Smartac Group China Holdings Limited

中國智能集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 395)

Annual Report 2015

Contents

EXECUTIVE DIRECTORS

Mr. Yang Xin Min *(Chairman)*
Ms. Huang Yue Qin (resigned on 31 December 2015)
Mr. Yang Zhen (appointed on 31 December 2015)
Mr. Kwan Che Hang Jason

NON-EXECUTIVE DIRECTOR

Mr. Wang Jia Wei *(Vice Chairman)*
(resigned on 4 May 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheng Faat Ting Gary
Mr. Poon Lai Yin Michael
Mr. Yang Wei Qing

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Yeung Wai Ling, HKICPA
(appointed on 2 July 2015)
Mr. Wong Chi Wai, ACCA, HKICPA
(resigned on 2 July 2015)

AUDITORS

RSM Hong Kong (formerly known as RSM Nelson Wheeler)
Certified Public Accountants
29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited
Bank of Jiangsu
Bank of Suzhou
The Hongkong & Shanghai Banking Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5/F, Block A
No. 18 North Xizang Road
Shanghai, 200085
China

PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS IN HONG KONG

Room 1204, 12th Floor
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong
Tel: (852) 2123 9986
Fax: (852) 2530 1699
Website: http://www.smartacgroup.com
Email: investors@smartacgroup.com

LEGAL ADVISERS

Tung, Ng, Tse & Heung Solicitors
Conyers Dill & Pearman, Cayman

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen’s Road East
Wan Chai
Hong Kong

CANADIAN BRANCH SHARE REGISTRAR

Computershare Investor Services Inc.
100 University Ave., 9th Floor
Toronto, Ontario M5J 2Y1
Canada

STOCK CODE

The Stock Exchange of Hong Kong Limited: 395

Financial Summary

	2015 RMB'000	2014 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	**33,559**	46,684	101,669	156,577	223,855
Gross profit margin (%)	**24%**	40%	11%	-2%	17%
Loss attributable to shareholders	**(154,037)**	(30,233)	(206,105)	(200,362)	(234,097)
EBIT	**(165,456)**	(12,285)	(130,201)	(171,501)	(231,064)
EBITDA	**(114,422)**	16,157	(113,054)	(150,153)	(208,230)
Loss per share – basic (RMB)	**(0.0409)**	(0.0103)	(0.0821)	(0.0817)	(0.0975)
Loss per share – diluted (RMB)	**(0.0409)**	(0.0103)	(0.0821)	(0.0818)	(0.1078)
Ordinary shares (shares)	**3,968,361,424**	3,366,947,850	2,806,947,850	2,453,806,546	2,583,412,645
Bank and cash balances (including pledged deposits)	**95,515**	93,119	317,157	483,364	334,996
Total assets	**292,751**	538,553	1,091,573	1,439,221	1,343,494
Net asset value	**221,356**	271,031	268,398	370,470	570,527
Net asset value per share (RMB)	**0.06**	0.08	0.10	0.15	0.22

Smartac Group China Holdings Limited (the "Company" or together with its subsidiaries the "Group"), listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 October 2002, is an Online-to-Offline ("O2O") solutions provider and Wi-Fi network system operator.

In view of the rapid development of wireless network and digital services market in the PRC, Solomedia Digital (Shanghai) Limited ("Solomedia Shanghai"), a non-wholly owned subsidiary which is principally engaging in the provisions of installation of wireless network systems and the post-installation service operations in the train stations in the PRC, became a wholly owned subsidiary of the Group in 2015. Solomedia Shanghai was responsible for the installation, post-installation maintenance and provision of operation service of Wi-Fi systems in a total of more than 350 railway stations operated by Guangzhou Railway (Group) Corporation, Beijing Railway Administration and Lanzhou Railway Administration. As at 31 December 2015, the Group established Wi-Fi network in over 120 railway stations in the PRC. Besides, the Group also worked with Shanghai Zewei Information Technology Company Limited ("Zewei") and China Telecommunications Corporation ("China Telecom") to obtain the Wi-Fi using right for the development of pop-up advertisement and APP operation for users in major business areas in Shanghai.

In line with the Group's development in mobile internet service as well as the trend in the information technology industry for the big data market in the PRC, the Group collaborated with Shenzhen Tencent Computer System Company Limited, a subsidiary of Tencent Holdings Limited (stock code: 00700.HK) to develop a smart Wi-Fi railway internet network ("Smart Wi-Fi Network") in the PRC and integrate smart phone APP Weixin (微信) enabling users to access to the Smart Wi-Fi Network when travelling in the concerned railway stations in the PRC developed by the Group. Besides, In February 2016, the Group together with Guangzhou South Railway Station, have developed and launched Smart Robot and "Know-All" (百事通) Smart Railway APP, named as "Guangnan Know-All" (廣南百事通), to provide real-time services to the passengers with the Group's business intelligence and big data analysis technology.

On the other hand, the Group also provided O2O services to retail brands such as an internationally-renowned luxury automobile brand and the leading German retail brand METRO Group by managing comprehensive customer relationship management ("CRM") platforms and providing big data management and operation services for effective implementation of more targeted promotion and marketing activities to improve retail performance.

For overseas market, the Group entered into Korea for its Smart Travel business. In early 2016, online "HaiHai Travel" platform and "HaiHai WeChat Map" were officially launched. The Group provides hassle-free travel experience for Chinese travellers, such as real-time tourist information, discounts, maps, translation and so forth. In addition, the Group has also launched HAIHAIGO prepaid card to penetrate into the smart payment business.

By the end of 2015, the Group completed the disposal of its zirconium and petrochemicals business in China and Indonesia which marked a transformative milestone, signifying its clear focus on developing and expanding its O2O solutions segment and the integrated digital marketing solutions segment. Leveraging on its strength and expertise in software development, the Group will continue to provide tailormade solutions to customers' Wi-Fi systems and create synergies with its "Smart Travel" in popular tourist spots in Southeast Asia such as Hong Kong, Korea, Japan, Macau and Taiwan.

Dear Valued Shareholders

On behalf of the Board of Directors (the "Board") of the Company, I herein present the annual results of the Group for the financial year ended 31 December 2015 ("FY2015").

FY2015 marked a new chapter of our corporate transformation journey following the completion of the disposal of our zirconium and petrochemical businesses in China and Indonesia. Since then, the Group became a purely O2O and Wi-Fi network system operator. By leveraging on our extensive past experience in O2O business in China, we intend to broaden our presence in the Southeast Asia region. We believe our unparalleled transferrable skill set will shorten the learning curve and will provide a blueprint for us to achieve a faster pace of implementation and growth.

Business models nowadays are required to be dynamic in order to stay competitive in the era of internet, and many of the enterprises are seeking for O2O model to expand business further. The Group has been striving to build a smart network nationwide, which integrates business intelligence to create a new online media channel with customised O2O solutions for businesses to approach and serve their target consumers.

In FY2015, we developed unceasingly and achieved a number of milestones. We successfully completed Wi-Fi network offering free Wi-Fi access to users covering over 120 railway stations in China and collaborated with Tencent Computer to absorb internet users through APP Wexin at a fast pace in the railway stations. Besides, we launched together with Guangzhou South Railway Station a "Know-all" Smart Railway APP and the first Smart Robot in the China railway station to optimise the real-time and personalised services, including navigation, enquiries on ticketing, shopping and dining etc. to passengers. In Shanghai, we worked with Zewei and China Telecom to operate a Wi-Fi network for free access in Shanghai business districts, offering businesses and brands a new media channel to reach consumers by O2O marketing to drive sales. The higher the traffic volume recorded for our smart network, the higher is the value we could create for our customers and our business through O2O solutions.

Besides, we added new customers for our O2O and big data operations, including an international luxury automobile brand and the world's leading German retail brand METRO Group in China. Along with the expansion of our smart network, we offered our customers a broader range of O2O marketing strategies on this new media channel. Utilising our business intelligence and big data analysis in the O2O solutions, our customers will be able to precisely identify and get in touch with their target consumers.

In view of that Chinese is now the biggest spenders in the international tourism market and they frequently use internet while travelling, we started Smart Travel plan in FY2015 to tap into this burgeoning market. Taking Korea as a pilot location, we launched the first online "HaiHai Travel" platform in early 2016. This platform provides unique travel recommendations and discounts in Chinese and offers real-time and personalised services such as navigation and translation to travellers. It also serves as a new online media channel with O2O solutions to assist local offline businesses to attract Chinese travellers. In Korea, we also penetrated into the virtual payment business by launching our own HAIHAIGO prepaid card, facilitating Chinese travellers a seamless travel and spending experience abroad.

Applications of O2O and big data are huge, especially in retailing and consumption industries. Our O2O and big data business footprint had been laid and foundation had been further solidified in 2015. I believe that our efforts will begin to bear fruits and the economic benefit and value of the smart network will be gradually materialised soon.

On behalf of the Board, I would like to take this opportunity to thank all our stakeholders, including our customers, business partners and management who have supported us throughout this year. I would also like to extend my heartfelt appreciation to our investors for placing their unwavering faith in us as we navigate the path of delivering and unlocking shareholders' value.

Last but not least, I would also like to thank the Board for their dedication, counsel and their efforts in realising the Group's strategy that will set us on a path of sustainable growth.

Yours Faithfully

Yang Xin Min
Chairman

31 March 2016

BUSINESS REVIEW

During the FY2015, due to the unfavorable market condition and continuously stringent policies and regulation requirements imposed by the PRC government over chemical-related industries, the Group disposed its zirconium and petrochemicals businesses in China and Indonesia. Since then, the Group fully transformed itself into a purely O2O solutions provider and Wi-Fi network operator.

In June 2015, the Group took full control of Solomedia Shanghai in the field of installation of wireless network systems and the post-installation service operations in a total of more than 350 railway stations operated by Guangzhou Railway (Group) Corporation, Beijing Railway Administration and Lanzhou Railway Administration. Although FY2015 was still a capital investment year for the construction of Wi-Fi system in the railway stations, this integrated digital solutions segment started to generate revenue for the Group. To maximise the exposure of the Wi-Fi network, the Group entered into a cooperation agreement with Tencent Computer in November 2015 to develop a smart Wi-Fi railway internet network in the PRC. Through this strategic cooperation, travellers are able to connect the Wi-Fi network via Weixin and hence the coverage of the W-Fi network will be expanded at a fast pace. This cooperation also enhances travellers' experience and convenience, so as to monetise and commercialise the value of the smart network by O2O solutions to consumers and businesses.

In November 2015, the Group acquired 27.4% stake in Zewei with cash consideration of RMB11,425,000. Through its investment in Zewei, the Group obtained the Wi-Fi using rights in major business areas in Shanghai. By using the Wi-Fi network, the Group will offer businesses and brands a new media channel to reach consumers by O2O marketing to drive sales.

For big data operations, the Group was keen on managing big data analysis in China for various enterprises such as an internationally-renowned British luxury automobile brand (specialized in luxury four-wheel-drive vehicles) and the world's leading German retail brand, METRO Group in the year.

Identifying that South Korea is one of top pick destinations for overseas travel for Chinese tourists, the Group established a wholly owned subsidiary, Haihai Travel Cloud Korea Limited ("Haihai Korea") in Jeju, Korea in September 2015. Haihai Korea cooperated with Cashbee of Lotte Group and entered the smart payment business by introducing HAIHAIGO prepaid card exclusively for Chinese tourists in Korea. Haihai Korea also signed a long-term cooperation agreement with the largest Korean navigation coupon company, DrivingJeJu, facilitating the Group's O2O solutions to provide real-time travel information and shopping for smartphone users.

OUTLOOK

Riding on the national policy to promote the "Internet plus" era, traditional industries are looking for the new media on internet to reach their potential customers. Big data analysis on smartphone users will also help businesses to identify right targets and implement precise O2O marketing strategies. Since late 2013, the Group has started building the smart network and successfully cemented a solid foundation to capture the explosive use of mobile internet, new media and O2O solutions in the coming decade. Leveraging on the scene-based business intelligence developed by the Group and the integration of big data and cloud computing technologies, the Group is advancing towards the target of becoming the leader in provision of integrated solutions and platform in the O2O and big data market. The Group will actively seek for opportunities and strategic partners to expand and diversify the business, both in higher speed and greater span, through various forms including technological cooperation and business joint ventures. The Group's ultimate aim is to bring greater value and higher return to our shareholders in the long run.

FINANCIAL REVIEW

The Group's petrochemicals and zirconium businesses in China and Indonesia have been classified as its discontinued operations with the completion of the disposals in FY2015. The Group is now focused on developing and expanding the O2O solutions segment and the integrated digital marketing solutions segment in the PRC and Southeast Asia.

Continuing Operations

Revenue

The Group recorded on a continuing operations basis, a revenue decrease of 28% in FY2015 to RMB33.6 million compared to RMB46.7 million in FY2014. The Group's FY2015 revenue of continuing operations consisted of the sales of software, IT system and services of RMB13.6 million (FY2014: RMB26.5 million), consultation and maintenance service income of RMB18.2 million (FY2014: RMB20.2 million) and provision of digital advertising platform and related solutions of RMB1.7 million (FY2014: nil). In FY2015, sales of software, IT system and services decreases was mainly because the Group focused on developing O2O software businesses and gradually shifted the resources away from the system integration business. Consultation and maintenance service decreased was mainly due to the disposal of a non-wholly owned subsidiary, PCS I-Datacomms Limited ("PCSI") which was engaged in provision of structure cabling, IT infrastructure, system integration and system maintenance, in the O2O solutions segment. The integrated digital marketing solutions segment began to contribute revenue to the Group in 2015 by providing digital advertising platform and related solutions to customers.

