
Taxation recoverable		122	9,043
Bank balances and cash	25	130,150	28,009
		268,307	190,240
Assets classified as held for sale	26	177,652	–
		445,959	190,240
Current liabilities			
Trade and other payables	27	186,902	164,271
Amount due to a director	24	–	1,800
Amounts due to related parties	28	43,713	–
Amount due to a non-controlling shareholder of a subsidiary	29	1,943	2,571
Taxation payable		11,868	2,758
Bank loans	30	1,134	1,637
		245,560	173,037
Liabilities associated with assets classified as held for sale	26	3,508	–
		249,068	173,037
Net current assets		196,891	17,203
Total assets less current liabilities		574,616	211,509
Non-current liabilities			
Deferred taxation	31	7,460	–
		567,156	211,509

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
Capital and reserves			
Share capital	32	**4,783**	3,845
Reserves		**502,577**	136,982
Equity attributable to owners of the Company		**507,360**	140,827
Non-controlling interests		**59,796**	70,682
		567,156	211,509

The consolidated financial statements on pages 42 to 120 were approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on behalf of the Board by:

Mr. Wu Xiaolin
DIRECTOR

Mr. Wu Tianyu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Property revaluation reserve HK$'000	PRC statutory reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated (losses) profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	160,263	78,815	1,545	10,141	4,574	64,647	–	–	15,429	335,414	–	335,414
Loss for the year	–	–	–	–	–	–	–	–	(90,005)	(90,005)	(35,625)	(125,630)
Other comprehensive expense for the year	–	–	–	–	–	(39,673)	–	–	–	(39,673)	6,146	(33,527)
Total comprehensive expense for the year	–	–	–	–	–	(39,673)	–	–	(90,005)	(129,678)	(29,479)	(159,157)
Capital reduction (note 32(a))	(157,058)	(78,815)	–	–	–	–	–	–	235,873	–	–	–
Special dividend paid (note 14)	–	–	–	–	–	–	–	–	(96,158)	(96,158)	–	(96,158)
Transfer of property revaluation reserve upon disposal of a subsidiary (note 36(c))	–	–	–	(10,141)	–	–	–	–	10,141	–	–	–
Derecognition upon distribution in specie (note 14)	–	–	–	–	–	–	–	–	(70,694)	(70,694)	–	(70,694)
Acquisition of subsidiaries (note 35(b))	–	–	–	–	–	–	–	–	–	–	53,220	53,220
Recognition of equity component of convertible notes (note 33)	–	–	–	–	–	–	–	13,326	–	13,326	–	13,326
Issue of shares on conversion of convertible notes (note 32(c) & 33)	640	106,315	–	–	–	–	–	(13,326)	–	93,629	–	93,629
Deemed capital contribution from shareholder	–	–	–	–	–	–	–	–	(10,158)	(10,158)	10,158	–
Deemed capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	17,907	17,907
Partial disposal of a subsidiary without losing control (note 41(d))	–	–	–	–	(1,006)	(6,959)	–	–	13,097	5,132	18,890	24,022
Disposal of subsidiaries	–	–	–	–	(3,568)	–	–	–	3,582	14	(14)	–
At 31 December 2014	3,845	106,315	1,545	–	–	18,015	–	–	11,107	140,827	70,682	211,509
Loss for the year	–	–	–	–	–	–	–	–	(30,613)	(30,613)	(8,767)	(39,380)
Other comprehensive expense for the year	–	–	–	–	–	(7,367)	–	–	–	(7,367)	(2,599)	(9,966)
Total comprehensive expense for the year	–	–	–	–	–	(7,367)	–	–	(30,613)	(37,980)	(11,366)	(49,346)
Issue of shares (note 32(d))	313	99,687	–	–	–	–	–	–	–	100,000	–	100,000
Issue of Consideration Shares for acquisition of subsidiaries (notes 32(e) & 35(a))	625	289,067	–	–	–	–	–	–	–	289,692	–	289,692
Acquisition of subsidiaries (note 35(a))	–	–	–	–	–	–	–	–	–	–	480	480
Recognition of equity-settled share-based payment (note 34)	–	–	–	–	–	–	14,821	–	–	14,821	–	14,821
At 31 December 2015	4,783	495,069	1,545	–	–	10,648	14,821	–	(19,506)	507,360	59,796	567,156

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

The special reserve arose pursuant to a group reorganisation in 1997 being the difference between the nominal amount of the share capital issued by the Company in exchange for the shares of the subsidiaries and the nominal amount of the share capital of the subsidiaries acquired, capital reduction and bonus issue by way of capitalisation of the reserve in 2005 and 2006.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to maintain a statutory reserve fund, comprising an enterprise expansion fund. The statutory reserve funds are non-distributable. Appropriations to such reserves are made out of net profit after taxation annually of the PRC subsidiaries at the discretion of the board of directors with a minimum of 10%. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(35,268)	(124,647)
Adjustments for:		
Amortisation of prepaid lease payments	210	231
Amortisation of intangible assets	2,310	–
Bad debts recovered	–	(29)
Depreciation of property, plant and equipment	2,361	19,280
Changes in fair value of investment properties	–	(164)
Loss on disposal of property, plant and equipment	365	41,497
Fair value loss on derivative component of convertible notes	–	436
Interest expenses	296	8,844
Interest income	(392)	(3,708)
Gain on disposal of subsidiaries	–	(53,277)
Impairment loss recognised in respect of property, plant and equipment	–	36,375
Share-based payment expenses	14,821	–
Share of profit of an associate	–	(3,331)
Operating cash flows before movements in working capital	(15,297)	(78,493)
Decrease in inventories	771	44,152
Decrease (increase) in trade and other receivables	81,715	(76,315)
Decrease in trade and other payables	(7,397)	(11,041)
Net cash generated from (used in) operations	59,792	(121,697)
Hong Kong Profits Tax paid	(716)	(2,000)
Hong Kong Profits Tax refunded	829	–
PRC Enterprise Income Tax paid	(3,289)	(2,892)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	56,616	(126,589)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
INVESTING ACTIVITIES			
Settlement of consideration paid for acquisition of subsidiaries in prior year		**(109,130)**	–
Acquisition of subsidiaries	35	**(95,957)**	(16,659)
Purchase of property, plant and equipment		**(3,979)**	(22,860)
Net cash (outflow) inflow from disposal of subsidiaries	36	**(276)**	32,417
Deposit received in respect of assets held for sale		**122,808**	–
Repayment from a director		**5,600**	–
Proceeds from disposal of property, plant and equipment		**858**	66,310
Interest received		**392**	2,308
Advance to a director		**–**	(5,600)
Proceeds from disposal of investment properties		**–**	876
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(79,684)**	56,792
FINANCING ACTIVITIES			
Issues of shares		**100,000**	–
Advances from related parties		**58,387**	–
Repayment to related parties		**(27,922)**	–
Repayment to a director		**(1,800)**	(358)
(Repayment to) advance from a non-controlling shareholder of a subsidiary		**(545)**	17,907
Repayment of bank loans		**(432)**	(20,000)
Interest paid		**(296)**	(196)
Proceeds from issuance of convertible notes		**–**	99,840
Proceeds from partial disposal of interest in a subsidiary	41	**–**	24,022
Special dividend paid		**–**	(96,158)
NET CASH FROM FINANCING ACTIVITIES		**127,392**	25,057
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**104,324**	(44,740)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**28,009**	72,962
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(2,183)**	(213)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH		**130,150**	28,009

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

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

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 40.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 "Revenue from Contracts with Customers"

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment" ("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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations – continued

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets held for sale

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

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

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

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

Revenue recognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Service income is recognised when services are provided.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) 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 accumulated impairment losses, if any.

Depreciation is recognised so as to write off 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 methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

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

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

Inventories

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

Retirement benefit costs and termination benefits

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

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 34 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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

Share options granted to consultants/potential employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from '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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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 the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model. 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.

Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Financial instruments

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

Financial assets

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

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

Effective interest method

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 trade and other receivables, amount due from a director and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment.

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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 trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Convertible notes contains liability, issuer's early redemption option and equity components

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities, embedded derivatives (the issuer's and holder's early redemption option) and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an embedded derivative and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments and the embedded derivative is measured at fair value with changes in fair value recognised in profit or loss. The liability component is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Convertible notes contains liability, issuer's early redemption option and equity components – continued

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

For conversion of convertible notes, the carrying amount of the liability component and embedded derivative are transferred to equity with resulting shares issued being recorded as additional share capital at nominal value of the shares and the excess of the carrying amount of the convertible notes over the nominal value of the shares being recorded in share premium.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a director and a non-controlling shareholder of a subsidiary, amounts due to related parties and bank loans are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

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

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

Income tax

At 31 December 2015, no deferred tax asset has been recognised in relation to unused tax losses of approximately HK$116,831,000 (2014: HK$78,219,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, recognition of a deferred tax asset may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Key sources of estimation uncertainty – continued

Estimated impairment of intangible assets and goodwill

Determining whether intangible assets and goodwill are impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which intangible assets and goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2015, the Group's intangible assets and goodwill which are HK$29,839,000 (2014: nil) and HK$330,805,000 (2014: nil), respectively. In the opinion of the directors of the Company, no impairment is required for the year ended 31 December 2015.

Estimated useful lives and impairment of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of changes in circumstances, for example assets lasting longer or shorter than expected or technical innovation. Management will revise the expected useful lives and depreciation method for classes of property, plant and equipment where actual useful lives are identified to be different from the previously estimated lives and management may also need to write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold in the period when such events take place.

In 2014, the Group has made impairment loss on certain property, plant and equipment of HK$36,375,000 (2015: nil) due to cessation of certain production lines in the PRC, and in the opinion of the directors of the Company, these production lines were not part of the Group's core production facility and were closed down due to non-performance and continuation of weak demand of the products of these production lines.