Gross Profit and Gross Margin

The Group reported a consolidated gross profit for the year of approximately RMB8,204,000 (FY2014: approximately RMB18,871,000). The overall gross margin has dropped from 40% in FY2014 to 24% in FY2015 was mainly attributable to the net effect of the improvement of gross margin of O2O solutions segment from 40% in FY2014 to 47% in FY2015 offset with the gross loss of the integrated digital marketing solutions segment in FY2015 due to its early stage of the business development and income.

Selling Expenses and Administrative Expenses

Selling expenses had increased from approximately RMB2,157,000 in FY2014 to approximately RMB5,273,000 in FY2015, represented an increase of approximately RMB3,116,000. The significant increase was mainly resulted from the increase in staff cost for the sales department of O2O solutions segment and integrated digital marketing solutions segments due to the expansion of business operation.

Total administrative expenses increased from approximately RMB31,210,000 in FY2014 to approximately RMB66,090,000 in FY2015, represented a increase of approximately RMB34,880,000. The significant increase was mainly resulted from (i) the depreciation due to the transfer from construction in progress to property, plant and equipment upon the completion of installation of the Wi-Fi system at the railway stations; and (ii) increase in staff costs and increase of travelling, business development costs and office rental expenses due to the expansion of continuing groups. Another reason for the increase in administrative expenses was the full year effect of the integrated digital marketing solutions segment in FY2015 whereas there was only 5-month effect in FY2014 and the legal and professional fee for setup new subsidiaries and potential projects.

Amortisation of long-term prepayments

Amortisation of long-term payments increased from approximately RMB21,744,000 in 2014 to approximately RMB33,589,000 in 2015 was mainly attributable to (i) the full year effect of the amortisation of prepayment to Guangzhou Railway (Group) Corporation and Beijing Railway Administration for operations of wireless networks at railway stations in 2015; and (ii) the prepayment to Lanzhou Railway Administration was made starting from 2015.

Impairment loss on non-current assets

Impairment loss on non-current assets of approximately RMB44,864,000 recognised for the integrated digital marketing solutions segment since recoverable amount of the cash-generating unit ("CGU") of the assets belonged was below the carrying amount of the CGU.

Impairment loss on goodwill

Impairment loss on goodwill of approximately RMB26,449,000 was arising from the CGU of software development of approximately RMB24,346,000 and CGU of hardware installation of approximately RMB2,103,000 within the O2O solutions segment. For hardware installation, as there was disposal of a major subsidiary, PCSI, of this CGU and fewer projects engaged, the CGU has been reduced to its recoverable amount and impairment loss recognised on goodwill. For software development, impairment loss on goodwill was recognised since the recoverable amount of the CGU of the assets belonged was below the carrying amount of the CGU.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On 27 September 2015, the Company completed the disposal of 100% of equity interest in Kanway Investments Limited and its subsidiaries, which engaged in provision of petrochemicals storage and trading services, for a cash consideration of HK$20,000,000 (equivalent to approximately RMB16,281,000). On 18 December 2015, the Company completed the disposal of 100% of equity interest of Kingweston Technology Limited and its subsidiaries, which engaged in manufacturing and trading of zirconium products, for a cash consideration of HK$8,000,000 (equivalent to approximately RMB6,513,000). On 28 December 2015, the Company completed the disposal of 51% of equity interest of P.T. Asia Prima Resources, which engaged in separation, processing and refining zircon sand, for a cash consideration of US$300,000 (equivalent to approximately RMB1,893,000). By the end of FY2015, the Group completed the disposal of all zirconium and petrochemicals segment businesses and became a purely O2O service provider and Wi-Fi network operator.

On 19 June 2015, the Company through its wholly owned subsidiary acquired the remaining 49% equity interest of Great Sino Technology Development Limited ("GSTD") for cash consideration of HK$45,320,000 (equivalent to approximately RMB36,286,000). Since then, Solomedia Shanghai which was the wholly owned subsidiary of GSTD became the wholly owned subsidiary of the Group.

On 15 July 2015, the Company acquired 4.45% equity interest in Virtual City Limited ("VCL") of cash consideration RMB20,000,000. Since then, the Company held 55.45% equity interest in VCL and VCL remained as a non-wholly owned subsidiary of the Company.

On 22 October 2015, the Group completed the disposal of 51% equity interest in PCSI of cash consideration of HK$680,000 (equivalent to approximately RMB554,000).

On 16 November 2015, the Company through its wholly owned subsidiary acquired 27.4% equity interest in Zewei of cash consideration RMB11,425,000. The consideration was subsequently settled in January 2016. Depending on the audited net profit of Zewei for the 12 months period ended 31 December 2016, the Group will consider whether to acquire further issued capital in Zewei according to the supplemental agreement signed on 15 September 2015.

Saved for the above, the Group did not have any other significant investments, material acquisitions and disposals during the year.

Capital Expenditure

The capital expenditures for the year ended 31 December 2015 and 2014 were approximately RMB32,490,000 and RMB22,994,000, respectively. The capital expenditures for 2015 represented self-developed software, construction in progress and additions of property, plant and equipment for O2O solutions segment and integrated digital marketing solutions segment. Capital expenditures for 2014 were mainly attributable to the construction cost of approximately RMB20,165,000 for the railway Wi-Fi systems, other capital expenditures were mainly for integrated digital marketing solutions segment.

Liquidity and Financial Resources

As at 31 December 2015, the Group's bank and cash balances were approximately RMB95,515,000 (2014: approximately RMB93,119,000). The Company had completed the placing of 348,480,000 ordinary shares on 5 June 2015 which generated a net proceed of approximately RMB139,348,000 (equivalent to approximately HK$174,157,000), which was mainly used as general working capital, including acquisition cost and capital injection of subsidiaries in the PRC and Korea during the year.

As at 31 December 2015, the Group's has bank loans of approximately RMB17,368,000 (2014: approximately RMB14,351,000). All bank loans were denominated in Renminbi and US dollars and repayable within one year. Bank loans of RMB17,000,000 are arranged at fixed interest rates and bank invoice loans of RMB368,000 are arranged at floating interest rates. The bank loans were secured by charge over the land, building, investment property, personal guarantee provided by a director of the Company and charge over a property owned by a related company.

The Group monitors capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity attributable to the owners of the Company. As at 31 December 2015, since the cash and cash equivalents was over total debts, the net debt-to-adjusted capital ratio is not applicable (2014: 47.5%). It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible.

Share Capital Structure

During the two years ended 31 December 2014 and 2015, no options were granted or exercised. In current year, a total of 1,200,000 share options were lapsed.

On 7 May 2015, the convertible bond with carrying value of approximately RMB51,276,000 as at 31 December 2014 was converted into 144,444,444 ordinary shares of the Company at a conversion price of HK$0.45 per share upon the exercise of the conversion right by the bondholder.

On 5 June 2015, the Company issued 348,480,000 ordinary shares of HK$0.05 each at pricing price of HK$0.51 per share pursuant to the placing agreement dated 28 May 2015 to not less than six placees, net proceed of approximately RMB139,348,000 (equivalent to approximately HK$174,157,000). The aggregate norminal value of the placing shares was approximately RMB13,941,000 (equivalent to HK$17,424,000) and the net price to the Company per placing share was HK$0.499. The market price per the placing share as at 28 May 2015, being the date on which the terms of the issue were fixed, was HK$0.600. The reason of making the issue was to optimize and diversify the shareholder base of the Company and to enhance the financial position of the Company for future investment. The use of the proceeds was mainly used as general working capital including the acquisition cost and capital injection of subsidiaries in the PRC and Korea during the year.

On 24 November 2015, the Company issued the Tranche B consideration shares of 108,489,130 ordinary shares at HK$0.335 per share to VCL as part of the consideration of the acquisition of 51% equity interest in VCL following the satisfaction of the 2014 Profit Guarantee and pursuant to the terms of the Share Transfer Agreement signed on 26 November 2013.

As at 31 December 2015, the total issued share capital of the Company was approximately RMB178,589,000 (approximately equivalent to HK$198,417,000) divided into 3,968,361,424 ordinary shares with a par value of HK$0.05 each.

Exposure to Foreign Exchange Risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi, Korean Won, Hong Kong dollars and US dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities (2014: Nil).

Pledge of Assets

As at 31 December 2015, the following assets of the Group were pledged as securities, among others, for the banking facilities granted by its bankers:

(i) Charge over the building with carrying amount of approximately RMB6,447,000 (31 December 2014: approximately RMB6,839,000);

(ii) Charge over the prepaid land lease payments with carrying amount of approximately RMB2,230,000 (31 December 2014: approximately RMB2,285,000);

(iii) Charge over the investment property with fair value of approximately RMB50,300,000 (31 December 2014: approximately RMB46,640,000);

(iv) Personal guarantee provided by a director of the Company; and

(v) Charge over a property owned by a related company.

Human Resources

As at 31 December 2015, upon the disposal of the zirconium and petrochemicals businesses, the Group had a total of approximately 215 employees (As at 31 December 2014: approximately 233 employees (restated)). Total staff costs (including directors' emoluments) for the year was approximately RMB46,034,000 (2014: approximately RMB23,859,000 (restated)). The significant increase in staff costs was mainly attributable to the increase in higher pay staff of the O2O solutions business, the full year effect of integrated digital marketing solutions business and salary increment during the year.

Employees were remunerated based on their performance, experience and prevailing industry practice. Bonuses and rewards might also be awarded based on individual staff performance and in accordance with the Group's overall remuneration policies. The Group's management reviewed the remuneration policies and packages on a regular basis. The Remuneration Committee of the Company's Board of Directors is responsible for overseeing and reviewing the remuneration packages of the Directors and senior management.

EXECUTIVE DIRECTORS

Mr. Yang Xin Min, aged 66, senior economist, is the founding Chairman, Managing Director and substantial shareholder of the Company. Mr. Yang graduated from the Beijing Economics Correspondence College. Since August 1977, Mr. Yang has been the General Manager of all predecessor entities of the Group. Mr. Yang has over 30 years' experience in the research, production management and international market development of zirconium chemicals. Mr. Yang is responsible for the formulation of the Group's overall business strategies and overseeing the daily operations of the Group. Mr. Yang is the father of Mr. Yang Zhen who is the executive director of the Company.

Mr. Yang Zhen, aged 39, is currently the president of the Hong Kong Association of Yixing and the vice president of Yixing Young Entrepreneurs Association. Mr. Yang graduated from Nanjing University with a bachelor degree in international trade and obtained EMBA degree at the Cheung Kong Graduate School of Business. Mr. Yang had served as a director of Century Dragon Investment Limited (an indirect wholly owned subsidiary of the Company until 18 December 2015) from 9 August 2000 until 18 December 2015. Mr. Yang is also appointed as the business development director of the Company since 1 September 2014. He is responsible for the promotion of wireless network, O2O systems and solutions for the wireless system installation and software development. Mr. Yang is the son of Mr. Yang Xin Min who is the chairman, executive director and substantial shareholder of the Company.

Mr. Kwan Che Hang Jason, aged 48, was appointed as an executive director of the Company in December 2013. Mr. Kwan was the founder and Chief Executive Officer of Smartac Group. He graduated in 1991 from the University of British Columbia, Canada with a Bachelor of Commerce degree and in 2010 from the EMBA program of Cheung Kong Graduate School of Business. During the period of his university studies, Mr. Kwan was the first Chinese Marketing Executive working for the Vancouver Board of Trade, as well as a part-time writer for the financial section of a local magazine. After graduation, Mr. Kwan joined the Jardines Group and was assigned to work in the IT division of the Jardines Group. In 1995, Mr. Kwan was assigned as the Regional Manager in Vietnam, and a year later he was assigned to work in the Shanghai subsidiary. In 1998, Mr. Kwan was promoted as the General Manager of Eastern China region where he worked until 1999.

In 2000, Mr. Kwan founded the Smartac Group and had opened 9 branch offices in China focusing on IT system integration business. In 2002, Mr. Kwan was a member of the Executive Committee and the Chairman of the IT Committee of the Hong Kong Chamber of Commerce (Shanghai). In 2007, the Suzhou subsidiary of Smartac Group was selected as one of the key developing enterprises in the Suzhou Industrial Park ("SIP") and had been granted the right to construct an office block in the SIP which is now used as the PRC headquarter of Smartac Group. Mr. Kwan is highly experienced in providing services in mobile internet technology, Online to Offline (O2O) solutions and retail big data service operation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheng Faat Ting Gary, aged 48, was appointed as an independent non-executive director of the Company in November 2001. He is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. In 2011, Dr. Cheng graduated with a Doctor of Business Administration from the City University of Hong Kong with research area in "Independent Non-Executive Director ("INED") and Corporate Governance". He is one of few practicing CPA in Hong Kong with DBA degree of research area concentrated in INED study. Dr. Cheng is a Fellow Certified Public Accountant in both Hong Kong and the United States of America ("USA") and a Certified Tax Advisor of the Taxation Institute of Hong Kong. Dr. Cheng received his Bachelor's degree in Accounting (Honours) and Master's degree of Business Administration from Southern Illinois University, USA, in 1992 and 1994 respectively. Dr. Cheng had worked at the audit division of the international accounting firm, PricewaterhouseCoopers, and has over 23 years of experience in financial reporting, business advisory, auditing, accounting, tax investigation and liquidation. Dr. Cheng is currently the Managing Director of Gary Cheng CPA Limited. He is also a founding member of CityU Eminence Society.