Fair value measurement and valuation process

The Group's investment properties are measured at fair value for financial reporting purposes. The board of directors of the Company has a designated team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank loans as disclosed in note 30, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The management of the Group reviews the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-back as well as debt raising.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**242,654**	174,769
Financial liabilities		
At amortised cost	**75,171**	146,985

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a director, bank balances and cash, trade and other payables, amount due to a director and a non-controlling shareholder of a subsidiary, amounts due to related parties and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk

Interest rate risk

At 31 December 2015, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and fixed-rate bank loans (see note 30 for details of these borrowings). It is the Group's policy to keep its loans at fixed rates of interest so as to minimise its exposures on interest rate movements.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

Several subsidiaries of the Company have foreign currency bank balances and trade receivables that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are disclosed in respective notes. At 31 December 2015 and 2014, the Group is mainly exposed to exchange rate fluctuations of United States dollar, Renminbi and Euro. No sensitivity analysis of foreign currency risk is presented as Hong Kong dollar is pegged to United States dollar, hence, the Group's foreign currency exposure against United States dollar is not significant. In addition, the amount of Renminbi and Euro denominated foreign currency financial assets in the respective group entities are not significant.

Credit risk

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

The Group's credit risk is primarily attributable to its trade receivables. The Group has concentration of credit risk on certain global electronic companies, as 64% (2014: 44%) and 69% (2014: 73%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively, within the manufacture of and trading in electronic components. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in respect of amount due from a director. However, the management considers the risk associated with amount due from a director is minimal.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk – continued

The credit risk on bank balances is limited as such amounts are deposited in banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the 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. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

As at 31 December 2015 and 2014, the Group does not have any unutilised bank loan facilities.

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

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

	Weighted average effective interest rate	On demand or less than 1 month	1 - 3 months	3 months to 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2015						
Non-derivative financial liabilities						
Trade and other payables	–	28,381	–	–	28,381	28,381
Amounts due to related parties	–	43,713	–	–	43,713	43,713
Amount due to a non-controlling shareholder of a subsidiary	–	1,943	–	–	1,943	1,943
Fixed-rate bank loans	7.62	1,134	–	–	1,134	1,134
		75,171	–	–	75,171	75,171
As at 31 December 2014						
Non-derivative financial liabilities						
Trade and other payables	–	135,986	4,991	–	140,977	140,977
Amount due to a director	–	1,800	–	–	1,800	1,800
Amount due to a non-controlling shareholder of a subsidiary	–	2,571	–	–	2,571	2,571
Fixed-rate bank loans	7.62	48	142	1,593	1,783	1,637
		140,405	5,133	1,593	147,131	146,985

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS – continued

Fair value

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective end of the reporting periods approximate their corresponding fair values.

7. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are currently attributable to two operating segments focusing on the manufacture of and trading in dental prosthetics and electronic components. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conformed to HKFRSs, that are regularly reviewed by the executive directors of the Company (the "Executive Directors") (being the chief operating decision maker of the Company). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The details of operating and reportable segments of the Group are as follows:

- Manufacture of and trading in dental prosthetics

- Manufacture of and trading in electronic components

The operation of manufacture of and trading in dental prosthetics was introduced to the Group during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. TURNOVER AND SEGMENT INFORMATION – continued

Segment revenues and results

For the year ended 31 December 2015

	Manufacture of and trading in dental prosthetics HK$'000	Manufacture of and trading in electronic components HK$'000	Total HK$'000
TURNOVER			
External sales	**99,873**	**295,805**	**395,678**
RESULTS			
Segment results	**29,709**	**(26,584)**	**3,125**
Unallocated income			**277**
Unallocated expenses			**(38,374)**
Finance costs			**(296)**
Loss before taxation			**(35,268)**

For the year ended 31 December 2014

	Manufacture of and trading in electronic components HK$'000
TURNOVER	
External sales	363,455
RESULTS	
Segment results	(156,370)
Unallocated income	3,737
Unallocated expenses	(19,778)
Finance costs	(8,844)
Gain on disposal of subsidiaries	53,277
Share of profit of an associate	3,331
Loss before taxation	(124,647)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. TURNOVER AND SEGMENT INFORMATION – continued

Segment revenues and results – continued

Segment profit/loss represents the profit/loss earned/suffered by each segment without allocation of central administration costs, certain other income, gains and losses and other expenses, finance costs, gain on disposal of subsidiaries and share of profit of an associate. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2015	2014
	HK$'000	HK$'000
SEGMENT ASSETS		
Manufacture of and trading in dental prosthetics	**482,680**	–
Manufacture of and trading in electronic components	**64,601**	190,685
Unallocated assets	**276,403**	193,861
Consolidated assets	**823,684**	384,546
SEGMENT LIABILITIES		
Manufacture of and trading in dental prosthetics	**51,934**	–
Manufacture of and trading in electronic components	**67,054**	56,910
Unallocated liabilities	**137,540**	116,127
Consolidated liabilities	**256,528**	173,037

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain prepayments and bank balances and cash held by the respective head offices, taxation recoverable and investment properties; and
- all liabilities are allocated to operating segments other than liabilities of the respective head offices, deferred taxation, bank loans and taxation payable from both segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. TURNOVER AND SEGMENT INFORMATION – continued

Other segment information

For the year ended 31 December 2015

	Manufacture of and trading in dental prosthetics HK$'000	Manufacture of and trading in electronic components HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss):			
Depreciation of property, plant and equipment	**2,314**	**47**	**2,361**
Amortisation of prepaid lease payments	**–**	**210**	**210**
Amortisation of intangible assets	**2,310**	**–**	**2,310**
Loss on disposal of property, plant and equipment	**365**	**–**	**365**
Net exchange gain	**(706)**	**–**	**(706)**

For the year ended 31 December 2014

	Manufacture of and trading in electronic components HK$'000
Amounts included in the measure of segment profit (loss):	
Depreciation of property, plant and equipment	19,280
Amortisation of prepaid lease payments	231
Fair value gain on investment properties	(164)
Loss on disposal of property, plant and equipment	41,497
Bad debts recovered	(29)
Net exchange loss	396

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. TURNOVER AND SEGMENT INFORMATION – continued

Geographical information

The Group's external customers are mainly located in Hong Kong, the PRC (excluding Hong Kong), Malaysia, Europe, Singapore, Russia and others. The following table provides an analysis of the Group's turnover by the location of customers and the Group's non-current assets by geographical location of assets.

	Turnover from external customers		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**140,100**	169,846	**–**	–
PRC	**111,631**	62,180	**17,081**	194,306
Malaysia	**11,682**	33,587	**–**	–
Europe	**14,678**	11,642	**–**	–
Singapore	**26,448**	26,306	**–**	–
Russia	**11,265**	30,156	**–**	–
Others	**79,874**	29,738	**–**	–
	395,678	363,455	**17,081**	194,306

Note: Non-current assets exclude intangible assets and goodwill.

Information about major customers

Revenue from customers from the segment of trading in electronic components of the corresponding years is over 10% of the total revenue of the Group:

	2015	2014
	HK$'000	HK$'000
Customer A	**104,570**	132,688
Customer B	**39,144**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. OTHER INCOME, GAINS AND LOSSES

	2015	2014
	HK$'000	HK$'000
Interest income on bank deposits	**392**	248
Loan interest income	**–**	3,460
Loss on disposal of property, plant and equipment	**(365)**	(41,497)
Bad debts recovered	**–**	29
Fair value loss on derivative component of convertible notes	**–**	(436)
Consultancy income	**3,118**	–
Net exchange gain	**706**	–
Others	**558**	3,375
	4,409	(34,821)

9. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interest on bank borrowings	**296**	196
Interest on convertible notes	**–**	8,648
	296	8,844

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. LOSS BEFORE TAXATION

	2015	2014
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Directors' remuneration		
– fees	**996**	929
– other emoluments	**5,018**	6,208
– equity-settled share option expenses	**6,057**	–
– contributions to defined contribution retirement schemes	**27**	37
	12,098	7,174
Other staff costs		
– staff salaries and allowances	**42,275**	83,266
– equity-settled share option expenses	**6,537**	–
– contributions to defined contribution retirement schemes	**1,325**	2,198
	50,137	85,464
Total staff costs	**62,235**	92,638
Amortisation of prepaid lease payments	**210**	231
Auditor's remuneration	**2,300**	1,432
Amortisation of intangible assets (included in cost of sales)	**2,310**	–
Bad debts recovered (included in other income)	**–**	(29)
Cost of inventories recognised as expense	**334,213**	303,027
Compensation for staff laid off (included in other expenses)	**–**	32,951
Professional fees incurred by the Company in respect of a general offer of the Company (included in other expenses)	**–**	5,878
Depreciation of property, plant and equipment	**2,361**	19,280
Net exchange gain (included in other gains and losses)	**(706)**	–
Net exchange loss (included in other expenses)	**–**	396
Operating lease rentals in respect of rented premises	**2,686**	1,368

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	Fees HK$'000	Basic salaries and allowances HK$'000	Performance related incentive bonus HK$'000	Equity settled share option expenses HK$'000	Retirement benefits scheme contributions HK$'000	Total directors' emoluments HK$'000
2015						
Executive directors						
Mr. Wu Xiaolin	–	468	–	–	–	468
Mr. Wu Tianyu (note a)	–	735	–	6,057	–	6,792
Mr. Wen Jialong (note b)	–	2,100	–	–	9	2,109
Non-executive directors						
Mr. Lam Kwok Cheong	360	–	–	–	18	378
Dr. Jiang Feng (note c)	92	–	–	–	–	92
Mr. Chow Tak Hung (note l)	–	1,715	–	–	–	1,715
Independent non-executive						
Dr. Loke Yu alias Loke Hoi Lam	180	–	–	–	–	180
Mr. Wu Jixian (note d)	92	–	–	–	–	92
Mr. Song Qun (note d)	92	–	–	–	–	92
Mr. Zeng Zhaolin (note e)	90	–	–	–	–	90
Mr. Lung Chee Ming George (note e)	90	–	–	–	–	90
	996	5,018	–	6,057	27	12,098