Mr. Poon Lai Yin, Michael, aged 44, was appointed as an independent non-executive director of the Company in January 2010. Mr. Poon had acted as the Chief Financial Officer in two companies listed on the Growth Enterprise Market of the Stock Exchange since 2002, and was mainly responsible for the overall financial management, internal control function and accounting function. Mr. Poon has over 14 years of experience in financial reporting, business advisory, auditing, taxation, accounting, merger and acquisition. Mr. Poon is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He holds a Bachelor's degree in Administrative Studies with York University in Canada and a Master's degree in Practicing Accounting with Monash University in Australia. Mr. Poon had been working for an international accounting firm and was responsible for providing business advisory and assurance services for some listed clients. Mr. Poon is the independent non-executive director of China Uptown Group Company Limited (Stock code: 2330) since November 2006, and was the independent non-executive director of Sun International Resources Limited (Stock code: 8029) during the period from September 2008 to August 2011. Mr. Poon was the executive director and non-executive director of Celebrate International Holdings Limited (previously known as Hong Kong Life Group Holdings Limited, Stock code: 8212) during the period from October 2010 to July 2011 and from July 2011 to December 2011, respectively.

Mr. Yang Wei Qing, aged 39, a renowned internet economist, and is the founder and Chief Executive Officer of iResearch Consulting Group ("iResearch"). He is also the co-founder of China Venture Investment Consulting Group ("China Venture"). Mr. Yang obtained his Bachelor Degree from East China University of Science and Technology in 1998 and obtained his EMBA from Cheung Kong Graduate School of Business in 2010. Being enthusiastic about internet industry, Mr. Yang co-founded an internet marketing company, Wise Horse Marketing Company, in 1999 and became one of the first generation internet business founders and an expert in China's internet marketing. Mr. Yang started his business in internet-related research and consulting by establishing iResearch at Shanghai in late 2002. iResearch has now developed into one of the most highly professional internet consulting firms in China, publishing almost 100 research reports related to internet industry every year and serving the major companies in internet industry, internet marketing business as well as providing research consultancy service in the application of internet for traditional business enterprises. In 2005, Mr. Yang, together with a business partner, co-founded China Venture, which mainly participates in the operation of investment websites and engages in fund raising, merger and acquisition projects. Mr. Yang is highly experienced in research and consulting for internet-related and internet marketing businesses.

SENIOR MANAGEMENT

Ms. Yeung Wai Ling, aged 35, is the Financial Manager and Company Secretary of the Group. Ms. Yeung graduated from Hong Kong Baptist University and received a bachelor degree in Business Administration (Accounting). She is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group in 2015, she has worked in international accounting firm and Singapore listed company. She has extensive experience in auditing and financial reporting.

Mr. Kwan Che Ho Jacky, aged 43, joined the Group's non-wholly owned subsidiary – Smartac Solutions (Suzhou) Limited in December 2014 as Retail Business General Manager. He graduated from the University of British Columbia with a Master degree of Engineering in 1997. He joined the Hong Kong GEM Board listed company – Proactive Technology Holdings Limited in 1999, engaged in business communication services and specialized in VoIP communications and call center operations. In 2001, he joined Smartac Group which was acquired by the Group as a non-wholly owned subsidiary in 2013 as Sales and Marketing General Manager. Over these 14 years, he provided application solutions, established and maintained communications and call center systems for various companies in logistics, retail and foreign financial industries such as UPS, TNT, IKEA in China, Hang Lung Properties, UBS, BNP Paribas, Standard Chartered Bank.

Mr. Zhang Fang, aged 36, Software Development General Manager of Suzhou Solutions, was responsible for developing online to offline software solutions and processing massive software data distribution and analysis. Mr. Zhang joined Suzhou Solutions in 2006 and had worked as Senior Software Develop Engineer, Project Manager, CRM Department Manager and Developer Director during the period from 2006 to August 2014. He was promoted to Software Development General Manager in August 2014. Mr. Zhang graduated from Shanghai East China Normal University and joined the direct marketing company – Shanghai Mecox Lane International Mailorder Company Limited to develop invoicing and workflow systems. He had also involved in the development of customer relationship management, enterprise resource planning, management information systems, call center software and was responsible for software projects and database management.

Ms. Xu Ai Ping, aged 44, joined the Group's wholly owned subsidiary – Solomedia Digital (Shanghai) Limited in November 2014 as Group Human Resources Director. Ms. Xu graduated from Nanjing Normal University with Associate degree in English and Hong Kong University School of Professional and Continuing Education with Postgraduate Diploma in Organizational and Human Resources Management. Ms. Xu has been working in human resources management field in the high technology industry for over 15 years. She has a wealth of practical experience in human resources aspects and worked in the China Resources Group Limited's semiconductor manufacturing company – CSMC Technologies Corporation, US-owned chip design company – Advanced Analogic Technologies Inc., US-owned semiconductor company – Skyworks Solutions Inc.

CORPORATE GOVERNANCE PRACTICE

The Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained.

During the year ended 31 December 2015, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviation:

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of Chairman and Chief Executive Officer to be performed by different individuals. The deviation is deemed appropriate as the Company believes that the combination of the roles of Chairman and Chief Executive Officer promotes the efficient formulation and the implementation of the Company's strategies enabling the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non- executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

BOARD OF DIRECTORS

Composition

The Board is responsible for supervision of the management of the business and affairs, approval of strategic plans and reviewing of financial performance. The Board currently consists of three Executive Directors and three Independent Non-executive Directors ("INEDs"):

Executive Directors	:	Mr. Yang Xin Min *(Chairman)* Mr. Yang Zhen (appointed on 31 December 2015) Ms. Huang Yue Qin (resigned on 31 December 2015) Mr. Kwan Che Hang Jason
NED	:	Mr. Wang Jia Wei *(Vice Chairman)* (resigned on 4 May 2015)
INEDs	:	Dr. Cheng Faat Ting Gary Mr. Poon Lai Yin Michael Mr. Yang Wei Qing

The Board membership is covered by professionally qualified and widely experienced personnel so as to bringing in valuable contribution and different professional advices and consultancy for the development of the Company. The number of INEDs represented one-third of the Board membership.

Biographies of all Directors are set out on pages 14 to 15.

Appointments, Re-election and Removal of Directors

Code provision A.4.1 of the Code on Corporate Governance Practices stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 of the Code on Corporate Governance Practices stipulates that all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the INEDs and the NED has entered into a service contract with the Company for a term of two years. At every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office.

A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next annual general meeting.

Role and Function

Save for the Board meetings held between the Executive Directors during the normal course of business, the Board also conducted regular meetings of all board members during the year. Such Board meetings involve active participation, either in person or through other electronic means of communication, of a majority of the Directors. In addition, the Board members will also discuss on ad hoc issues through informal meetings and granted approval on material decisions by way of Board written resolutions in accordance with the Company's articles of association.

During the year, 26 board meetings were held and the attendance of each Director is set out as follows:

Directors	**No. of meetings attended**
Mr. Yang Xin Min	25/26
Mr. Yang Zhen (appointed on 31 December 2015) *(Note 1)*	1/1
Ms. Huang Yue Qin (resigned on 31 December 2015) *(Note 1)*	24/25
Mr. Kwan Che Hang Jason	22/26
Mr. Wang Jia Wei (resigned on 4 May 2015) *(Note 1)*	0/5
Dr. Cheng Faat Ting Gary	25/26
Mr. Poon Lai Yin Michael	25/26
Mr. Yang Wei Qing	22/26

Notes:

1. The number of meetings attended were counted with reference to the applicable period in which the relevant Director was holding the office.

INEDs

The Company has appointed three INEDs, with two of them possess recognised accounting professional qualifications in Hong Kong or overseas.

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

Chairman and CEO

Under the Code on Corporate Governance Practices, the roles of Chairman and CEO should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. Mr. Yang Xin Min has been the Chairman and the CEO of the Company since its incorporation and is in charge of the overall management of the Company and the Group. The Company considers that the combination of the roles of Chairman and CEO is conducive to strong and consistent leadership and can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its INEDs, a balancing mechanism between the Board and the management of the Company exists so that the interests of the shareholders are adequately and fairly represented.

BOARD COMMITTEES

There are three committees established under the Board:

(a) Audit Committee

The Audit Committee, comprises all INEDs of the Company, is chaired by Dr. Cheng Faat Ting Gary who is a professional accountant and has proven experience in audit, finance and accounting.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants, and have been updated on terms no less exacting than those set out in the Code on Corporate Governance Practices. The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company. Each member of the Audit Committee has unrestricted access to the external auditors and all senior staff of the Group.

The Audit Committee held two meetings during the year, in particular, to review and discuss:

- the interim results and annual audited financial statements;
- the auditing and financial reporting matters, including the management letter from the external auditors in relation to the audit of the Group for the year ended 31 December 2015;
- the appointment of external auditors; and
- the effectiveness of internal control procedures.

All issues raised by the Audit Committee have been addressed by the management of the Company. The work and findings of the Audit Committee have been reported to the Board. During the year, no issues brought to the attention of the management of the Company were of sufficient importance to require disclosure in the Annual Report.

The Board agrees with the Audit Committee's proposal for the reappointment of RSM Hong Kong (formerly known as RSM Nelson Wheeler) as the Company's external auditors for 2016. The recommendation will be put forward for the approval of the shareholders of the Company at the Annual General Meeting to be held on 27 May 2016.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings will be sent to all members of the Audit Committee for their comment and record respectively.

Auditor's Remuneration

An analysis of the remuneration paid to the external auditor of the Company, RSM Hong Kong, in respect of audit services and non-audit services for the year ended 31 December 2015 is set out below:

Service category	**Fees paid/payable**
	HK$'000
Audit service	1,600
Non-audit services	
– Agreed-upon procedures of interim results for the six months ended 30 June 2015	280
– Review on continuing connected transactions	60
– Accountant's report on major transaction acquisition	300
	2,240

(b) Remuneration Committee

The Remuneration Committee currently consists of three members, namely two INEDs, Dr. Cheng Faat Ting Gary (Chairman), Mr. Poon Lai Yin Michael and one executive director, Mr. Yang Xin Min.

The Company formulated written terms of reference of the Remuneration Committee based on terms no less exacting than the required standard as set out in the Code on Corporate Governance Practices. The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the Directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year. The Remuneration Committee had reviewed the remuneration packages of all Directors and made recommendation to the Board during the year.

During the year, Mr. Wang Jia Wei waived his emolument being the non-executive director for the period from 2011 to the date of his resignation in 2015.

(c) Nomination Committee

The Nomination Committee currently consists of the three members, namely two INEDs, Dr. Cheng Faat Ting Gary (Chairman), Mr. Poon Lai Yin Michael and one executive director, Mr. Yang Xin Min.

The Company formulated written terms of reference of the Nomination Committee based on terms no less exacting than the required standard as set out in the Code on Corporate Governance Practices.

The Nomination Committee meets at least once a year. The Committee's members' primary roles and functions are to assess and recommend the appointment and re-appointment of Directors to the Board, as well as overseeing the appointment, management succession planning and performance evaluation of key senior management of the Company.

The Nomination Committee has reviewed and is of the opinion that the current size and composition of the Board is adequate to facilitate effective decision-making. The Nomination Committee is also satisfied that the Board comprises directors, who, as a group, provide the core competencies necessary to guide the Group.

A proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. Candidates to be selected and recommended are those experienced, high caliber individuals. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules.

A candidate who is to be appointed as an INED should also meet the independence criteria as set out in Rule 3.13 of the Listing Rules.

Attendance Record at Board Committee Meetings

The following table shows the attendance of Directors at the Board Committee meetings during the year:

	No. of meetings attended		
Directors	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Yang Xin Min	N/A	2/2	2/2
Dr. Cheng Faat Ting Gary	2/2	2/2	2/2
Mr. Poon Lai Yin Michael	2/2	2/2	2/2
Mr. Yang Wei Qing	0/2	N/A	N/A

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Code of Conduct") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditors of the Company about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 38 to 39.

INTERNAL CONTROLS

The Board is responsible for overseeing the Group's system of internal controls. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure and to achieve the business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud. The Board is of the view that the system of internal controls in place for the year and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, customers and employees, and the Group's assets.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairmen of the Board, of the Audit Committee and of the Remuneration Committee are present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for conducting a poll and other relevant information of the proposed resolutions.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner. Printed copies of the Annual Report 2014 and Interim Report 2015 were sent to all shareholders.

All the reports, announcements and circulars that had been filed by the Company with the regulatory authorities can be reviewed at and downloaded from the Company's website at www.smartacgroup.com.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of Hong Kong Exchanges and Clearing Limited after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1204, 12th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
For the attention of the Board of Directors

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communication.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) development and sales of software and provision of online to offline ("O2O") consultation service; and (ii) provision of digital advertising platform and related solutions.

RESULTS AND APPROPRIATIONS

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 40 to 42.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

The register of members of the Company will be closed from 23 May 2016 (Monday) to 27 May 2016 (Friday), both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the Company's annual general meeting to be held on 27 May 2016, all transfer documents accompanied by the relevant share certificates must be lodged with either one of the Company's branch share registrars listed below for registration by no later than 4:30 p.m. on 20 May 2016 (Friday):

In Hong Kong:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

In Canada:
Computershare Investor Services Inc.
100 University Ave., 9th Floor
Toronto, Ontario M5J 2Y1
Canada

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 page 4.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the convertible bonds and share capital of the Company during the year are set out in note 37 and 40 to the consolidated financial statements respectively.

RESERVES

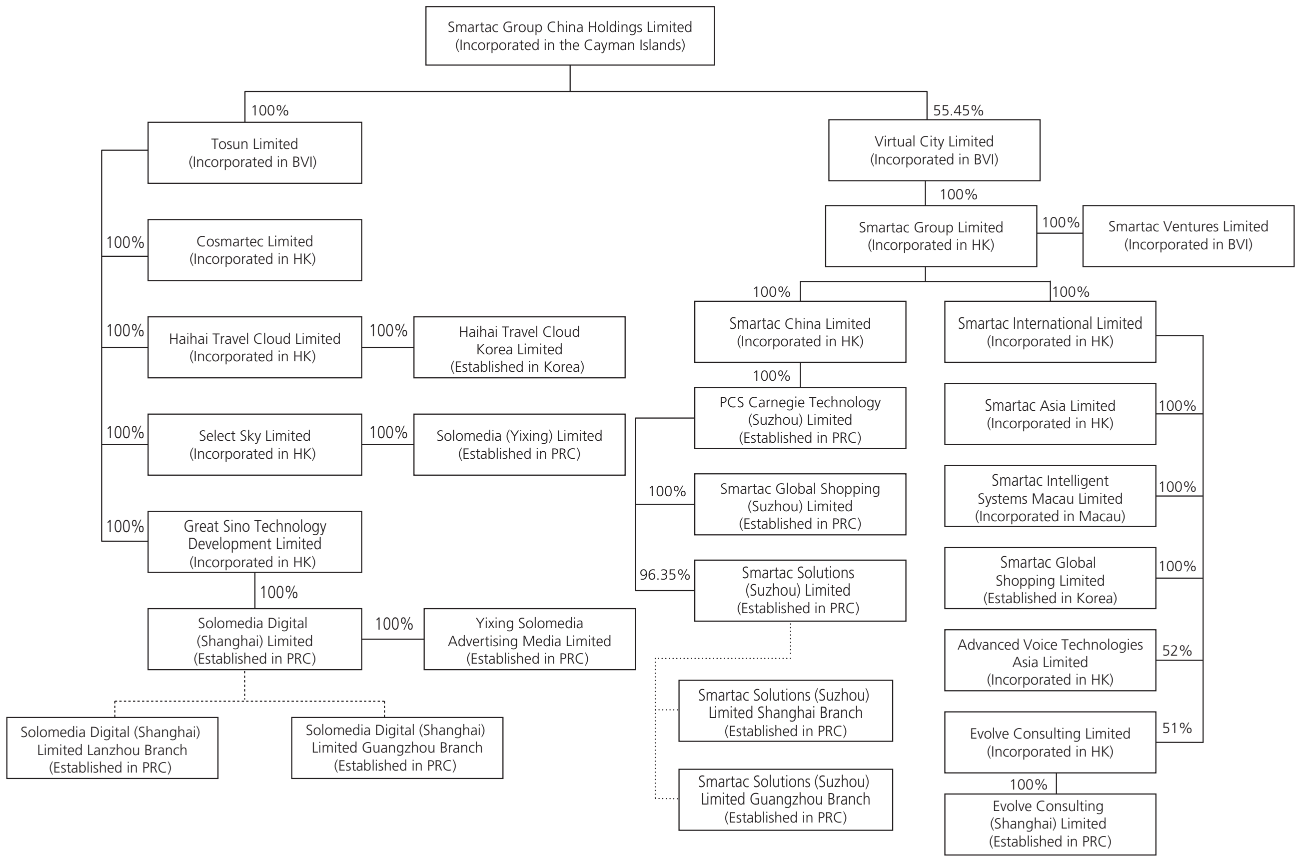
Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 45.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law of the Cayman Islands and the Company's articles of association, in addition to the retained profits of the Company, the ordinary share premium account of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2015 amounted to approximately RMB48,776,000 (2014: approximately RMB90,245,000).

GROUP STRUCTURE

As at 31 December 2015, the Group's structure was as follows:



DIRECTORS

The Directors who held office during the year and as at the date of this report are shown below. Their biographies are set out on pages 14 to 15.

Executive Directors

Mr. Yang Xin Min, *Chairman and Managing Director*
Mr. Yang Zhen (appointed on 31 December 2015)
Ms. Huang Yue Qin (resigned on 31 December 2015)
Mr. Kwan Che Hang Jason

Non-Executive Director

Mr. Wang Jia Wei, *Vice Chairman* (resigned on 4 May 2015)

Independent Non-Executive Directors

Dr. Cheng Faat Ting Gary
Mr. Poon Lai Yin Michael
Mr. Yang Wei Qing

Each of the above Directors has entered into a service contract with the Company for an initial term of three or two years. Each service contract will continue thereafter unless terminated by either party thereto giving to the other at least three months' notice (Executive Directors) or one month's notice (Independent Non-executive Directors and Non-executive Director) in writing.

The Company has received from each of the Independent Non-Executive Directors a confirmation letter of his independence pursuant to paragraph 12B of Appendix 16 of the Listing Rules and considers each of the Independent Non-Executive Directors is independent.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2015, the interests of the Directors and the chief executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

		Number of Shares			
Name of Director	**Capacity**	**Personal Interest**	**Other Interests** *(Note 1)*	**Total Interests**	**Approximate Percentage of Total Share Capital**
Yang Xin Min	Beneficial	592,573,880	1,600,000	594,173,880	14.97%
Yang Zhen	Beneficial	1,336,000	–	1,336,000	0.03%
Kwan Che Hang Jason *(Note 2)*	Beneficial	231,413,304	–	231,413,304	5.83%
Cheng Faat Ting Gary	Beneficial	200,000	200,000	400,000	0.010%
Poon Lai Yin Michael	Beneficial	–	200,000	200,000	0.005%

Notes:

1. Other interests represented the number of underlying shares comprised in the share options granted to the Directors but remained outstanding as at 31 December 2015.

2. The 231,413,304 shares comprised (i) 792,000 shares held by Mr. Kwan Che Hang Jason directly; and (ii) 230,621,304 shares held by China Software Services (Holdings) Limited ("CSS"). Mr. Kwan Che Hang Jason was the controlling shareholder of CSS and therefore was deemed to have an interest in the 230,621,304 shares.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2015, so far as was known to the Directors and the chief executive of the Company, the following persons had an interest or short position in the shares and underlying shares in would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

		Number of Shares			Approximate Percentage of Total Share Capital
Name of Shareholder	**Capacity**	**Personal Interest**	**Other Interests** *(Note 1)*	**Total Interests**	
Yang Xin Min	Beneficial	592,573,880	1,600,000	594,173,880	14.97%
Kwan Che Hang Jason *(Note 2)*	Beneficial	231,413,304	–	231,413,304	5.83%
HK DYF Int'l Holding Group Limited	Beneficial	260,536,000	–	260,536,000	6.56%

Notes:

1. Other interests represented the number of underlying shares comprised in the share options granted to the Directors but remained outstanding as at 31 December 2015.

2. The 231,413,304 shares comprised (i) 792,000 shares held by Mr. Kwan Che Hang Jason directly; and (ii) 230,621,304 shares held by CSS. Mr. Kwan Che Hang Jason was the controlling shareholder of CSS and therefore was deemed to have an interest in the 230,621,304 shares.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had any interest, either direct or indirect, in any business, which may compete or constitute a competition with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors of the Company had a material interest, either direct or indirect, in any significant contract to which the Company or its holding companies or any of its subsidiaries was a party at the year end or during the year.

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

SHARE OPTIONS GRANTED PURSUANT TO THE SHARE OPTION SCHEME

Pursuant to the written resolution by the shareholders of the Company on 24 September 2002, the Share Option Scheme (the "Old Scheme") was approved and adopted. The Old Scheme was terminated by a resolution passed by the shareholders in the Company's annual general meeting held on 27 May 2011. No further options can be granted under the Old Scheme but in all other respects the provisions of the Old Scheme shall remain in full force and effect.

On 27 May 2011, the shareholders passed a resolution in the annual general meeting to approve and adopt a new Share Option Scheme (the "New Scheme") and the Board may, at its discretion, grant options ("Options") to Eligible Participants as defined in (ii) below.

The total number of shares in respect of which options may be granted under the New Scheme shall be 228,936,210 shares, representing approximately 5.8% of the issued share capital of the Company as at the date of 2015 annual report.

(i) Purpose

The purpose of the New Scheme is to enable the Company to grant Options to Eligible Participants as incentives or rewards for their contribution to the Company and/or any of its subsidiaries. Through the New Scheme, the Company can motivate and reward the Eligible Participants who have contributed to the Company by enhancing its performance, improving its management and operation, and providing it with good advice and ideas.

(ii) Eligible Participants

The Eligible Participants of the New Scheme to whom Option(s) may be granted by the Board shall include any employees, Non-Executive Directors, Directors, advisors, consultants, and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities.

(iii) Maximum number of shares

(a) The total number of shares which may be issued upon exercise of all Options which may be granted under the New Scheme and any other share option schemes of the Company ("Scheme Mandate Limit") shall not exceed 10% of the total number of shares in issue as at the date on which the New Scheme will be approved and adopted by the shareholders, unless the Company obtains a refresh approval from the shareholders pursuant to paragraph (b) below. Options lapsed in accordance with the terms of the New Scheme shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

(b) The Company may seek approval of the shareholders in general meetings to renew the Scheme Mandate Limit provided that the Scheme Mandate Limit so renewed must not exceed 10% of the shares in issue as at the date of the approval of the renewal by the shareholders. Upon any such renewal, all Options granted under the New Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Scheme and any other share option schemes of the Company and exercised options) prior to the approval of such renewal shall not be counted for the purpose of calculating whether the renewed Scheme Mandate Limit has been exceeded. In seeking the approval, the Company shall send a circular to the shareholders.

(c) The Company may grant Options to the Eligible Participant(s) beyond the Scheme Mandate Limit if the grant of such Options is specifically approved by the shareholders in general meeting. In seeking such approval, a circular must be sent to the shareholders containing a generic description of the identified Eligible Participant(s), the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Participant(s), and how the terms of these Options serve such purpose.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Scheme and options which may be granted under any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

(iv) Maximum entitlement of each Eligible Participant

(a) The total number of shares issued and to be issued upon exercise of the Options granted under the New Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding Options) to each Eligible Participant in any 12-month period must not exceed 1% of the then total issued share capital of the Company (the "Individual Limit").

(b) Any further grant of Options to an Eligible Participant in excess of the Individual Limit (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant must be subject to the shareholders' approval in general meeting of the Company with such Eligible Participant and his associates abstaining from voting. A circular must be sent to the shareholders disclosing the identity of the identified Eligible Participant(s), the number and terms of the Options granted and to be granted, the number and terms of Options to be granted to such identified Eligible Participant(s) must be fixed before the shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price.

(v) Offer acceptance period and Option price

An offer of grant of an Option may be accepted by an Eligible Participant within 28 days from the date of the offer of grant of the Option. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an Option. To the extent that the offer of grant of an Option is not accepted within twenty-eight (28) days from the date on which the offer for the grant of Options is made in the manner indicated herein, it will be deemed to have been irrevocably declined and lapsed automatically.

(vi) Timing for exercise of Options

An Option shall be exercisable in whole or in part and in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the Directors to each Grantee, which period may commence on the day on which the offer for the grant of Options is made but shall end in any event not later than 10 years commencing from the date the Board makes an offer of the grant of an Option subject to the provisions for early termination thereof. The Directors have the discretion to impose a minimum period for which an Option has to be held before the exercise of the subscription rights attaching thereto on case by case basis.

(vii) Subscription price

Subject to the adjustment made in accordance with the terms of the New Scheme, the exercise price in respect of any particular Option shall be such price as determined by the Board in its absolute discretion at the time of making the offer of grant of an option (which shall be stated in the letter containing the offer of grant of an option) but in any case the exercise price must be at least the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

For the year ended 31 December 2015 and 2014, no Options have been granted by the Company under the Old Scheme and the New Scheme.

Details of the movement of the Options granted and exercised during the year were as follows:

				Number of Options *(Note 1)*			
Name of Grantee	**Date of Grant**	**Exercisable Period**	**Subscription Price per Share** *(Note 1)*	**Outstanding as at 31 December 2014**	**Reclassified during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2015**
Executive Directors:							
Yang Xin Min	14 June 2011	14 June 2011 to 13 June 2016	HK$0.818	1,600,000	–	–	1,600,000
Huang Yue Qin (resigned on 31 December 2015)	14 June 2011	14 June 2011 to 13 June 2016	HK$0.818	600,000	(600,000)	–	–
Zhou Quan (resigned on 1 September 2014)	14 June 2011	14 June 2011 to 13 June 2016	HK$0.818	600,000	(600,000)	–	–
Subtotal				2,800,000	(1,200,000)	–	1,600,000
Non-Executive Director:							
Wang Jia Wei (resigned on 4 May 2015)	14 June 2011	14 June 2011 to 13 June 2016	HK$0.818	600,000	–	(600,000)	–
Independent Non-Executive Directors:							
Cheng Faat Ting Gary	14 June 2011	14 June 2011 to 13 June 2016	HK$0.818	200,000	–	–	200,000
Poon Lai Yin Michael	14 June 2011	14 June 2011 to 13 June 2016	HK$0.818	200,000	–	–	200,000
Subtotal				400,000	–	–	400,000
Employees	14 June 2011	14 June 2011 to 13 June 2016	HK$0.818	1,200,000	1,200,000	(600,000)	1,800,000
Grand Total				5,000,000	–	(1,200,000)	3,800,000

Note:

1. Certain Subscription Price per Share and number of Options shown in the table above had been restated to reflect the effect of the 1 to 20 subdivision of Shares which took effect from 9 November 2009.

CONNECTED TRANSACTIONS

During the year, the Group carried out certain related parties transactions, details of which are set out in note 49 to the consolidated financial statements.