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

	Fees HK$'000	Basic salaries and allowances HK$'000	Performance related incentive bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total directors' emoluments HK$'000
2014					
Executive directors					
Mr. Wen Jialong (note f)	–	1,910	–	11	1,921
Mr. Wu Xiaolin (note g)	–	229	–	–	229
Mr. Chow Tak Hung (note h)	–	1,265	–	8	1,273
Ms. Chow Woon Yin (note i)	–	1,691	–	8	1,699
Non-executive directors					
Mr. Chow Tak Hung (note h)	–	933	–	–	933
Mr. Lam Kwok Cheong (note j)	191	–	180	10	381
Ms. Wong Siu Wah (note i)	90	–	–	–	90
Ms. Chau Choi Fa (note i)	90	–	–	–	90
Independent non-executive directors					
Mr. Zeng Zhaolin (note k)	96	–	–	–	96
Dr. Loke Yu alias Loke Hoi Lam (note k)	96	–	–	–	96
Mr. Lung Chee Ming George (note k)	96	–	–	–	96
Dr. Lau Yue Sun (note i)	90	–	–	–	90
Mr. Yip Tai Him (note i)	90	–	–	–	90
Mr. Lam Kwok Cheong (note j)	90	–	–	–	90
	929	6,028	180	37	7,174

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Notes:

(a) Appointed as executive director and chief executive with effect from 21 May 2015.

(b) Resigned on 29 June 2015.

(c) Appointed as non-executive director with effect from on 27 June 2015.

(d) Appointed as independent non-executive director with effect from on 27 June 2015.

(e) Retired on 26 June 2015.

(f) Appointed as the chairman, executive director and chief executive with effect from 3 June 2014.

(g) Appointed as vice-chairman and executive director with effect from 20 June 2014.

(h) Redesignated from executive director and chief executive to non-executive director with effect from 20 June 2014.

(i) Resigned on 20 June 2014.

(j) Redesignated from independent non-executive director to non-executive director with effect from 20 June 2014.

(k) Appointed on 20 June 2014.

(l) Resigned on 18 March 2016.

The performance related incentive bonus payment is determined with reference to the operating results and individual performance for each year by the board of directors of the Company.

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. In addition, there is no inducement paid for directors to join the Group and no compensation for the loss of office as a director in connection with the management of the affairs of any member of the Group.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 34 to the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group during the year included three (2014: three) directors, details of whose remunerations are set out above. The details of the remaining two (2014: two) highest paid employees who are not a director or chief executive of the Company are as follows:

	2015	2014
	HK$'000	HK$'000
Basic salary and allowances	**2,322**	2,672
Performance related incentive bonus	**–**	8,900
Retirement benefits scheme contributions	**30**	13
	2,352	11,585

The emoluments were within the following bands:

	Number of employees	
	2015	2014
HK$1,000,001 to HK$1,500,000	**2**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1

There was no arrangement under which non-director or non-chief executive highest paid employees waived or agreed to waive any remuneration during the year. In addition, there is no inducement paid for non-director or non-chief executive highest paid employees to join the Group and no compensation for the loss of office in connection with the management of the affairs of any member of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. TAXATION

	2015 HK$'000	2014 HK$'000
Current tax:		
Hong Kong Profits Tax	**3,608**	929
PRC Enterprise Income Tax	**789**	73
	4,397	1,002
Underprovision in prior years:		
Hong Kong Profits Tax	**265**	–
PRC Enterprise Income Tax	**27**	–
	292	–
Deferred tax credit	**(577)**	(19)
	4,112	983

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

Since 2011, the Hong Kong Inland Revenue Department (the "IRD") conducted a tax audit to the Group for the years of assessment from 2004/05 to 2012/13, mainly in connection with the pricing policy of its intergroup transactions of the trading and manufacturing operations in these years. The Group proposed alternative pricing policies of the inter-group transactions to the IRD and made further tax provisions and penalty provisions according to the adjusted pricing policies.

In the current year, the Group settled with the IRD for the years of assessment 2004/05 to 2012/13 at additional tax and various penalties of approximately HK$12,739,000 and HK$13,140,000 respectively, and that the amounts had been accrued for in the previous years. With respect to the years of assessment for 2013/14 and 2014/15, in the opinion of the directors, the assessment profits would not be significantly different from the amounts previously reported to the IRD.

The provision for PRC Enterprise Income Tax ("EIT") is based on the estimated taxable income for PRC taxation purpose at the rate of taxation applicable for the year.

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%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. TAXATION – continued

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

	2015 HK$'000	2014 HK$'000
Loss before taxation	**(35,268)**	(124,647)
Tax credit at applicable tax rate at 25%	**(8,817)**	(31,162)
Tax effect of income not taxable for tax purpose	**(204)**	(13,718)
Tax effect of expenses not deductible for tax purpose	**8,070**	29,271
Tax effect of share of profit of an associate	**–**	(833)
Tax effect of tax losses not recognised	**7,509**	17,962
Tax effect of utilisation of tax loss previously not recognised	**(895)**	–
Effect of different tax rates of subsidiaries operating in Hong Kong	**(1,843)**	(498)
Underprovision in prior years	**292**	–
Others	**–**	(39)
Tax charge for the year	**4,112**	983

14. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividends recognised as distribution during the year:		
Special dividend of 30 HK cents per share	**–**	96,158
Special dividend, by way of a distribution in specie of shares of Wing Lee Property Investments Limited ("Wing Lee Property") (Note)	**–**	70,694
	–	166,852

Note:

On 8 April 2014, the board of directors of the Company declared a conditional special dividend by way of a distribution in respect of Wing Lee Property shares held by the Company in proportion of 0.2048 share for every one share held by the shareholders of the Company, representing approximately 17% of the issued share capital of Wing Lee Property. On 9 June 2014, a total of 65,649,879 Wing Lee Property shares, representing approximately 17% of the shares of Wing Lee Property were distributed to the owners of the Company, whose names appear on the register of members of the Company at the close of business on 26 May 2014, pursuant to the fulfillment of all conditions to this distribution.

Other than the special dividend and the distribution in specie indicated above, no dividend were paid, declared or proposed for the year ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. LOSS PER SHARE

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

Loss	**2015** **HK$'000**	2014 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(30,613)**	(90,005)

Number of shares	**2015**	2014
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,550,864,565**	2,644,894,914

The computation of diluted loss per share for the year ended 31 December 2015 and 31 December 2014 have not assumed the conversion of the Company's outstanding share options and convertible notes, respectively, which would reduce the loss per share.

16. INVESTMENT PROPERTIES

	2015 **HK$'000**	2014 HK$'000
FAIR VALUE		
At 1 January	**183,554**	33,276
Currency realignment	**(5,954)**	(814)
Acquisition of subsidiaries (note 35(b))	**–**	183,554
Disposal of subsidiaries (note 36(c))	**–**	(31,750)
Disposals	**–**	(876)
Increase in fair value	**–**	164
Transfer to assets classified as held for sale (note 26)	**(177,600)**	–
At 31 December	**–**	183,554
The carrying value of the Group's investment properties shown above situated on land in the PRC	**–**	183,554
	–	183,554

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES – continued

The fair values of the Group's investment properties at 31 December 2014 had been arrived at on the basis of a valuation carried out on that date by an independent professional valuer not related to the Group.

At 31 December 2014, the valuation was arrived at by using direct comparison method by making reference to the prices realised on actual sales and/or asking prices of comparable properties (the "Direct Comparison Method") and where comparable market prices were not available, depreciated replacement cost approach was used and was based on an estimation of the market value for the existing use of the land, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. In estimating the fair value of the properties, the highest and best use of the properties was their current use.

The following table gives information about how the fair values of these investment properties were determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements were categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements was observable.

Carrying value of investment properties	**Fair value hierarchy**	**Valuation technique(s) and significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
At 31 December 2014			
Industrial land in the PRC HK$183,554,000	Level 3	Direct Comparison Method – based on price per square metre, using prices realised on actual sales and/or asking prices of comparable properties assuming redevelopment into residential use of RMB20,000/sq.m. Comparable properties of similar size, scale, nature, character and location are analysed and weighted against all the respective advantages and disadvantages of each property in arriving at a fair comparison market value.	The higher the price, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Moulds, plant and machinery	Furniture, fixtures and equipment	Leasehold improvements	vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2014	202,644	127,303	1,951	9,466	8,980	350,344
Currency realignment	(5,309)	(2,730)	–	–	(102)	(8,141)
Additions	–	26,146	–	–	642	26,788
Acquisition of subsidiaries	–	2,026	60	–	147	2,233
Disposal of subsidiaries	(13,814)	–	–	–	–	(13,814)
Disposals	(150,984)	(150,719)	–	(140)	(9,520)	(311,363)
At 31 December 2014	32,537	2,026	2,011	9,326	147	46,047
Currency realignment	(1,292)	(288)	(48)	(237)	(7)	(1,872)
Additions	–	3,005	629	–	345	3,979
Acquisition of subsidiaries	–	5,223	1,157	452	–	6,832
Disposals/write-off	–	(1,500)	(153)	–	–	(1,653)
At 31 December 2015	31,245	8,466	3,596	9,541	485	53,333
DEPRECIATION/IMPAIRMENT						
At 1 January 2014	77,630	107,451	1,951	9,466	6,855	203,353
Currency realignment	(1,949)	(2,235)	–	–	15	(4,169)
Provided for the year	6,111	12,331	–	–	838	19,280
Impairment loss recognised in profit or loss	34,111	2,264	–	–	–	36,375
Elimination on disposal of subsidiaries	(7,469)	–	–	–	–	(7,469)
Elimination on disposals	(75,897)	(119,811)	–	(140)	(7,708)	(203,556)
At 31 December 2014	32,537	–	1,951	9,326	–	43,814
Currency realignment	(1,292)	(12)	(2)	(219)	–	(1,525)
Provided for the year	–	1,630	603	116	12	2,361
Elimination on disposals	–	(342)	(88)	–	–	(430)
At 31 December 2015	31,245	1,276	2,464	9,223	12	44,220
CARRYING VALUES						
At 31 December 2015	–	7,190	1,132	318	473	9,113
At 31 December 2014	–	2,026	60	–	147	2,233