These transactions fall within the de minimis provision under Rule 14A.76(1)(a) of the Listing Rules because they were on normal commercial terms and the applicable percentage ratio was less than 0.1%. Accordingly, they were exempted from the reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

Save as disclosed above, the Group had the following continuing connected transactions which were required to be disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 5 September 2014, the Company and Solomedia Shanghai and Smartac Group Limited (Smartac Group, together with its direct or indirect wholly or non-wholly owned subsidiaries, collectively the "Sub-Contractor Group") entered into Master Sub-Contracting Agreement in relating to the provision of sub-contracting provided by the Sub-Contractor Group. The Sub-Contractor Group is directly owned by Virtual City Limited which in turn is owned as to 55.45% by the Company and 44.55% by CSS. Since Mr. Kwan Che Hang Jason, director and shareholder of the Company, is also the controlling shareholder of CSS, any company of the Sub-Contractor Group is therefore a connected person of the Company. As such, the transactions contemplated under the Master Sub-Contracting Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Master Sub-Contracting Agreement had an initial term of three years and upon the expiration of the initial three-year term, be automatically renewed for successive periods of three years. According to the Master Sub-Contracting Agreement during the year, the aggregate services charged to Solomedia Shanghai by the Sub-contractor Group in respect of project management and installation service, software development service and maintenance service were RMB5,439,264 (2014: RMB4,818,572), RMB7,645,246 (2014: RMB13,162,393) and RMB687,343 (2014: Nil) respectively.

Our Independent Non-executive Directors have reviewed the continuing connected transactions set out above, and are of the view that the continuing connected transactions have been entered into under the following circumstances:

(i) in the ordinary and usual course of business;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms offered to/by independent third parties; and

(iii) in accordance with the relevant agreements governing those transactions on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

RSM Hong Kong was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. RSM Hong Kong has issued unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

In respect of the continuing connected transactions disclosed (the "Disclosed Continuing Connected Transactions"), the Company's auditors concluded that:

(i) nothing has come to the auditors' attention that causes them to believe that the Disclosed Continuing Connected Transactions have not been approved by the Company's board of directors.

(ii) for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(iii) nothing has come to the auditors' attention that causes them to believe that the transactions were not entered into, in all materials respects, in accordance with the relevant agreements governing such transactions.

(iv) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to our attention that causes the auditors to believe that the Disclosed Continuing Connected Transactions have exceeded the maximum aggregate annual values disclosed in the Company's announcement dated 5 September 2014 in respect of the Disclosed Continuing Connected Transactions.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 23.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the aggregate revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 22% and 51% of the Group's total revenue for the year respectively; and the aggregate purchases from the largest and the five largest suppliers of the Group accounted for approximately 10% and 31% of the Group's total purchases for the year, respectively.

As far as the Directors are aware, none of the Directors of the Company, their respective associates (as defined in the Listing Rules), and the existing shareholders of the Company who own more than 5% of the Company's issued share capital, had any interests in the Group's five largest customers or suppliers at any time during the year.

RESPONSIBILITY OF DIRECTORS ON FINANCIAL STATEMENTS

The Companies Ordinance requires the Directors to prepare financial statements for each financial year. Such financial statements should give a true and fair view of the state of affairs of the Company and of the Group as at the balance sheet date of a particular year and on the profit and loss of the Company and the Group for the year then ended. In preparing the financial statements, the Directors should:

(a) select and apply consistently appropriate accounting policies, make prudent, fair and reasonable judgement and estimation;

(b) report the reasons for any seriously deviation from accounting practice; and

(c) prepare the financial statements on going concern basis, unless it is inappropriate to assume the Company and the Group could continue to operate.

The Directors are responsible for the proper keeping of accounting record in order to secure assets of the Company and the Group. The Directors are also responsible for adopting reasonable measures to prevent and check any fraudulences and irregularities.

DONATIONS

For the year ended 31 December 2015, the Group did not made any (2014: RMB150,000) donations to charitable organisations and charity funds in the PRC.

PURCHASE, SALE OR REDEMPTION 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.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There were no material non-adjusting events after the reporting period.

AUDITORS

At the Company's last Annual General Meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015, our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

RSM Hong Kong retire, and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong will be put at the forthcoming Annual General Meeting.

By order of the Board

Yang Xin Min
Executive Director

31 March 2016

TO THE MEMBERS OF
SMARTAC GROUP CHINA HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Smartac Group China Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 40 to 132, 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 International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

OPINION

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

RSM Hong Kong
Certified Public Accountants
Hong Kong

31 March 2016

	Note	2015 RMB'000	2014 RMB'000 (Restated)
CONTINUING OPERATIONS			
Revenue	8	**33,559**	46,684
Cost of sales and services		**(25,355)**	(27,813)
Gross profit		**8,204**	18,871
Fair value change of investment property	21	**3,660**	32,590
Other income	9	**8,336**	5,510
Selling expenses		**(5,273)**	(2,157)
Administrative expenses		**(66,090)**	(31,210)
Other operating expenses		**–**	(14,145)
Amortisation of long-term prepayments	28	**(33,589)**	(21,744)
Impairment loss on available-for-sale financial assets	29	**(600)**	–
Impairment loss on non-current assets		**(44,864)**	–
Impairment loss on goodwill	24	**(26,449)**	–
Loss on disposal of a subsidiary	45(b)	**(1,370)**	–
Loss from operations		**(158,035)**	(12,285)
Finance costs	11	**(2,590)**	(4,076)
Share of result of an associate	27	**(197)**	–
Impairment loss on investment in an associate	27	**(7,224)**	–
Loss before tax		**(168,046)**	(16,361)
Income tax expense	12	**(1,242)**	(6,880)
Loss for the year from continuing operations	13	**(169,288)**	(23,241)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	17	**25,979**	(133,730)
Loss for the year		**(143,309)**	(156,971)
Other comprehensive income for the year, net of tax			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**(96,671)**	–
Exchange differences on translating foreign operations		**4,952**	(2,770)
Total comprehensive income for the year		**(235,028)**	(159,741)

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		**(128,058)**	(163,944)
Non-controlling interests		**(15,251)**	6,973
		(143,309)	(156,971)
Loss for the year attributable to:			
Owners of the Company			
– continuing operations		**(154,037)**	(30,233)
– discontinued operations		**25,979**	(133,711)
		(128,058)	(163,944)
Non-controlling interests			
– continuing operations		**(15,251)**	6,992
– discontinued operations		**–**	(19)
		(15,251)	6,973
Total comprehensive income for the year attributable to:			
Owners of the Company		**(220,486)**	(166,776)
Non-controlling interests		**(14,542)**	7,035
		(235,028)	(159,741)
Total comprehensive income for the year attributable to:			
Owners of the Company			
– continuing operations		**(149,793)**	(33,064)
– discontinued operations		**(70,693)**	(133,712)
		(220,486)	(166,776)
Non-controlling interests			
– continuing operations		**(14,542)**	7,035
– discontinued operations		**–**	–
		(14,542)	7,035

	Note	**2015** **RMB'000**	2014 RMB'000 (Restated)
LOSS PER SHARE			
Basic loss per share (cents)	19		
From continuing operations		**(4.09)**	(1.03)
From discontinued operations		**0.69**	(4.56)
		(3.40)	(5.59)
Diluted loss per share (cents)	19		
From continuing operations		**(4.09)**	(1.03)
From discontinued operations		**0.69**	(4.56)
		(3.40)	(5.59)

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	20	**13,949**	26,525
Investment in an associate	27	**4,004**	–
Investment property	21	**50,300**	46,640
Construction in progress	22	**64**	28,683
Prepaid land lease payments	23	**2,174**	39,630
Goodwill	24	**31,747**	59,782
Intangible assets	25	**37,943**	69,396
Long-term prepayments	28	**–**	19,662
Other receivables	32(c)	**212**	–
Available-for-sale financial assets	29	**–**	–
		140,393	290,318
Current assets			
Prepaid land lease payments	23	**56**	1,060
Current portion of long-term prepayments	28	**–**	23,627
Other investments	30	**24,010**	–
Inventories	31	**2,624**	27,647
Trade and other receivables	32	**29,375**	102,514
Due from a related party	49(c)	**726**	268
Tax recoverable		**52**	–
Bank and cash balances	33	**95,515**	93,119
		152,358	248,235
Current liabilities			
Trade and other payables	34	**27,812**	90,882
Contingent payables	38	**–**	31,742
Derivative financial instruments	37	**–**	5,247
Due to directors	35	**6,574**	5,008
Due to related parties	49(c)	**130**	35,269
Bank loans	36	**17,368**	14,351
Due to an associate	27(a)	**9,625**	–
Current tax liabilities		**1,212**	20,024
		62,721	202,523
Net current assets		**89,637**	45,712
Total assets less current liabilities		**230,030**	336,030

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Convertible bonds	37	–	46,029
Deferred tax liabilities	39	**8,674**	18,970
		8,674	64,999
NET ASSETS		**221,356**	271,031
Capital and reserves			
Share capital	40	**178,589**	154,397
Reserves	42(a)	**(16,288)**	52,817
Equity attributable to owners of the Company		**162,301**	207,214
Non-controlling interests		**59,055**	63,817
TOTAL EQUITY		**221,356**	271,031

Approved by the Board of Directors on 31 March 2016 and are signed on its behalf by:

Yang Xin Min
Director

Kwan Che Hang Jason
Director

	Attributable to owners of the Company											
	Share capital RMB'000 (note 40)	Share premium account RMB'000 (note 42(b)(i))	Merger reserve RMB'000 (note 42(b)(ii))	Statutory reserve RMB'000 (note 42(b)(iii))	Share-based payment reserve RMB'000 (note 42(b)(iv))	Foreign currency translation reserve RMB'000 (note 42(b)(v))	Capital reserve RMB'000 (note 42(b)(vi))	Other reserve RMB'000 (note 42(b)(vii))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests ("NCI") RMB'000	Total RMB'000
At 1 January 2014	131,938	727,285	(11,085)	95,452	1,849	(1,225)	–	–	(706,190)	238,024	30,374	268,398
Total comprehensive income for the year	–	–	–	–	–	(2,832)	–	–	(163,944)	(166,776)	7,035	(159,741)
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	26,408	26,408
Issue of new shares	22,459	113,507	–	–	–	–	–	–	–	135,966	–	135,966
Lapse of share options granted in prior years	–	–	–	–	(90)	–	–	–	90	–	–	–
Changes in equity for the year	22,459	113,507	–	–	(90)	(2,832)	–	–	(163,854)	(30,810)	33,443	2,633
At 31 December 2014 and 1 January 2015	154,397	840,792	(11,085)	95,452	1,759	(4,057)	–	–	(870,044)	207,214	63,817	271,031
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(92,428)**	**-**	**-**	**(128,058)**	**(220,486)**	**(14,542)**	**(235,028)**
Transfer of statutory reserves	**-**	**-**	**-**	**172**	**-**	**-**	**-**	**-**	**(172)**	**-**	**-**	**-**
Dividend paid to NCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(194)**	**(194)**
Deemed acquisition of NCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,858)**	**(9,858)**	**9,858**	**-**
Acquisition of NCI	**-**	**-**	**-**	**-**	**-**	**53**	**(9,619)**	**-**	**(26,912)**	**(36,478)**	**450**	**(36,028)**
Issue of new shares upon placement	**13,941**	**125,407**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**139,348**	**-**	**139,348**
Issue of new shares upon conversion of convertible bonds	**5,778**	**46,813**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**52,591**	**-**	**52,591**
Issue of new shares upon consideration shares granted	**4,473**	**25,497**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,970**	**-**	**29,970**
Disposal of discontinued operations	**-**	**-**	**11,085**	**(95,452)**	**-**	**-**	**-**	**(8,385)**	**92,752**	**-**	**24**	**24**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(358)**	**(358)**
Lapse of share options granted in prior years	**-**	**-**	**-**	**-**	**(423)**	**-**	**-**	**-**	**423**	**-**	**-**	**-**
Changes in equity for the year	**24,192**	**197,717**	**11,085**	**(95,280)**	**(423)**	**(92,375)**	**(9,619)**	**(8,385)**	**(71,825)**	**(44,913)**	**(4,762)**	**(49,675)**
At 31 December 2015	**178,589**	**1,038,509**	**-**	**172**	**1,336**	**(96,432)**	**(9,619)**	**(8,385)**	**(941,869)**	**162,301**	**59,055**	**221,356**

	Note	2015 RMB'000	2014 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax			
Continuing operations		**(168,046)**	(16,361)
Discontinued operations		**26,266**	(140,266)
		(141,780)	(156,627)
Adjustments for:			
Depreciation		**13,015**	7,181
Amortisation of prepaid land lease payments		**1,246**	1,061
Amortisation of intangible assets		**8,442**	9,017
Amortisation of long-term prepayments		**33,589**	21,744
Bank interest income		**(17)**	(359)
Interest expenses on bank loans wholly repayable within five years		**1,326**	3,025
Other finance costs		**6**	21
Interest expenses on convertible bonds measured at amortised cost		**1,439**	3,817
Allowance for inventories		**552**	1,500
Reversal of allowance for trade receivables		**(466)**	(80)
Reversal of other payables		**–**	(6,624)
Allowance for trade receivables		**242**	498
Allowance for other receivables		**4,050**	20,247
Impairment loss on non-current assets		**44,864**	91,793
Gain on disposal of subsidiaries		**(44,155)**	–
Impairment loss on goodwill		**26,449**	–
Impairment loss on available-for-sale financial assets		**600**	–
Write-off of property, plant and equipment		**24**	–
Write-off of construction in progress		**53**	–
Change in fair value of derivative component of convertible bonds		**–**	2,653
Change in fair value of contingent payables		**(2,649)**	11,430
Change in fair value of investment property		**(3,660)**	(32,590)
Share of result of an associate		**197**	–
Impairment loss on investment in an associate		**7,224**	–
Foreign exchange loss/(gain)		**717**	(89)