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT – continued

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

Buildings	20 years
Furniture, fixtures and equipment	20%
Leasehold improvements	Over the remaining unexpired terms of the leases or 5 years, whichever is shorter
Motor vehicles	20%
Moulds, plant and machinery	20%

During the year ended 31 December 2014, the Group had made impairment loss on certain property, plant and equipment of HK$36,375,000 due to cessation of certain production lines in the PRC, and in the opinion of the directors of the Company, these production lines were not part of the Group's core production facilities and were closed down due to non-performance and continuation of weak demand of the products of these production lines. The impairment on property, plant and equipment was made to the CGU for production of electronic components and based on their recoverable amounts. The recoverable amounts had been determined on the basis of their value in use calculations based on financial budgets approved by the management covering a 5 year period. The discount rates in measuring the amounts of value in use was 18% in relation to those assets. Other key assumption included estimation of cash inflow/outflows on budget sales and expected gross margins based on the unit's past performance and management's expectations for the market development.

At 31 December 2015 and 2014, the directors of the Company also carried out a review of the Group's remaining property, plant and equipment for impairment and whether any events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable and concluded that there is no further impairment required for the remaining assets.

18. PREPAID LEASE PAYMENTS

	2015	2014
	HK$'000	HK$'000
The Group's prepaid lease payments comprise leasehold land in the PRC	**8,178**	8,738
Analysed for reporting purposes as:		
Non-current asset	**7,968**	8,519
Current asset (included in other receivables)	**210**	219
	8,178	8,738

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTEREST IN AN ASSOCIATE

	2015 **HK$'000**	2014 HK$'000
Cost of investment in an associate	–	62,696
Share of post-acquisition profit and other comprehensive income, net of dividend received	–	7,998
Special dividend, by way of distribution in specie of Wing Lee Property (note 14)	–	(70,694)
	–	–

20. INTANGIBLE ASSETS

	Trademarks and patent HK$'000
COST	
At 1 January 2014 and 31 December 2014	–
Arising on acquisition of subsidiaries	32,149
At 31 December 2015	32,149
AMORTISATION	
At 1 January 2014 and 31 December 2014	–
Provided for the year	2,310
At 31 December 2015	2,310
CARRYING VALUE	
At 31 December 2015	29,839
At 31 December 2014	–

On 15 May 2015, the Group completed the acquisition of 100% equity interest in On Growth Group (as defined in note 35) which included the acquisition of trademarks and patent. The trademarks and patent were measured at their fair values at the date of acquisition and the valuation of the intangible assets is performed by an independent professional valuer not related to the Group. The fair value of the trademarks and patent at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the trademarks and patent for the remaining term of the trademarks and patent. The expected useful lives of the trademarks and patent are 8.7 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. GOODWILL

	HK$'000
COST	
At 1 January 2014 and 31 December 2014	–
Arising on acquisition of subsidiaries (note 35(a))	330,805
At 31 December 2015	330,805

For the purposes of impairment testing, the entire goodwill has been allocated to the CGU of dental prosthetics business which was acquired during the current year. At 31 December 2015, the directors of the Company conducted a review of the carrying value of the goodwill and determined that there is no impairment of the CGU containing that goodwill.

The recoverable amount of this CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management for the year ending 31 December 2016 and the following four years based on average growth rate of 13.4% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A discount rate of 17.5% is used for this CGU and derived using risk-free rate, the market return and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

22. INVENTORIES

	2015	2014
	HK$'000	HK$'000
Raw materials	**5,341**	1,665
Finished goods	**2,455**	3,051
	7,796	4,716

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	HK$'000
Trade receivables	**73,022**	68,249
Loans receivables	**–**	71,400
Other receivables, prepayments and deposits	**16,445**	3,223
	89,467	142,872

Trade receivables

Payment terms with customers are mainly on credit. Invoices are normally due for payment within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days. The following is an aged analysis of trade receivables presented based on the invoice date (also approximates to revenue recognition date) at the end of the reporting period:

	2015	2014
	HK$'000	HK$'000
Age		
0 – 90 days	**70,095**	67,553
91 – 180 days	**2,927**	696
	73,022	68,249

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$13,661,000 (2014: HK$7,611,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there is no adverse change in the credit standing of the debtors from the date at which credit was initially granted. The Group does not hold any collateral over these balances at the end of the reporting period. The average age of these receivables is 87 days (2014: 82 days).

Aging of trade receivables which are past due but not impaired

	2015	2014
	HK$'000	HK$'000
Overdue by:		
1 – 30 days	**10,124**	6,965
31 – 90 days	**3,537**	646
Total	**13,661**	7,611

No interest is charged on overdue trade receivables, it is the Group's policy to provide fully for all receivables over eight months because historical experience is such that receivables past due beyond eight months are generally not recoverable. No allowances were made during both years as no trade receivables were aged over eight months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. TRADE AND OTHER RECEIVABLES – continued

At 31 December 2015, trade and other receivables denominated in currencies other than the functional currencies of the relevant group entities amounted to approximately HK$37,479,000 (2014: HK$54,029,000) which are denominated in United States dollar.

Loans receivables

Loans receivables represented loans to individuals which were unsecured and carried interest at 1% per month. At 31 December 2014, all loans receivable had lending terms of 3 months but contained a repayable on demand clause. The aggregated principal amount outstanding at 31 December 2014 was HK$70,000,000 and the balance included interest receivable of HK$1,400,000.

All loans receivables were with average age of 139 days (since the loans were granted) and were past due as at 31 December 2014 (average overdue for 47 days since maturity date). The Group had not provided impairment loss on these loans receivables as all the loans were subsequently settled after the end of the reporting period.

24. AMOUNT DUE FROM/TO A DIRECTOR

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

At 31 December 2015, the amount is due from a director, Mr. Wu Tianyu ("Mr. Wu", the executive director and chief executive officer of the Company), and the maximum amount outstanding during the year ended 31 December 2015 is HK$40,836,000.

At 31 December 2014, the amount was due from a director, Mr. Chow Tak Hung, and the maximum amount outstanding during the year ended 31 December 2015 and 2014 were HK$5,600,000.

25. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranges from 0.001% to 0.4% (2014: 0.001% to 0.5%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the relevant group entities:

	2015	2014
	HK$'000	HK$'000
United States dollar	**22,906**	4,886
Renminbi	**708**	15
Euro	**2,864**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. ASSETS (LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 24 July 2015, Common Glory Global Limited ("Common Glory"), a non wholly-owned subsidiary of the Company, entered into an agreement with Hang Sheng International Capital Company Limited, an independent third party, to conditionally acquire and Common Glory has conditionally agreed to dispose of the entire issue share capital of Decent Choice Limited, a 70% owned subsidiary of the Company, and the shareholder's loan due by Decent Choice Limited (the "Disposal Group"). The disposal mainly involves a disposal of a piece of land held by the Group as investment properties. The consideration for the disposal is RMB158,000,000 (approximately HK$197,500,000). The details of the disposal are set out in the Company's announcement dated 24 July 2015. The disposal is subject to shareholder's approval at a special general meeting of the Company.

The directors determine the disposal is highly probable and thus, the relevant assets and liabilities of Disposal Group are classified to assets classified as held for sale and liabilities associated with assets classified as held for sale respectively in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". The net proceeds from the disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the Disposal Group at the end of the reporting period are as follows:

	2015 HK$'000
Investment properties	177,600
Other receivables	1
Bank balances and cash	51
Assets classified as held for sale	177,652
Trade and other payables	(2,627)
Amount due to a related party	(881)
Liabilities associated with assets classified as held for sale	(3,508)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**24,306**	4,991
Other payables (note)	**139,168**	133,787
Accrued charges	**23,428**	25,493
	186,902	164,271

Note: At 31 December 2015, other payables mainly represent deposit received in respect of Disposal Group, which is expected to be utilised upon completion of disposal within one year from the end of the reporting period. At 31 December 2014, other payables mainly represented consideration payable for acquisition of subsidiaries which was settled during the year.

The following is an aged analysis of the Group's trade payables presented based on the invoice date as at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Age		
0 – 90 days	**24,103**	4,991
91 – 180 days	**22**	–
Over 180 days	**181**	–
	24,306	4,991

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

28. AMOUNTS DUE TO RELATED PARTIES

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

At 31 December 2015, an amount of HK$2,388,000 (2014: nil) represents balance due to Mr. Wen Jialong ("Mr. Wen"), the former executive director and chairman of the Company and a shareholder of the Company. An amount of HK$37,978,000 (2014: nil) represents balance due to a company of which Mr. Wen has beneficial interest. An amount of HK$1,165,000 (2014: nil) represents balance due to Ms. Jiang Sisi ("Ms. Jiang", the spouse of Mr. Wu). The remaining amount of HK$2,182,000 (2014: nil) represents balance due to Mr. Wu Yue, the father of Mr. Wu.

29. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. BANK LOANS

At 31 December 2015, bank loans carry interest at a fixed rate of 7.62% per annum. The bank loan at 31 December 2015 and 2014 are unsecured, guaranteed by Mr. Wen and contractually repayable within one year.

31. DEFERRED TAXATION

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

	Accelerated tax depreciation	**Fair value changes of investment properties**	**Fair value adjustments on intangible assets acquired in business combinations**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	117	13,880	–	13,997
Currency realignment	–	(399)	–	(399)
Credit to profit or loss for the year (note 13)	(19)	–	–	(19)
Disposal of subsidiaries (note 36(c))	(98)	(13,481)	–	(13,579)
At 31 December 2014	–	–	–	–
Acquisition of subsidiaries (note 35(a))	–	–	8,037	8,037
Credit to profit or loss for the year (note 13)	–	–	(577)	(577)
At 31 December 2015	–	–	7,460	7,460

At 31 December 2015, the Group has unused tax losses of HK$116,831,000 (2014: HK$78,219,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$8,974,000 that will expire in 2020 (2014: HK$376,000 had been expired in 2015). Other losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

32. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 1 January 2014 (HK$0.50 each)	400,000,000	200,000
Increase in authorised share capital by sub-dividing each of the unissued existing shares of HK$0.50 into 50 new shares of HK$0.01 each (note a)	19,600,000,000	–
Increase in authorised share capital by sub-dividing each of the unissued existing shares of HK$0.01 in 8 new shares of HK$0.00125 each (note b)	140,000,000,000	–
At 31 December 2014 and 31 December 2015 (HK$0.00125 each)	160,000,000,000	200,000
Issued and fully paid:		
At 1 January 2014 (HK$0.50 each)	320,525,879	160,263
Reduction of par value of each share from HK$0.50 to HK$0.01 (note a)	–	(157,058)
Share subdivision of HK$0.01 each being subdivided into 8 subdivided shares of HK$0.00125 each (note b)	2,243,681,153	–
Issue of shares upon conversion of convertible notes (note c)	511,999,999	640
At 31 December 2014 (HK$0.00125 each)	3,076,207,031	3,845
Issue of shares (note d)	250,000,000	313
Issue of Consideration Shares (note e)	500,000,000	625
At 31 December 2015 (HK$0.00125 each)	3,826,207,031	4,783

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

32. SHARE CAPITAL – continued

Notes:

(a) Pursuant to a special resolution passed in a special general meeting of the Company, the Company effected a capital reduction on 20 May 2014 which involved: (i) cancelling paid-up capital in the amount of HK$0.49 on each of the issued existing shares in the issued share capital of the Company and applying the credit arising from such reduction to the contributed surplus account of the Company or other account of the Company which may be utilised by the board of directors of the Company as a distributable reserve in accordance with the bye-laws of the Company and applicable laws in Bermuda; (ii) sub-dividing each of the unissued existing shares of HK$0.50 in the authorised share capital of the Company into 50 new shares of HK$0.01 each; and (iii) reducing the entire amount of approximately HK$78.8 million standing to the credit of the Company's share premium account and applying the credit arising from such reduction to the contributed surplus account of the Company or other account of the Company which may be utilised by the board of directors of the Company as a distributable reserve in accordance with the bye-laws of the Company and applicable laws in Bermuda. Details of the capital reduction were set out in the circular of the Company dated 17 April 2014.

(b) Pursuant to an ordinary resolution passed in a special general meeting of the Company, the Company effected a share subdivision on 22 September 2014 which involved each of the existing issued and unissued ordinary shares of HK$0.01 each in share capital of the Company be subdivided into 8 subdivided shares of HK$0.00125 each. Details of the share subdivision were set out in the circular of the Company dated 29 August 2014.

(c) On 17 October 2014, the Company received notice from the holder of the Convertible Notes, requesting for the conversion of the Convertible Notes in the principal amount of HK$50,000,000 into shares of the Company. On 22 October 2014, the Company allotted and issued a total of 256,410,256 conversion shares to the holder at the conversion price of HK$0.195 per conversion share.

On 13 November 2014, the Company received notice from the holder of the Convertible Notes, requesting for the conversion of the Convertible Notes in the principal amount of HK$49,840,000 into shares of the Company. On 18 November 2014, the Company allotted and issued a total of 255,589,743 conversion shares to the holder at the conversion price of HK$0.195 per conversion share.

Upon conversion of the Convertible Notes, the balance of convertible notes equity reserve of HK$13,326,000 and excess of the carrying amount of the Convertible Notes over the nominal value of shares being issued of HK$92,989,000 (being the difference between the nominal value of shares being issued of HK$640,000 and the carrying amount of the liability component and embedded derivative in aggregate of HK$93,629,000) were transferred to share premium.

(d) On 15 May 2015, pursuant to a subscription agreement and a supplemental subscription agreement entered between the Company and an institutional investor on 10 January 2015 and 16 March 2015, respectively, and an ordinary resolution passed in a special general meeting of the Company on 5 May 2015, the Company issued a total of 250,000,000 shares to an institutional investor at a subscription price of HK$0.40 per share. The proceeds from the placing of shares amounts to approximately HK$100,000,000 and the amount has been used by the Group to settle the cash portion of the consideration in respect of an acquisition, details of which is disclosed in note 35(a).

(e) On 15 May 2015, pursuant to an agreement entered between the Company and several independent parties on 16 March 2015 in respect of an acquisition of subsidiaries and an ordinary resolution passed in a special general meeting of the Company on 5 May 2015, the Company issued a total of 500,000,000 shares to settle the Consideration Shares (defined in note 35(a)) portion in respect of the acquisition, details of which is disclosed in note 35(a).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. CONVERTIBLE NOTES

On 3 July 2014, the Company issued 6% coupon convertible notes (the "Convertible Notes") at a principal amount of HK$99,840,000 maturing on the first anniversary of the date of issue (the "Maturity Date"). The Convertible Notes entitle the holder to convert the whole or part of the principal amount at any time between the date of issue of the notes and their Maturity Date into 64,000,000 new ordinary shares of the Company at a conversion price of HK$1.56 per share and may be adjusted upon occurrence of adjustment events, which includes consolidation, sub-division or re-classification of shares, capitalisation of profits or reserves, capital distributions and offer of new shares of the Company. The Convertible Notes carries interest of 6% per annum and would be payable at the Maturity Date. The Convertible Notes are denominated in Hong Kong dollars.

At the option of the Company, the Convertible Notes may be redeemed in amounts of HK$1,000,000 or integral multiples thereof on any business day prior to the Maturity Date at 100% of the principal amount outstanding under the Convertible Notes together with all interest accrued thereon up to and including the date of redemption.

At the option of the holder, the Convertible Notes may be redeemed in amounts of HK$1,000,000 or integral multiples thereof at any time three months after the date of issue of the Convertible Notes at 100% of the principal amount outstanding under the Convertible Notes together with all interest accrued thereon up to and including the date of redemption.

Details of the Convertible Notes are set out in the Company's announcements dated 23 June 2014, 25 June 2014 and 3 July 2014. The proceeds from the Convertible Notes will be used for future investment opportunities and/or general working capital of the Group.

The Convertible Notes contain a liability component, an equity component and an issuer's and holder's early redemption option. The equity component (the holder's conversion option) gives the holder's right at any time to convert the notes into ordinary shares of the Company. The fair value of the liability component upon the issuance of the notes was calculated by discounting the estimated contractual cash flows over the remaining contractual terms of the notes at the discount rate of 21.71%. The early redemption options give the issuer and the holder the right to redeem the note at par at any time (in case of the holder, at any time three months after the issue) before maturity.

The aggregate fair value of the Convertible Notes at 23 June 2014 was approximately HK$99,840,000, representing no gain or loss in fair value on initial recognition.

On 22 September 2014, as a result of the share subdivision (as detailed in note 32), the conversion price and the number of conversion shares falling to the issue upon exercise of the conversion rights of the Convertible Notes was adjusted to HK$0.195 per share and 512,000,000 shares, respectively.

On 17 October and 13 November 2014, the holders of the Convertible Notes have given notices to the Company to convert all of the Convertible Notes in aggregate principal amount of HK$99,840,000 to ordinary shares of the Company. The conversions resulted an issue in aggregate of 511,919,999 shares of the Company (see note 32).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. CONVERTIBLE NOTES – continued

The fair value of the Convertible Notes at the date of issue was determined using binomial option pricing model and the main inputs are as follows:

	(Date of issuance) 3.7.2014
Conversion price	HK$1.56
Share price	HK$1.91
Diluted share price	HK$1.8517
Expected volatility	74.76%
Discount rate	21.71%
Remaining life	1 year
Risk-free rate	0.120%
Expected dividend yield	–

The movements of the components of Convertible Notes during the year ended 31 December 2015 and 2014 are set out below:

	Liability component HK$'000	**Embedded derivatives** HK$'000	**Equity component** HK$'000	**Total** HK$'000	**Principal amount** HK$'000
At 1 January 2014	–	–	–	–	–
Issued during the year	86,950	(436)	13,326	99,840	99,840
Interest charged	8,648	–	–	8,648	–
Interest paid	(1,969)	–	–	(1,969)	–
Fair value loss charged to profit or loss	–	436	–	436	–
Converted during the year	(93,629)	–	(13,326)	(106,955)	(99,840)
At 31 December 2014 and 31 December 2015	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. SHARE OPTIONS

Pursuant to an ordinary resolution passed in the Company's special general meeting on 8 June 2015, the Company approved and adopted a share option scheme (the "Scheme") for a period of 10 years commencing from 8 June 2015 as incentive or reward for the grantees for their contribution or potential contribution to the Group.

Under the Scheme, the Company may grant options to eligible participant which includes any full-time or part-time employees, consultants, potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the board of directors, will contribute or has contributed to the Company and/or any of its subsidiaries.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

The exercisable period of the options granted are determined by the board of directors of the Company at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, the Company may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in aggregate, nominal amount of 10% of the issued share capital of the Company at the date of approval of the Scheme. The Scheme limit may be increased from time to time to 10% of the shares in issue as at the date of such shareholders' approval. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time.