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Operating loss before working capital changes		**(48,692)**	(22,382)
Decrease in inventories		**470**	3,113
Decrease in trade and other receivables		**3,460**	311,306
Decrease in due from a director		**–**	2,293
Increase in due from a related party		**(458)**	(268)
Decrease in trade and other payables		**(4,283)**	(582,011)
Increase in due to directors		**9,566**	3,142
Increase in due to related parties		**1,074**	33,131
Cash used in operating activities		**(38,863)**	(251,676)
Income taxes paid		**(2,580)**	(601)
Net cash used in from operating activities		**(41,443)**	(252,277)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged bank deposits		**–**	285,000
Purchase of other investments		**(24,010)**	–
Purchase of available-for-sale financial assets		**(600)**	–
Disposal of subsidiaries, net of cash	45(a) & (b)	**(3,717)**	–
Purchases of property, plant and equipment		**(3,811)**	(2,829)
Proceeds from disposal of property, plant and equipment		**–**	5
Payment for construction in progress		**(13,769)**	(20,165)
Payment for intangible asset		**(14,532)**	(8,456)
Payment for long-term prepayments		**(5,425)**	(41,981)
Interests received		**17**	359
Net cash (used in)/generated from investing activities		**(65,847)**	211,933

	Note	2015 RMB'000	2014 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(16,597)**	(110,135)
Bank loans raised		**19,562**	53,386
Acquisition of non-controlling interests		**(36,028)**	–
Proceeds from issue of shares, net		**139,348**	135,966
Dividend paid to non-controlling interests		**(194)**	–
Contribution from non-controlling interests		**–**	26,408
Interests and other finance cost paid		**(1,332)**	(3,046)
Net cash generated from financing activities		**104,759**	102,579
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,531)**	62,235
Effect of foreign exchange rate changes		**4,927**	(1,273)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**93,119**	32,157
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**95,515**	93,119
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	33	**95,515**	93,119

1. GENERAL INFORMATION

The Company was incorporated on 18 July 2000 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 5F Block A, No. 18 North Xizang Road, Shanghai, the People's Republic of China ("**PRC**"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 26 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 December 2015, Mr. Yang Xin Min is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standard Board ("**IASB**"). IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

Amendment to IFRS 8 (Annual Improvements to IFRSs 2010-2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (continued)

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015. The directors anticipate that the new and revised IFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

IAS 7	Disclosure Initiative[2]
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[2]

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

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

3 Effective for annual periods beginning on or after 1 January 2019.

(c) New Hong Kong Companies Ordinance

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

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment property and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**") which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The Company's functional currency is Hong Kong dollars ("**HK$**"). The directors consider that choosing RMB as the presentation currency best suits the need of shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form the part of the net investment in foreign entities and of borrowings are recognised in the other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment including buildings for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings and leasehold improvement	3.33% – 33.33%, over the lease term
Machinery and equipment	4.55% – 25%
Office equipment and fixtures	12.5% – 33.33%, over the lease term
Motor vehicles	12.5% – 25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Operating leases

(i) The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(i) Intangible assets acquired in a business combination and acquired separately

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets acquired in a business combination and acquired separately (continued)

Amortisation of intangible assets is charged to profit or loss on a straight line basis over their estimated useful lives as follows:

Backlog	1.4 years
Technical know-how	5 years
Operating license	22 years
Software development costs	5 years

Both the period and method of amortisation are reviewed annually.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(o) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with IFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Financial liabilities and equity instruments (continued)

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Convertible bonds

Convertible bonds which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; this amount is carried as a derivative liability that is subsequently measured at fair value through profit or loss until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

(iii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iv) Contingent payables

Contingent payables are classified as financial liabilities as they are resulted from a contract under contingent consideration arrangement. The amount is initially recognised and subsequently measured at fair value. Change in fair value is recognised in profit or loss when it arises.

(v) Equity instruments

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

(q) Derivative financial instruments

Derivatives are initially is recognised and subsequently measured at fair value.

Changes in the fair value of derivatives are recognised in profit or loss as they arise.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Sales of goods

Revenues from the sales of finished goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Service fee income

Service fee income is recognised when the services are rendered.

(iii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(t) Employee benefits

(i) Employee leaves entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Obligation for contributions to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Share-based payments

The Group issued equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(v) 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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business 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 for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(y) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Impairment of financial assets (continued)

For available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax for investment property

For the purposes of measuring deferred tax for investment property that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment property is held under 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. Therefore, in determining the Group's deferred tax for investment property, the presumption that investment property measured using the fair value model is recovered through sale is rebutted.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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, are discussed below.

(a) Depreciation and impairment on property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The Group assesses whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations of each CGU the property, plant and equipment belonged which 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. The carrying amount exceeded the recoverable amount of the property, plant and equipment, therefore, impairment loss of RMB24,724,000 (2014: RMB60,067,000) on property, plant and equipment was charged to profit or loss. Details of the impairment loss calculation are provided in note 20(c) to the consolidated financial statements.

The carrying amount of property, plant and equipment as at 31 December 2015 was RMB13,949,000 (2014: RMB26,525,000).

(b) Income taxes

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

During the year, RMB1,242,000 (2014: RMB6,880,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has 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. The carrying amount of goodwill at 31 December 2015 was RMB31,747,000 (2014: RMB59,782,000) after an impairment loss of RMB26,449,000 was recognised during the year. Details of the impairment loss calculation are provided in note 24 to the consolidated financial statements.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(d) Fair values of investment property

The Group appointed an independent professional valuer to assess the fair values of the investment property. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions. The carrying amount of investment property as at 31 December 2015 was RMB50,300,000 (2014: RMB46,640,000) after recognition of the fair value gain of RMB3,660,000 (2014: RMB32,590,000) to the profit or loss during the year.

(e) Amortisation and impairment on intangible assets

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with a finite useful life are reviewed by the management at least at the end of each reporting period.

The Group assesses whether any indication of impairment in accordance with the accounting policy. The recoverable amounts of intangible assets have been determined based on value in use calculations of each CGU the intangible assets belonged which 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. No impairment loss was made for the year ended 31 December 2015 as the recoverable amount exceeded the carrying amount while impairment loss of RMB30,397,000 was charged to profit or loss in 2014 due to the carrying amount exceeded the recoverable amount of the intangible assets. Details of the impairment loss calculation are provided in note 20(c) to the consolidated financial statements.

The carrying amount of intangible assets as at 31 December 2015 was RMB37,943,000 (2014: RMB69,396,000).

(f) Allowance for trade and other receivables

The Group makes allowance for trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Allowances arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

During the year, reversal of allowance for trade and other receivables of RMB150,000 (2014: RMB20,665,000 allowance net of reversal for both continuing and discontinued operations) was recognised in profit or loss. The carrying amount of trade and other receivables as at 31 December 2015 was RMB29,375,000 (2014: RMB102,514,000).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(g) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

At 31 December 2015, no allowance for slow-moving inventories was made (2014: RMB19,892,000).

(h) Fair value of derivative component

As disclosed in note 37 to the consolidated financial statements, the fair value of the derivative component of the convertible bonds at the date of issue, the end of the reporting period and date of conversion were determined using binomial models. The application of binomial models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss on the derivative component in the period in which such determination is made.

The carrying amount of the derivative component as at 31 December 2014 was RMB5,247,000.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB, Korean Won ("**KRW**"), HK$ and United States dollars ("**US$**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT (continued)

(a) Foreign currency risk (continued)

At 31 December 2015, if the RMB had weakened 5 per cent against the US$ with all other variables held constant, consolidated loss after tax for the year would have been RMB277,000 (2014: RMB203,000) lower, arising mainly as a result of the foreign exchange difference on trade payables, trade receivables and bank and cash balances denominated in US$. If the RMB had strengthened 5 per cent against the US$ with all other variables held constant, consolidated loss after tax for the year would have been RMB277,000 (2014: RMB203,000) higher, arising mainly as a result of the foreign exchange difference on bank and cash balances denominated in US$.

At 31 December 2015, if the RMB had weakened 5 per cent against the HK$ with all other variables held constant, consolidated loss after tax for the year would have been RMB1,423,000 (2014: RMB39,000) lower, arising mainly as a result of the foreign exchange difference on bank and cash balances denominated in HK. If the RMB had strengthened 5 per cent against the HK$ with all other variables held constant, consolidated loss after tax for the year would have been RMB1,423,000 (2014: RMB39,000) higher, arising mainly as a result of the foreign exchange difference on bank and cash balances denominated in HK$.

(b) Credit risk

(i) Trade and other receivables

The Group's credit risk is primarily attributable to trade and other receivables. In order to minimise credit risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Amounts due from a director and a related party are closely monitored by the other directors.

At 31 December 2015, the Group has a certain concentration of credit risk as 25% (2014: 71%) and 67% (2014: 82%) of the total trade receivables were due from the Group's largest debtor and the five largest debtors as at 31 December 2015 respectively. The Group does not hold any collateral over these balances.

(ii) Deposits with banks and cash balance and other investments

The credit risk on bank and cash balances and other investments are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative of financial liabilities is as follows:

	The Group			
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2015				
Trade and other payables	**27,812**	**–**	**–**	**27,812**
Due to directors	**6,574**	**–**	**–**	**6,574**
Due to related parties	**130**	**–**	**–**	**130**
Bank loans	**17,368**	**–**	**–**	**17,368**
Convertible bonds	**–**	**–**	**–**	**–**
Due to an associate	**9,625**	**–**	**–**	**9,625**
At 31 December 2014				
Trade and other payables	90,882	–	–	90,882
Due to directors	5,008	–	–	5,008
Due to related parties	35,269	–	–	35,269
Bank loans	14,351	–	–	14,351
Convertible bonds	–	52,104	–	52,104

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank balances and short-term bank loans. These balances bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2015, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, consolidated loss after tax for the year would have been RMB726,000 lower/higher (2014: RMB860,000 lower/higher), arising mainly as a result of higher/lower interest income/expenses on bank deposits and bank loans.

Other than the bank balances and bank loans as mentioned above, the Group's deposits, other investments and certain short-term bank loans bear interest at fixed interest rates and therefore are subject to fair value interest rate risks.

6. FINANCIAL RISK MANAGEMENT (continued)

(e) Categories of financial instruments at 31 December:

	2015 RMB'000	2014 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**146,472**	178,384
Financial liabilities:		
Fair value through profit or loss:		
Financial derivative	–	5,247
Contingent payables	–	31,742
Financial liabilities at amortised cost	**51,362**	153,532

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosure of level in fair value hierarchy:

Description	Fair value measurements as at 31 December 2015 using:			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Recurring fair value measurement:				
Investment property				
– Commercial PRC (note 21)	**–**	**–**	**50,300**	**50,300**

Description	Fair value measurements as at 31 December 2014 using:			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement:				
Investment property				
– Commercial PRC (note 21)	–	–	46,640	46,640
Recurring fair value measurement:				
Financial liabilities at fair value through profit or loss				
– Contingent payables (note 38)	–	(31,742)	–	(31,742)
– Derivative financial instruments (note 37)	–	–	(5,247)	(5,247)
	–	(31,742)	(5,247)	(36,989)

7. FAIR VALUE MEASUREMENTS (continued)

(b) Reconciliation of assets/liabilities measured at fair value based on level 3:

Description	Assets/(liabilities) at fair value through profit or loss Investment properties RMB'000	Contingent payables RMB'000	Derivative financial instruments RMB'000	2015 Total RMB'000
At 1 January 2015	**46,640**	**–**	**(5,247)**	**41,393**
Release upon conversion of convertible bonds	**–**	**–**	**5,236**	**5,236**
Total gains or losses recognised in profit or loss (#)	**3,660**	**–**	**–**	**3,660**
Exchange difference	**–**	**–**	**11**	**11**
At 31 December 2015	**50,300**	**–**	**–**	**50,300**
(#) Include gains or losses for assets held at end of reporting period	**3,660**	**–**	**–**	**3,660**

Description	Assets/(liabilities) at fair value through profit or loss Investment properties RMB'000	Contingent payables RMB'000	Derivative financial instruments RMB'000	2014 Total RMB'000
At 1 January 2014	14,050	(19,729)	(2,510)	(8,189)
Transfer from level 3 measurement to level 2 measurement	–	19,729	–	19,729
Total gains or losses recognised in profits or loss (#)	32,590	–	(2,653)	29,937
Exchange difference	–	–	(84)	(84)
At 31 December 2014	46,640	–	(5,247)	41,393
(#) Include gains or losses for assets/(liabilities) held at end of reporting period	32,590	–	(2,653)	29,937

7. FAIR VALUE MEASUREMENTS (continued)

(b) Reconciliation of assets/liabilities measured at fair value based on level 3: (continued)

During the year ended 31 December 2014, contingent payables of RMB19,729,000 were transferred from measurement based on level 3 to level 2. Since profit guarantee in relation to the contingent payables were met, the number of shares to be issued can be determined and the share price can be determined based on the quoted market price at the end of the reporting period.

The total gains or losses recognised in profit or loss including those assets and liabilities at end of reporting period are presented in the face and included in other income (2014: other operating expenses) of the consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

			Fair value	
Description	**Valuation technique**	**Inputs**	**2015 RMB'000**	2014 RMB'000
Contingent payables	Income approach	VCL's 2014 net profit Share price at 31 December 2014	–	31,742

7. FAIR VALUE MEASUREMENTS (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015: (continued)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2015 RMB'000 asset/(liabilities)	Fair value 2014 RMB'000 asset/(liabilities)
Investment properties – Commercial PRC	Income capitalisation approach	Yield	3.8%-4.5% (2014:6%)	Higher of the yield, lower of fair value	**50,300**	46,640
		Market rent	Monthly office rental RMB25.5/sq.m.	Higher of the market rent, higher of fair value		
			Monthly car parking space RMB123-205/ unit.			
Derivatives financial instrument – derivative component of convertible bonds	Binominal approach	Discount rate	12.39% (2014: 12.39%)	Increase in liability	**–**	(5,247)
		Risk free rate	0.13% (2014: 0.13%)			
		Volatility	69.74% (2014: 69.74%)			
Derivative financial instrument – Call Option	Scenario based analysis approach	PE ratio	45.77x-55.77x	Increase in asset	**–**	–
		LoMD	25%-35%			

8. REVENUE

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

	2015 RMB'000	2014 RMB'000 (Restated)
Sales of software, IT system and services	13,645	26,486
Consultation and maintenance service income	18,216	20,198
Provision of digital advertising platform and related solutions	1,698	–
	33,559	46,684

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000 (Restated)
Bank interest income	17	20
Government grants	332	1,518
Net foreign exchange gain	1,570	38
Change in fair value of contingent payables	2,649	–
Gross rental income from investment properties	1,885	1,733
Value-added tax ("**VAT**") refund	1,322	1,628
Others	561	573
	8,336	5,510

10. SEGMENT INFORMATION

The Group has two (2014: four) reportable segments as follows:

(i)	Online to Offline ("**O2O**") solutions segment	– Sale of software and provision of O2O consultation service
(ii)	Integrated digital marketing ("**IDM**") solutions segment	– Provision of digital advertising platform and related solutions

Zirconium and petrochemicals segments were discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations, which is described in more detail in note 17 to the consolidated financial statements.

O2O solutions segment is attributable to Virtual City Limited ("**VCL**") and its subsidiaries.

IDM solutions segment is mainly attributable to Great Sino Technology Development Limited ("**GSTD**") and its subsidiaries.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Each of the above operating segments corresponds to related subsidiaries engaging in the respective segment activities.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include corporate income and expenses. Segment assets do not include goodwill and corporate assets. Segment liabilities do not include corporate liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

10. SEGMENT INFORMATION (continued)

(i) Information about reportable segments' profit or loss, assets and liabilities from continuing operations:

	O2O solutions segment		IDM solutions segment		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Year ended 31 December						
Revenue from external customers	**31,861**	46,684	**1,698**	–	**33,559**	46,684
Segment (loss)/profit	**(3,027)**	31,673	**(125,582)**	(25,627)	**(128,609)**	6,046
Interest revenue	**44**	18	**4**	2	**48**	20
Interest expense	**1,151**	238	**–**	–	**1,151**	238
Depreciation and amortisation	**7,643**	7,927	**43,767**	21,765	**51,410**	29,692
Income tax expense	**1,242**	6,880	**–**	–	**1,242**	6,880
Other material non-cash items:						
Impairment on						
non-current assets	**–**	–	**44,864**	–	**44,864**	–
Additions to segment						
non-current assets	**26,997**	11,234	**20,752**	93,421	**47,749**	104,655
At 31 December						
Segment assets	**133,210**	120,101	**66,611**	85,529	**199,821**	205,630
Segment liabilities	**(33,662)**	(39,307)	**(29,089)**	(33,001)	**(62,751)**	(72,308)

10. SEGMENT INFORMATION (continued)

(ii) Reconciliations of reportable segments' revenue, profit or loss, assets and liabilities from continuing operations:

	2015 RMB'000	2014 RMB'000 (Restated)
Revenue		
Total revenue from continuing operations	**33,559**	46,684

	2015 RMB'000	2014 RMB'000 (Restated)
Profit or loss		
Total (loss)/profit of reportable segments	**(128,609)**	6,046
Unallocated amounts:		
Change in fair value of derivative component of convertible bonds	**–**	(2,653)
Change in fair value of contingent payables	**2,649**	(11,430)
Impairment loss on goodwill	**(26,449)**	–
Unallocated head office and corporate expenses	**(15,637)**	(8,324)
Consolidated loss before tax for continuing operation	**(168,046)**	(16,361)

10. SEGMENT INFORMATION (continued)

(ii) Reconciliations of reportable segments' revenue, profit or loss, assets and liabilities from continuing operations: (continued)

	2015 RMB'000	2014 RMB'000
Assets		
Total assets of reportable segments	**199,821**	205,630
Elimination of intersegment assets	–	(5,668)
Assets related to discontinued operations	–	197,010
Unallocated amounts:		
Goodwill	**31,747**	59,782
Unallocated head office and corporate assets	**61,183**	81,799
Consolidated total assets	**292,751**	538,553
Liabilities		
Total liabilities of reportable segments	**62,751**	72,308
Liabilities related to discontinued operations	–	109,644
Unallocated amounts:		
Convertible bonds	–	46,029
Derivative financial instruments	–	5,247
Contingent payables	–	31,742
Unallocated head office and corporate liabilities	**8,644**	2,552
Consolidated total liabilities	**71,395**	267,522

10. SEGMENT INFORMATION (continued)

(iii) Geographical information:

Revenue

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

	2015 **RMB'000**	2014 RMB'000
PRC except Hong Kong	**18,322**	14,692
Hong Kong	**10,897**	21,527
Macau	**4,340**	10,465
Consolidated total revenue	**33,559**	46,684

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets are substantially located in the PRC.

(iv) Revenue from major customers:

	2015 **RMB'000**	2014 RMB'000
Customer A	**7,546**	N/A
Customer B	**4,155**	10,221

Each of the major customers represents a single external customer whose sale transaction amount is generated from O2O solutions segment of the Group.

11. FINANCE COSTS

	2015 RMB'000	2014 RMB'000 (Restated)
Interest expenses on bank loans wholly repayable within five years	**1,145**	238
Imputed interest expenses on convertible bonds wholly payable within five years (note 37)	**1,439**	3,817
Others	**6**	21
	2,590	4,076

12. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2015 RMB'000	2014 RMB'000 (Restated)
Current tax – Hong Kong profits tax		
Provision for the year	**–**	233
Over-provision in prior year	**(33)**	(16)
	(33)	217
Current tax – PRC enterprise income tax ("**PRC EIT**")		
Provision for the year	**1,382**	2,691
Over-provision in prior year	**(34)**	(261)
	1,348	2,430
Deferred tax (note 39)		
Provision for the year	**(47)**	–
Over-provision in prior year	**(26)**	4,233
	(73)	4,233
Income tax expense	**1,242**	6,880

12. INCOME TAX EXPENSE (continued)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year ended 31 December 2015. Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2014.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group's subsidiaries operate, based on existing legislation, interpretation and practices in respect thereof.

The new PRC EIT law (the "**New Tax Law**") that was passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which included the unification of the EIT for domestic and foreign enterprises at 25%. The New Tax Law was effective from 1 January 2008.

Smartac Solutions (Suzhou) Limited ("**SZYL**") was recognised as an advance technology enterprise (高新技術企業) in 2011 and was entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2011. In order to enjoy the preferential rate of 15%, SZYL was subject to reviews its status being an advance technology enterprise every three years after its status being recognised. In 2014, SZYL has renewed its status and enjoys the preferential rate of 15% for the years ended 31 December 2014, 2015 and 2016.

Macau Complementary Tax ("**MCT**") is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the year. No provision for MCT has been made in the consolidated financial statements as the relevant group entity had assessable profit less than the exemption threshold of MOP600,000.

12. INCOME TAX EXPENSE (continued)

The reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC EIT rate is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Loss before tax	**(168,046)**	(16,361)
Tax at the PRC EIT rate of 25% (2014: 25%)	**(42,011)**	(4,090)
Tax effect of income that is not taxable	**(4,910)**	(25)
Tax effect of expenses that are not deductible	**14,025**	4,097
Tax effect of temporary differences and tax losses not recognised	**32,638**	9,582
Tax effect of utilisation of tax losses not previously recognised	**(75)**	(49)
Tax effect of tax concession	**(176)**	(2,782)
Tax effect of tax credit	**–**	123
Over-provision in prior years	**(92)**	(277)
Tax effect of different tax rates of subsidiaries	**1,843**	301
Income tax expense	**1,242**	6,880

13. LOSS FOR THE YEAR

The Group's loss for the year from continuing and discontinued operation is stated after charging/(crediting) the following:

	Continuing		Discontinued	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Allowance for trade receivables	**–**	172	**242**	326
Reversal of allowance for trade receivables	**(150)**	–	**(316)**	(80)
Allowance for other receivables#	**–**	–	**4,050**	20,247
Allowance for inventories	**–**	–	**552**	1,500
Amortisation of intangible assets	**5,472**	5,057	**2,970**	3,960
Amortisation of prepaid land lease payments	**56**	56	**1,189**	1,005
Auditor's remuneration				
– Audit services	**1,303**	1,205	**–**	380
– Other services	**521**	–	**–**	–
	1,824	1,205	**–**	380
Change in fair value of derivative component of convertible bonds#	**–**	2,653	**–**	–
Change in fair value of contingent payables#	**(2,649)**	11,430	**–**	–
Cost of inventories sold*	**7,391**	25,903	**34,528**	41,912
Depreciation	**12,293**	1,829	**1,098**	5,596
Less: amount capitalised in software development costs	**(376)**	(244)	**–**	–
	11,917	1,585	**1,098**	5,596
Direct operating expenses of investment property that generate rental income	**1,255**	1,110	**–**	–
Environmental contribution levies	**–**	–	**–**	23,000
Impairment loss on construction in progress	**5,015**	–	**–**	72
Impairment loss on intangible assets	**–**	–	**–**	30,397
Impairment loss on prepaid land lease payment	**–**	–	**–**	1,257
Impairment loss on property, plant and equipment	**24,724**	–	**70**	60,067
Impairment loss on long-term prepayments	**15,125**	–	**–**	–
Write-off of construction in progress	**53**	–	**–**	–
Net foreign exchange gain	**(1,570)**	(38)	**(382)**	(51)
Write-off of property, plant and equipment	**24**	–	**–**	–
Research and development cost	**1,382**	–	**–**	–
Operating leases charges in respect of				
– Office premises in Hong Kong	**715**	372	**489**	822
– Leasehold land in the PRC	**3,391**	1,093	**–**	–
– Others	**198**	90	**225**	300
	4,304	1,555	**714**	1,122

* Cost of inventories sold includes staff costs, depreciation, amortisation and operating lease charges of approximately RMB4,077,000 (2014: RMB6,106,000) which are included in the amounts disclosed separately above.

\# Included under other operating expenses.

14. EMPLOYEE BENEFITS EXPENSES

	Continuing		Discontinued	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Staff costs (including directors' emoluments)				
– Salaries, bonus and allowance	**41,858**	21,833	**10,891**	4,909
– Retirement benefit scheme contributions	**3,709**	2,026	**835**	488
– Severance payment	**467**	–	**–**	–
	46,034	23,859	**11,726**	5,397
Less: amount capitalised in software development costs	**(13,962)**	(8,456)	**–**	–
	32,072	15,403	**11,726**	5,397

The five highest paid individuals in the Group during the year included two (2014: two) directors whose emoluments are reflected in the analysis presented in note 15 to the consolidated financial statements. The emoluments of the remaining three (2014: three) individuals are set out below:

	2015	2014
	RMB'000	RMB'000
Salaries and allowances	**1,351**	1,298
Discretionary bonus	**–**	43
Retirement benefit scheme contributions	**41**	38
Severance payment	**32**	–
	1,424	1,379

The emoluments fell within the following band:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000 (equivalent to Nil to RMB814,000 (2014: RMB796,000))	**3**	3

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out below as an inducement to join or upon joining the Group or as compensation for loss of office.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	For the year ended 31 December 2015			
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of director				
Executive directors				
Mr Yang Xin Min	–	1,400	8	1,408
Ms Huang Yue Qin (note a)	–	331	7	338
Mr Kwan Che Hang Jason	–	676	20	696
Mr Yang Zhen (note b)	–	–	–	–
	–	2,407	35	2,442
Non-executive director				
Mr Wang Jia Wei (note c)	(350)	–	–	(350)
	(350)	–	–	(350)
Independent Non-executive directors				
Dr Cheng Faat Ting Gary	90	–	–	90
Mr Poon Lai Yin Michael	81	–	–	81
Mr Yang Wei Qing	81	–	–	81
	252	–	–	252
Total for 2015	(98)	2,407	35	2,344

15. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

Certain comparative information of directors' emoluments for the year ended 31 December 2014 disclosed in accordance with the predecessor Hong Kong Companies Ordinance (Cap. 32) have been restated in order to comply with the scope and requirements of the new Hong Kong Companies Ordinance (Cap.622):

	For the year ended 31 December 2014			
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of director				
Executive directors				
Mr Yang Xin Min	–	1,375	7	1,382
Ms Huang Yue Qin	–	388	7	395
Mr Zhou Quan (note d)	–	121	5	126
Mr Kwan Che Hang Jason	143	–	–	143
	143	1,884	19	2,046
Non-executive director				
Mr Wang Jia Wei	95	–	–	95
Independent Non-executive directors				
Dr Cheng Faat Ting Gary	82	–	–	82
Mr Ji Chang Ming (note e)	7	–	–	7
Mr Poon Lai Yin Michael	74	–	–	74
Mr Zhou Guang Yao (note f)	47	–	4	51
Mr Yang Wei Qing (note g)	21	–	–	21
	231	–	4	235
Total for 2014	469	1,884	23	2,376

15. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

Notes:

(a) resigned on 31 December 2015
(b) appointed on 31 December 2015
(c) resigned on 4 May 2015
(d) resigned on 1 September 2014
(e) resigned on 4 February 2014
(f) appointed on 4 February 2014 and resigned on 1 September 2014
(g) appointed on 26 September 2014

During the year, Mr. Wang Jia Wei waived his emolument being the non-executive director for the period from 2011 up to the date of his resignation in 2015.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

The Group's total contributions to these schemes charged to the profit or loss during the year ended 31 December 2015 amounted to approximately RMB4,544,000 (2014: RMB2,514,000) representing contributions payable by the Group to the schemes at the appropriate rates set by the local government of the subsidiaries.