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 165,040,000 (31 December 2014: nil), representing 4.3% (31 December 2014: nil) of the shares of the Company in issue at that date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. SHARE OPTIONS – continued

During the year ended 31 December 2015, options were granted on 16 June 2015 and 24 July 2015 and the estimated fair values of the options granted on those dates were HK$5,824,000 and HK$49,282,000, respectively, which were calculated using binomial option pricing model based on following data:

Grant date	16 June 2015	24 July 2015
Share price at grant date	HK$0.780	HK$0.690
Exercise price	HK$0.784	HK$0.784
Expected volatility	73.49%	80.31%
Expected life	5 years	5 years
Risk-free rate	1.296%	1.230%
Expected dividend yield	5.17%	4.62%
Early exercise multiples		
– Director and its associate	N/A	2.8x
– Employees and consultants	2.2x	N/A

The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercisable period	Exercise price
2015A	16.6.2015	16.6.2015-15.6.2019	16.6.2016-15.6.2020	HK$0.784
2015B	24.7.2015 (note)	16.6.2015-15.6.2019	16.6.2016-15.6.2020	HK$0.784

Note: Option subject to approval of independent shareholders was proposed and granted by Board of Directors on 16 June 2015. The approval was subsequently obtained on 24 July 2015 which is the date of grant as defined in accordance with HKFRS 2.

A summary of the movements of the number of share options under the Scheme for the year is as follows:

Type of participant	Option type	Outstanding at 1.1.2015	Grant during the year	Outstanding at 31.12.2015
Director and his associate	2015B	–	148,140,000	148,140,000
Employees	2015A	–	4,900,000	4,900,000
Consultants	2015A	–	12,000,000	12,000,000
		–	165,040,000	165,040,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. SHARE OPTIONS – continued

In the opinion or the directors, the equity-settled share-based payment transactions with consultants are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

At 31 December 2015, no shares were exercisable under the Scheme and the weighted average exercise price is HK$0.784. The Group recognised a share-based payment expense of HK$14,821,000 during the year ended 31 December 2015.

35. ACQUISITION OF SUBSIDIARIES

(a) On 16 March 2015, the Company, View Bright Global Investments Limited (the "Vendor", a company which is wholly-owned by Mr. Yan XT Timothy, an independent third party ("Mr. Yan")), Mr. Yan, Mr. Wu (defined in note 24), Ms. Jiang (defined in note 28) and Royal Dental Laboratory Limited, independent third parties, entered into an acquisition agreement ("Acquisition Agreement"). Pursuant to the Acquisition Agreement (i) the Vendor conditionally agreed to sell and Mr. Yan conditionally agreed to procure the sale of, and the Company conditionally agreed to purchase, the entire 100% issued share capital of On Growth Global Development Limited ("On Growth"), a wholly-owned subsidiary of the Vendor (the "Acquisition"); and (ii) Mr. Yan (being the ultimate beneficial owner of the Vendor and the lender of the below-mentioned shareholder's loan) conditionally agreed to sell and assign, and the Company conditionally agreed to accept the sale and assignment of, a shareholder's loan due by On Growth Group (as defined below) to Mr. Yan of RMB2,200,000 (equivalent to HK$2,757,000) at the acquisition completion date for a nominal cash consideration of HK$1.

The consideration in respect of the Acquisition, pursuant to the Acquisition Agreement includes (i) HK$100,000,000 cash consideration payable on the acquisition completion date; and (ii) 500,000,000 ordinary shares of the Company (the "Consideration Shares").

On Growth is an investment holding company and its subsidiaries (collectively referred to as the "On Growth Group") are principally engaged in the production and sale of dental prosthetics. The Acquisition allows the Group to further diversify its business portfolio into the denture business in the PRC and overseas markets and explore an additional income stream for the Group. The Acquisition has been accounted for using the purchase method of accounting.

Pursuant to the Acquisition Agreement, the Vendor provides profit guarantees as follows:

a) the consolidated net profit after tax ("NPAT") of On Growth Group for the year ending 31 December 2015 audited by internationally reputable auditors acceptable to the Company being not less than HK$30,000,000 ("the 2015 Profit Guarantee");

b) the NPAT for the year ending 31 December 2016 audited by internationally reputable auditors acceptable to the Company being not less than HK$50,000,000 ("the 2016 Profit Guarantee"); and

c) the NPAT for the year ending 31 December 2017 audited by internationally reputable auditors acceptable to the Company being not less than HK$50,000,000 ("the 2017 Profit Guarantee").

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. ACQUISITION OF SUBSIDIARIES – continued

(a) – continued

In addition, pursuant to the Acquisition Agreement, the Consideration Shares are to be issued in the name of the Vendor or its nominee at the acquisition date and kept in escrow by the Company until the agreed respective profit guarantees of On Growth Group for the years ending 31 December 2015 and 2016 set out in the Acquisition Agreement are satisfied, as follows:

Scenario:

a) The 2015 Profit Guarantee is satisfied and the actual NPAT for the year ending 31 December 2015 is not less than HK$30,000,000 but not more than HK$34,500,000

- 250,000,000 Consideration Shares will be released to the Vendor or its nominees after confirmation by both the Company and the Vendor for the 2015 actual NPAT; and

- The remaining 250,000,000 Consideration Shares will be released to the Vendor or its nominees if the actual aggregate NPAT for the years ending 31 December 2015 and 2016 is not less than HK$80,000,000.

b) The 2015 Profit Guarantee is satisfied and the actual NPAT for the year ending 31 December 2015 is more than HK$34,500,000

- 300,000,000 Consideration Shares will be released to the Vendor or its nominees after confirmation by both the Company and the Vendor for the 2015 actual NPAT; and

- The remaining 200,000,000 Consideration Shares will be released to the Vendor or its nominees if the actual aggregate NPAT for the years ending 31 December 2015 and 2016 is not less than HK$80,000,000.

c) The 2015 Profit Guarantee is not satisfied and the actual NPAT for the year ending 31 December 2015 is higher than HK$20,000,000

- 125,000,000 Consideration Shares will be released to the Vendor or its nominees after confirmation by both the Company and the Vendor for the 2015 actual NPAT; and

- The remaining 375,000,000 Consideration Shares will be released to the Vendor or its nominees if the actual aggregate NPAT for the years ending 31 December 2015 and 2016 is not less than HK$80,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. ACQUISITION OF SUBSIDIARIES – continued

(a) – continued

d) The 2015 Profit Guarantee is not satisfied and the actual NPAT for the year ending 31 December 2015 is less than HK$20,000,000

- The 500,000,000 Consideration Shares will be released to the Vendor or its nominees if the actual aggregate NPAT for the years ending 31 December 2015 and 2016 is not less than HK$80,000,000, after the confirmation by both the Company and the Vendor of the actual NPAT for the year ending 31 December 2016.

e) The actual Aggregate NPAT for the years ending 31 December 2015 and 2016 is less than HK$80,000,000

- There will be a downward adjustment to the Consideration Shares based on a formula set out in the Acquisition Agreement; and

- Upon confirmation of such consideration adjusted by the downward adjustment calculated as aforesaid by the Company and the Vendor, the downward adjustment will be settled by a buyback of the corresponding number of the Consideration Shares by the Company at nominal consideration of HK$1, whilst the remaining Consideration Shares in escrow shall be released to the Vendor or its nominees promptly.

As indicated below, the number of Consideration Shares to be eventually vested with the Vendor will be variable depending on the actual NPAT for the years ending 31 December 2015 and 2016.

Furthermore, the Vendor undertakes that if the actual NPAT of On Growth Group for the year ending 31 December 2017 is less than HK$50,000,000, the Vendor shall pay to the Company an amount in cash equivalent to the shortfall but not exceeding HK$50,000,000.

Taking into account the latest actual results and financial budgets of On Growth Group, the directors of the Company are in the opinion that the profit guarantee requirements for the years ending 31 December 2015, 2016 and 2017 will be satisfied and therefore, believe that the fair values of adjustments to Consideration Shares and the other contingent consideration of HK$50,000,000 are insignificant. Details of the Acquisition and completion of Acquisition are set out in announcements issued by the Company dated 17 March 2015 and 15 May 2015, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. ACQUISITION OF SUBSIDIARIES – continued

(a) – continued

Acquisition-related costs amounting to approximately HK$2 million were excluded from the consideration transferred and were recognised as expenses in the current year, within the administrative expenses. The recognised amounts of identifiable assets and liabilities of On Growth Group at the acquisition date (on a provisional basis) were as follows:

	HK$'000
Property, plant and equipment	6,832
Intangible assets	32,149
Inventories	4,054
Trade and other receivables	30,817
Bank balances and cash	4,043
Amount due from Mr. Wu	40,836
Amount due to Ms. Jiang	(863)
Amount due to Mr. Wu Yue	(13,266)
Shareholder's loan	(2,757)
Trade and other payables	(30,413)
Taxation payable	(7,745)
Deferred taxation	(8,037)
	55,650
Assignment of shareholder's loan to the Group	2,757
Non-controlling interest	480
Goodwill on acquisition (determined on a provisional basis)	330,805
	389,692
Satisfied by:	
Cash consideration	100,000
Consideration Shares	289,692
	389,692
Net cash outflow arising on acquisition:	
Cash consideration	(100,000)
Less: Bank balances and cash acquired	4,043
	(95,957)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. ACQUISITION OF SUBSIDIARIES – continued

(a) – continued

The fair value of trade and other receivables at the date of acquisition amounted to HK$30,817,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$30,817,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected amounted to HK$30,817,000.

The non-controlling interest (50%) in 深圳市聯合牙科科技有限公司 recognised at the acquisition date was measured by reference to the share of the fair value of the identifiable assets acquired and the liabilities assumed which amounted to HK$480,000.

Goodwill arose in the acquisition of On Growth is attributable to the anticipated profitability in the dental prosthetics in the established sales network in both domestic and overseas markets. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of On Growth. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the initial accounting for the acquisition (e.g. the identification of intangible assets and fair value measurement of identifiable assets and liabilities) is still incomplete at the end of the reporting period, the Group has reported the above amounts on a provisional basis. At the moment, the recognised amounts of assets and liabilities of On Growth Group at the date of acquisition are the respective carrying amounts recognised in the On Growth Group's financial statements, after adjusting the potential amounts of intangible assets identified.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Included in the profit for the year is HK$25,892,000 attributable to the additional business generated by On Growth. Revenue for the year includes HK$99,873,000 generated from On Growth.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$452,998,000, and loss for the year would have been HK$27,542,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had On Growth been acquired at the beginning of the current year, the directors have calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. ACQUISITION OF SUBSIDIARIES – continued

(b) On 10 October 2014, Modern Success Holdings Limited, a wholly-owned subsidiary of the Company ("Modern Success") and Jialong Investment Co., Limited ("Jialong Investment"), a company wholly-owned by Mr. Wen, entered into an agreement, pursuant to which Modern Success has conditionally agreed to acquire for and Jialong Investment has conditionally agreed to dispose of 70% equity interest in Common Glory and 70% of the total amount of shareholder's loan owing by Common Glory and its subsidiaries (collectively the "Common Glory Group") to Mr. Wen on the completion date ("Sale Loan") for cash consideration of HK$128,380,000.

Common Glory is an investment holding company and its subsidiaries, one of which is principally engaged in property holding and another of which is principally engaged in the business of manufacture and sales of electrical components. The property holding subsidiary principally holds a piece of land with vacant buildings erected on top which are located in Shenzhen and has no other business or operations. The directors of the Company considered that the total consideration is principally applied for acquiring the piece of land held by the property holding subsidiary. The acquisition was approved by the shareholders at the special general meeting on 17 December 2014 and was completed on 31 December 2014.

The net assets acquired and liabilities recognised of Common Glory Group at the acquisition date were as follows:

	Acquirees' fair value at acquisition date HK$'000
Property, plant and equipment	2,233
Investment properties	183,554
Inventories	4,716
Trade and other receivables	9,753
Bank balances and cash	2,190
Amount due to a director	(6,000)
Amount due to a shareholder	(2,571)
Trade and other payables	(14,685)
Bank borrowing	(1,637)
Taxation payable	(153)
	177,400
Less: Non-controlling interests	(53,220)
Add: Assignment of Sale Loan to the Group	4,200
	128,380
Satisfied by:	
Cash consideration	128,380
Net cash outflow arising on acquisition:	
Cash consideration	(128,380)
Less: Amount included in other payables	109,130
Less: Bank balances and cash acquired	2,190
	(17,060)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. ACQUISITION OF SUBSIDIARIES – continued

(b) – continued

Since the acquisition of Common Glory Group was completed on 31 December 2014, there is no effect on the Group's turnover and profit for the year ended 31 December 2014. The fair value of the investment properties at the acquisition date was arrived at on the basis of a valuation carried out on that date by an independent professional valuer.

(c) On 6 August 2014, the Group acquired 100% equity interest in SZ Enterprise Union Finance Limited ("SZ Union Finance") from Mr. Wen, for a cash consideration of HK$679,000. SZ Union Finance is principally engaged in the provision of money lending services in Hong Kong. SZ Union Finance was incorporated in Hong Kong and holds a valid license granted under the Money Lenders Ordinance (Cap 163, Laws of Hong Kong) which permits SZ Union Finance to carry out money lending business in Hong Kong. The acquisition had been accounted for using the acquisition method of accounting. At the time of acquisition, SZ Union Finance has not commenced any material business operation.

The net assets acquired and liabilities recognised at the acquisition date were as follows:

	Acquirees' fair value at acquisition date HK$'000
Bank balances and cash	1,080
Other payables and accrued charges	(43)
Amount due to a director	(358)
Net assets acquired	679
Satisfied by:	
Cash consideration	679
Net cash inflow arising on acquisition:	
Cash consideration paid	(679)
Less: Bank balances and cash acquired	1,080
	401

In the opinion of the directors of the Company, the acquisition of SZ Union Finance would diversify the Group's income source, however, the Group did not intend to extend the money lending service as one of the Group's major business operation and therefore it did not constitute a separate operating segment of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. DISPOSAL OF SUBSIDIARIES

(a) Disposals of Boundless Success Holdings Limited and its subsidiaries (collectively referred to as the "Boundless Success Group")

In August 2015, the Group disposed of its entire equity interest in Boundless Success Group, principally engaged in financing business, to a related party for a cash consideration of HK$1,272,000 (note 41(a)).

Analysis of assets and liabilities of Boundless Success Group at the date of disposal were as follows:

	HK$'000
Bank balances and cash	1,548
Trade and other payables	(276)
Net assets disposed of	1,272
Gain/loss on disposal of subsidiaries:	
Consideration received	1,272
Net assets disposed of	(1,272)
Gain/loss on disposal	–
Net cash inflow arising on disposal:	
Cash consideration received	1,272
Bank balances and cash disposed of	(1,548)
	(276)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

36. DISPOSAL OF SUBSIDIARIES – continued

(b) Disposals of Wing Lee (Switch & Jack) Limited and its subsidiaries (collectively referred to as the "Wing Lee Switch & Jack Group")

In May 2014, the Group disposed of its entire equity interest in Wing Lee (Switch & Jack) Group, principally engaged in manufacturing of electronic components, to Bright Asia Holdings Limited ("Bright Asia") for a cash consideration of HK$27,024,000. Bright Asia was an investment holding company (formerly the immediate and ultimate holding company of the Company), with 60% of its issued share capital owned by Mr. Chow Tak Hung, and hence a connected person of the Company.

Analysis of assets and liabilities of Wing Lee Switch & Jack Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	6,345
Prepaid lease payments	1,521
Other receivables and prepayments	8,489
Bank balances and cash	5,949
Other payables	(13,384)
Amount due to a fellow subsidiary	(4,738)
Taxation payable	(390)
Net assets disposed of	3,792
Gain on disposal of subsidiaries:	
Consideration received	27,024
Net assets disposed of	(3,792)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal	10,003
Gain on disposal	33,235
Net cash inflow arising on disposal:	
Cash consideration received	27,024
Bank balances and cash disposed of	(5,949)
	21,075

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. DISPOSAL OF SUBSIDIARIES – continued

(c) Disposals of China King Holdings Limited and its subsidiaries (collectively referred to as the "China King Group")

In May 2014, the Group disposed of its entire equity interest in China King Group, principally engaged in manufacturing of electronic components, to Bright Asia for a cash consideration of HK$30,118,000.

Analysis of assets and liabilities of China King Group at the date of disposal were as follows:

	HK$'000
Investment properties	31,750
Prepaid lease payments	2,548
Amounts due from fellow subsidiaries	4,738
Other receivables and prepayments	722
Bank balances and cash	10,692
Other payables	(5,330)
Rental deposits received	(310)
Taxation payable	(1,865)
Deferred tax liabilities	(13,579)
Net assets disposed of	29,366
Gain on disposal of subsidiaries:	
Consideration received	30,118
Net assets disposed of	(29,366)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal	18,046
Gain on disposal	18,798
Net cash inflow arising on disposal:	
Cash consideration received	30,118
Bank balances and cash disposed of	(10,692)
	19,426

The related property revaluation reserve previously recognised in equity amounting to HK$10,141,000 was transferred to retained profits upon disposal of China King Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. DISPOSAL OF SUBSIDIARIES – continued

(d) Disposals of Dongguan Choi Yin Electronics Co., Ltd. ("DGCY") and Morning Star (Louding) Industrial Co., Ltd. ("MSLD")

In September 2014, the Group disposed of its entire equity interest in DGCY and MSLD, both principally engaged in manufacturing of and trading in electronic jacks and connectors (both DGCY and MSLD ceased operations since 2013), to an independent third party for a consideration of approximately HK$37,000.

Analysis of the combined assets and liabilities of DGCY and MSLD at the date of disposal were as follows:

	HK$'000
Other receivables and prepayments	77
Bank balances and cash	8,121
Taxation payable	(8,125)
	73
Less: Non-controlling interests	(14)
Net assets disposed of	59
Gain on disposal of subsidiaries:	
Consideration received	37
Net assets disposed of	(59)
Cumulative exchange differences in respect of the net asset of subsidiaries reclassified from equity to profit or loss upon disposal	1,266
Gain on disposal	1,244
Net cash outflow arising on disposal:	
Cash consideration received	37
Bank balances and cash disposed of	(8,121)
	(8,084)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of office premises rented under non-cancellable operating leases which fall due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**1,225**	1,884
In second to fifth year inclusive	**–**	1,349
	1,225	3,233

Leases are negotiated and rentals are fixed for an average term of 2 years (2014: 2 years).

38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015	2014
	HK$'000	HK$'000
Non-current assets		
Investments in subsidiaries	**587,451**	207,701
Current assets		
Prepayments	**934**	697
Amounts due from subsidiaries	**39,667**	71,346
Bank balances and cash	**3,616**	511
	44,217	72,554
Current liabilities		
Other payables and accrued charges	**139**	113,661
Amounts due to subsidiaries	**73,959**	–
Amount due to a related party	**37,978**	–
	112,076	113,661
Net current liabilities	**(67,859)**	(41,107)
	519,592	166,594
Capital and reserves		
Share capital	**4,783**	3,845
Reserves	**514,809**	162,749
	519,592	166,594

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

Mr. Wu Xiaolin
DIRECTOR

Mr. Wu Tianyu
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

Movement in Company's reserves

	Share premium HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Contributed surplus (note) HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
At 1 January 2014	78,815	–	–	24,930	19,087	122,832
Loss for the year	–	–	–	–	(64,602)	(64,602)
Capital reduction	(78,815)	–	–	–	235,873	157,058
Recognition of equity component of convertible notes	–	–	13,326	–	–	13,326
Issue of shares on conversion of convertible notes	106,315	–	(13,326)	–	–	92,989
Special dividend paid	–	–	–	–	(96,158)	(96,158)
Distribution in specie	–	–	–	–	(62,696)	(62,696)
At 31 December 2014	106,315	–	–	24,930	31,504	162,749
Loss for the year	–	–	–	–	(51,515)	(51,515)
Issue of shares	99,687	–	–	–	–	99,687
Issue of Consideration Shares for acquisition	289,067	–	–	–	–	289,067
Recognition of equity-settled share-based payment	–	14,821	–	–	–	14,821
At 31 December 2015	495,069	14,821	–	24,930	(20,011)	514,809

Note: The amount arose pursuant to a group reorganisation in 1997 being the difference between the nominal amount of the share capital issued by the Company in exchange for the shares of the subsidiaries and the nominal amount of the share capital of the subsidiaries acquired, capital reduction and bonus issue by way of capitalisation of the reserve in 2005 and 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly owned by the Company at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activities
			2015	2014	
深圳市川湖實業有限公司	PRC	RMB3,680,000	**70%**	70%	Property holding and investment
智偉龍電線(深圳)有限公司	PRC	RMB3,000,000	**70%**	70%	Manufacture of and trading in electronic components
深圳市金悠然科技有限公司 (note a)	PRC	RMB8,407,265	**100%**	–	Manufacture of and trading in dental prosthetics
SZ Union Finance (note b)	Hong Kong	HK$1,000,000	**–**	100%	Provision of money lending service
Morning Star Digital Connector Company Limited	Macau	HK$25,000	**78%**	78%	Trading in electronic components
Morning Star Industrial Company Limited	Macau	HK$25,000	**78%**	78%	Trading in electronic components
Royal Dental Laboratory Limited (note a)	Hong Kong	HK$1	**100%**	–	Trading in dental prosthetics

Notes:

(a) 深圳市金悠然科技有限公司 and Royal Dental Laboratory Limited were subsidiaries of On Growth and were newly acquired during the year ended 31 December 2015.

(b) SZ Union Finance was disposed of during the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. PRINCIPAL SUBSIDIARIES – continued

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

None of the subsidiaries had any debt securities subsisting at 31 December 2015 or at any time during the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group in which the principal activities of those major subsidiaries are investment holding and inactive.

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

Name of subsidiaries	Place of incorporation and principal place of business	Proportion or ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
				HK$'000	HK$'000	**HK$'000**	HK$'000
Common Glory Global Limited and its subsidiaries ("Common Glory Group") (2014: 智偉龍電線(深圳)有限公司 and 深圳市川湖實業有限公司)	BVI/PRC	**30%**	30%	**(304)**	–	**52,554**	53,220
Morning Star Industrial Company Limited and its subsidiaries ("MSI Group")	Hong Kong	**N/A**	22%	**N/A**	(35,625)	**N/A**	17,462
						52,554	70,682

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

	Year ended 2015 HK$'000
Common Glory Group	
Current assets	**259,385**
Non-current assets	**1,626**
Current liabilities	**85,832**
Non-current liabilities	**–**
Equity attributable to owners of the Company	**122,625**
Non-controlling interests	**52,554**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. PRINCIPAL SUBSIDIARIES – continued

	Year ended 2015 HK$'000
Common Glory Group - continued	
Revenue	31,298
Expenses	32,310
Loss for the year	(1,012)
Loss attributable to owners of the Company	(708)
Loss attributable to non-controlling interests	(304)
Loss for the year	(1,012)
Other comprehensive expense attributable to owners of the Company	(846)
Other comprehensive expense attributable to non-controlling interests	(362)
Other comprehensive expense for the year	(1,208)
Total comprehensive expense attributable to owners of the Company	(1,554)
Total comprehensive expense attributable to non-controlling interests	(666)
Total comprehensive expense for the year	(2,220)
Dividends paid to non-controlling interests	–
Net cash used in operating activities	(52,229)
Net cash used in investing activities	(64)
Net cash from financing activities	113,501
Net cash inflow	61,208

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. PRINCIPAL SUBSIDIARIES – continued

	2014 HK$'000
智偉龍電線(深圳)有限公司	
Current assets	16,659
Non-current assets	2,233
Current liabilities	25,046
Non-current liabilities	–
Equity attributable to owners of the Company	(4,308)
Non-controlling interests	(1,846)
深圳市川湖實業有限公司	
Current assets	–
Non-current assets	183,554
Current liabilities	–
Non-current liabilities	–
Equity attributable to owners of the Company	128,488
Non-controlling interests	55,066

智偉龍電線(深圳)有限公司 and 深圳市川湖實業有限公司 were acquired by the Group on 31 December 2014 (see note 35(b)) for details) and did not contribute any profit or loss to the Group for the year ended 31 December 2014, hence the summarised financial information of profit or loss items at 31 December 2014 was not presented. Their summarised financial information for the year ended 31 December 2015 was included in Common Glory Group.

MSI Group, in the opinion of the directors of the Company, did not principally affect the results or assets or liabilities of the Group for the year ended 31 December 2015, hence the summarised financial information for the year ended 31 December 2015 is not presented.

	2014 HK$'000
MSI Group	
Current assets	84,751
Non-current assets	8,519
Current liabilities	13,897
Non-current liabilities	–
Equity attributable to owners of the Company	61,911
Non-controlling interests	17,462

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

40. PRINCIPAL SUBSIDIARIES – continued

	Year ended 2014 HK$'000
MSI Group - continued	
Revenue	304,435
Expenses	462,801
Loss for the year	(158,366)
Loss attributable to owners of the Company	(122,741)
Loss attributable to non-controlling interests	(35,625)
Loss for the year	(158,366)
Other comprehensive income attributable to owners of the Company	16,867
Other comprehensive income attributable to non-controlling interests	6,146
Other comprehensive income for the year	23,013
Total comprehensive expense attributable to owners of the Company	(105,874)
Total comprehensive expense attributable to non-controlling interests	(29,479)
Total comprehensive expense for the year	(135,353)
Dividends paid to non-controlling interests	–
Net cash used in operating activities	(1,513)
Net cash from investing activities	30,850
Net cash used in financing activities	(27,964)
Net cash inflow	1,373

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

41. RELATED PARTY TRANSACTIONS

Other than the balances and transactions with related parties as disclosed in respective notes, the Group also had the following significant related party transactions during the year:

(a) During the year ended 31 December 2015, the Group disposed of its entire equity interest in Boundless Success Group to an entity in which Mr. Chan Wai Kit, one of the directors in Boundless Success Group has directorship, for a cash consideration of HK$1,272,000.

(b) At 31 December 2015, Mr. Wen provided guarantees to the Group's bank borrowings at the carrying amount of HK$1,134,000 (2014: HK$1,637,000).

(c) During the year ended 31 December 2015, the Group had rented certain properties from Ming An Holdings Limited which one of the directors in the Group has directorship, amounting to HK$960,000 (2014: nil).

(d) During the year ended 31 December 2014, the Group disposed of part of its shareholding in MSI Group to Bright Asia without losing control over that subsidiary. As a result of the partial disposal, the difference of HK$13,097,000, representing the difference between the net consideration received of HK$24,022,000, the recognition of non-controlling interest of HK$18,890,000 and derecognition of translation reserve of HK$6,959,000 and PRC statutory reserve of HK$1,006,000, was directly recognised in equity.

(e) During the year ended 31 December 2014, the Group had rented certain properties from Extra Rich Development Limited ("Extra Rich"), a wholly-owned subsidiary of Wing Lee Property, rentals of approximately HK$440,000 was paid and recognised as an expense.

Pursuant to a notice of early termination given by the Group to Extra Rich, the lease was early terminated on 30 June 2014. The Group paid compensation in respect of the early termination amounted to HK$1,319,000 and compensation on demolishing installations and fixtures amounted to HK$1,005,000 to Extra Rich during the year ended 31 December 2014.

Key management personnel compensation represents the amounts paid to the directors of the Company and the five highest paid individuals as set out in notes 11 and 12, respectively.

FINANCIAL SUMMARY

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(Restated)				
	(Note)	(Note)	(Note)		
RESULTS					
Continuing operation					
Turnover	361,318	368,772	315,985	363,455	**395,678**
(Loss) profit before taxation	33,455	39,346	(32,214)	(124,647)	**(35,268)**
Taxation	(5,803)	(15,482)	(11,789)	(983)	**(4,112)**
(Loss) profit for the year from continuing operation	27,652	23,864	(44,003)	(125,630)	**(39,380)**
Profit for the year from discontinued operation	139,526	288,270	8,136	–	**–**
(Loss) profit for the year	167,178	312,134	(35,867)	(125,630)	**(39,380)**
(Loss) profit for the year attributable to owners of the Company					
– from continuing operation	28,390	24,538	(43,672)	(90,005)	**(30,613)**
– from discontinued operation	139,526	288,270	8,136	–	**–**
	167,916	312,808	(35,536)	(90,005)	**(30,613)**
Loss for the year from continuing operation attributable to non-controlling interests	(738)	(674)	(331)	(35,625)	**(8,767)**
	167,178	312,134	(35,867)	(125,630)	**(39,380)**

Note: Included results of the Wing Lee Property whereby its operation was classified as discontinued operation in 2012 and 2013. The results of 2011 has been re-stated to conform to the presentation of 2012 and 2013.

FINANCIAL SUMMARY

	As at 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,088,367	1,380,260	452,497	384,546	**823,684**
Total liabilities	(259,820)	(256,583)	(117,083)	(173,037)	**(256,528)**
Net assets	828,547	1,123,677	335,414	211,509	**567,156**
Attributable to:					
Owners of the Company	829,113	1,124,865	335,414	140,827	**507,360**
Non-controlling interests	(566)	(1,188)	–	70,682	**59,796**
	828,547	1,123,677	335,414	211,509	**567,156**

MEGA MEDICAL TECHNOLOGY LIMITED
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