17. DISCONTINUED OPERATIONS

On 21 September 2015, the Company entered into a sale and purchase agreement of the 100% equity interest of Kanway Investments Limited ("**Kanway**") at a consideration of approximately RMB16,281,000 (equivalent to HK$20,000,000). The disposal was completed on 27 September 2015. The principal activities of Kanway and its subsidiaries were provision of petrochemicals storage and trading services.

On 23 October 2015, the Company entered into a sale and purchase agreement of the 100% equity interest of Kingweston Technology Limited ("**Kingweston**") at a consideration of approximately RMB6,513,000 (equivalent to HK$8,000,000). The disposal was completed on 18 December 2015. The principal activity of Kingweston and its subsidiaries were manufacturing and trading of zirconium products.

17. DISCONTINUED OPERATIONS (continued)

On 28 December 2015, the Company entered into a sale and purchase agreement to dispose 51% equity interest of P.T. Asia Prima Resources Limited ("**APR**") at a consideration of approximately RMB1,893,000 (equivalent to US$300,000). The disposal was completed on 28 December 2015. The principal activity of APR was separation, processing and refining of zircon sand, contracting and management of mining concession and the sale of zircon products.

Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposals, are disclosed in note 45(a) to the consolidated financial statements.

	2015 RMB'000	2014 RMB'000
Loss for the year from discontinued operations:		
Revenue	**52,009**	64,938
Cost of sales and services	**(43,609)**	(55,177)
Gross profit	**8,400**	9,761
Other income	**3,221**	624
Selling expenses	**(1,632)**	(1,231)
Administrative expenses	**(24,945)**	(11,434)
Other operating expenses	**(4,052)**	(43,406)
Impairment of non-current assets	**(70)**	(91,793)
Loss from operations	**(19,078)**	(137,479)
Finance cost	**(181)**	(2,787)
Loss before tax	**(19,259)**	(140,266)
Income tax expense	**(287)**	6,536
Loss for the year	**(19,546)**	(133,730)
Gain on disposal of discontinued operations (note 45(a))	**45,525**	–
Profit/(loss) for the year from discontinued operations (attributable to owners of the Company)	**25,979**	(133,730)

Loss for the year from discontinued operations is disclosed in note 13 to the consolidated financial statements.

	2015 RMB'000	2014 RMB'000
Cash flows from discontinued operations:		
Net cash inflows from operating activities	**80,002**	126,007
Net cash inflows/(outflows) from investing activities	**312,315**	(427,836)
Net cash (outflows)/inflows from financing activities	**(285,000)**	285,000
Net cash inflows/(outflows)	**107,317**	(16,829)

18. DIVIDENDS

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

19. LOSS PER SHARE

(a) Basic loss per share

(i) From continuing and discontinued operations

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB128,058,000 (2014: RMB163,944,000) and the weighted average number of ordinary shares of 3,770,513,753 (2014: 2,933,194,425) in issue during the year.

(ii) From continuing operations

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately RMB154,037,000 (2014: RMB30,214,000) and the denominator used is the same as that detailed above.

(iii) From discontinued operations

Basic earnings per share from the discontinued operations is RMB0.69 cent per share (2014: RMB4.56 cents loss per share) based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately RMB25,979,000 (2014: Loss of RMB133,730,000) and the weighted average number of ordinary shares of 3,770,513,753 (2014: 2,933,194,425) issue during the year.

(b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds and outstanding share options for the years ended 31 December 2015 and 2014 would be anti-dilutive for loss per share from continuing operations, no diluted loss per share was presented in both years.

20. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvement RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2014	247,704	614,673	5,888	10,015	878,280
Additions	576	1,441	1,728	–	3,745
Disposals	–	–	(7)	–	(7)
Transfer from construction in progress (note 22)	249	–	–	–	249
Exchange differences	–	–	15	–	15
At 31 December 2014 and 1 January 2015	**248,529**	**616,114**	**7,624**	**10,015**	**882,282**
Additions	**812**	**–**	**1,130**	**1,869**	**3,811**
Write-off	**–**	**–**	**(107)**	**–**	**(107)**
Disposal of subsidiaries (note 45)	**(239,521)**	**(616,114)**	**(4,270)**	**(9,556)**	**(869,461)**
Transfer from construction in progress (note 22)	**135**	**–**	**36,117**	**–**	**36,252**
Exchange differences	**5**	**–**	**39**	**–**	**44**
At 31 December 2015	**9,960**	**–**	**40,533**	**2,328**	**52,821**
Accumulated depreciation and impairment					
At 1 January 2014	230,357	546,864	3,151	7,887	788,259
Charge for the year	1,076	4,213	1,289	847	7,425
Impairment losses (note c)	8,978	51,089	–	–	60,067
Disposals	–	–	(2)	–	(2)
Exchange differences	–	–	8	–	8
At 31 December 2014 and 1 January 2015	**240,411**	**602,166**	**4,446**	**8,734**	**855,757**
Charge for the year	**933**	**372**	**11,387**	**699**	**13,391**
Impairment losses (note c)	**–**	**–**	**24,724**	**–**	**24,724**
Write-off	**–**	**–**	**(83)**	**–**	**(83)**
Disposal of subsidiaries (note 45)	**(239,516)**	**(602,538)**	**(3,826)**	**(9,056)**	**(854,936)**
Exchange differences	**–**	**–**	**19**	**–**	**19**
At 31 December 2015	**1,828**	**–**	**36,667**	**377**	**38,872**
Carrying amount					
At 31 December 2015	**8,132**	**–**	**3,866**	**1,951**	**13,949**
At 31 December 2014	8,118	13,948	3,178	1,281	26,525

20. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) The Group's buildings are located in the PRC under medium term leases.

(b) At 31 December 2015, the carrying amount of the Group's property, plant and equipment pledged as security for the Group's bank loans of RMB17,000,000 (note 36) amounted to approximately RMB6,447,000 (2014: RMB6,839,000).

(c) The recoverable amounts of the CGUs the non-current assets belonged have been determined on the basis of their value in use calculation using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group conducted an impairment testing on the carrying amounts of the non-current assets. Based on the valuation report prepared by Avista Valuation Advisory Limited ("**Avista**"), an independent firm of professional valuers, the impairment losses of non-current assets of the Group charged to profit or loss are analysed as follows:

	For the year ended 31 December			
	2015	2014		
	Attributable to IDM solutions segment RMB'000 (note i)	Attributable to zirconium segment RMB'000 (note ii)	Attributable to petrochemicals segment RMB'000 (note ii)	Total impairment loss RMB'000
Property, plant and equipment	**24,724**	23,214	36,853	60,067
Construction in progress (note 22)	**5,015**	72	–	72
Intangible assets (note 25)	**–**	–	30,397	30,397
Prepaid land lease payments (note 23)	**–**	1,257	–	1,257
Long-term prepayments (note 28)	**15,125**	–	–	–
Charged to profit or loss	**44,864**	24,543	67,250	91,793

20. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The rates used to discount the forecast cash flows from the Group's IDM solutions segment is 21.8%.

Due to the unpredictability of income generated from the IDM solutions segment, full impairment was made on the assets that belongs to this segment for the year ended 31 December 2015.

(ii) The above segments represented discontinued operations disposed during the year (note 45(a)).

During the year ended 31 December 2014, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the subsequent five years with the residual period using the growth rate of 3%. This rate did not exceed the average long-term growth rate for the relevant markets. The rates used to discount the forecast cash flows from the Group's zirconium segment and petrochemicals segment were 14% and 16% respectively.

21. INVESTMENT PROPERTY

	2015 **RMB'000**	2014 RMB'000
At 1 January	**46,640**	14,050
Fair value gain	**3,660**	32,590
At 31 December	**50,300**	46,640

The fair value of the Group's investment property at 31 December 2015 was valued on income capitalisation approach by taking into account the net rental income of the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the lease. The valuation was performed by Grant Sherman Appraisal Limited in 2015 while the valuation was performed by Avista in 2014.

There was no change in the valuation approach for the years ended 31 December 2014 and 2015. The fair value of the Group's investment property is within level 3 of the fair value hierarchy.

The Group's investment property at its carrying amounts is analysed as follows:

	2015 **RMB'000**	2014 RMB'000
The PRC:		
Medium-term lease	**50,300**	46,640

At 31 December 2015, the investment property was pledged as security for the Group's bank loans of RMB17,000,000 (note 36).

22. CONSTRUCTION IN PROGRESS

	2015	2014
	RMB'000	RMB'000
At 1 January	**28,683**	321
Additions	**13,769**	28,683
Disposal of discontinued operations (note 45(a))	**(1,068)**	–
Transfer to property, plant and equipment (note 20)	**(36,252)**	(249)
Write-off	**(53)**	–
Impairment loss (note 20(c))	**(5,015)**	(72)
At 31 December	**64**	28,683

The Group's construction in progress comprises costs incurred on computer hardware, machinery and equipment pending installation.

23. PREPAID LAND LEASE PAYMENTS

	2015	2014
	RMB'000	RMB'000
At 1 January	**40,690**	43,008
Disposal of discontinued operations (note 45(a))	**(37,215)**	–
Amortisation for the year	**(1,245)**	(1,061)
Impairment loss (note 20(c))	**–**	(1,257)
At 31 December	**2,230**	40,690
Current portion	**(56)**	(1,060)
Non-current portion	**2,174**	39,630

As at 31 December 2015, the Group's leasehold properties are located in the PRC under medium-lease of fifty years.

As at 31 December 2015, the prepaid land lease payments were pledged as security for the Group's bank loans of RMB17,000,000 (note 36).

24. GOODWILL

	Petrochemicals segment RMB'000 (note (a))	O2O solutions segment: Software development RMB'000 (note (b))	O2O solutions segment: Hardware installation RMB'000 (note (b))	Total RMB'000
Cost				
At 1 January 2014, 31 December 2014 and 1 January 2015	255,573	56,093	3,689	315,355
Disposal of a subsidiary (note 45(b))	–	–	(1,586)	(1,586)
Disposal of discontinued operations (note (45(a))	(255,573)	–	–	(255,573)
At 31 December 2015	**–**	**56,093**	**2,103**	**58,196**
Accumulated impairment losses				
At 1 January 2014, 31 December 2014 and 1 January 2015	255,573	–	–	255,573
Impairment loss	–	24,346	2,103	26,449
Disposal of discontinued operations (note 45(a))	(255,573)	–	–	(255,573)
At 31 December 2015	**–**	**24,346**	**2,103**	**26,449**
Carrying amount				
At 31 December 2015	**–**	**31,747**	**–**	**31,747**
At 31 December 2014	–	56,093	3,689	59,782

24. GOODWILL (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

Notes:

(a) The Group acquired 100% equity interest in Muntari Holdings Limited and its subsidiaries (collectively referred to the "**Muntari Group**") on 6 January 2011. The goodwill arising from the acquisition is allocated to CGU of petrochemicals segment. The goodwill was fully impaired since the year ended 31 December 2012. The amount was derecognised during the year upon disposal of discontinued operations.

(b) The Group acquired 51% of the equity interest in VCL in 2013. The goodwill arising from the acquisition is allocated to CGU of software development and CGU of hardware installation respectively.

The recoverable amounts of the CGUs have been determined on the basis of their value in use calculations using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2014: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rates used to discount the forecast cash flows from the Group's software development and hardware installation activities are 17.8% (2014: 21%) and 17.8% (2014: 21%) respectively.

Before impairment testing, goodwill of RMB3,689,000 was allocated to hardware installation within the O2O solutions segment. As there was disposal of a major subsidiary of this CGU (note 45(b)) and fewer projects were engaged, the CGU has been reduced to its recoverable amount and impairment loss of RMB2,103,000 was recognised.

Before impairment testing, goodwill of RMB56,093,000 was allocated to software development within the O2O solutions segment. The recoverable amount of the CGU of the assets belong was below the carrying amount of the CGU. Therefore, impairment of RMB24,346,000 was recognised to profit or loss.

25. INTANGIBLE ASSETS

	Technical know-how (note (a)) RMB'000	Operating license (note (b)) RMB'000	Software development costs (note (c)) RMB'000	Backlog (note (d)) RMB'000	Total RMB'000
Cost					
At 1 January 2014	4,345	174,924	25,283	1,141	205,693
Additions	–	–	8,700	–	8,700
At 31 December 2014 and 1 January 2015	**4,345**	**174,924**	**33,983**	**1,141**	**214,393**
Additions	**–**	**–**	**14,910**	**–**	**14,910**
Disposals of discontinued operations (note 45(a))	**(4,345)**	**(174,924)**	**–**	**(1,141)**	**(180,410)**
At 31 December 2015	**–**	**–**	**48,893**	**–**	**48,893**
Accumulated amortisation and impairment losses					
At 1 January 2014	4,345	99,676	421	1,141	105,583
Amortisation for the year	–	3,960	5,057	–	9,017
Impairment loss (note 20(c))	–	30,397	–	–	30,397
At 31 December 2014 and 1 January 2015	**4,345**	**134,033**	**5,478**	**1,141**	**144,997**
Amortisation for the year	**–**	**2,970**	**5,472**	**–**	**8,442**
Disposal of discontinued operations (note 45(a))	**(4,345)**	**(137,003)**	**–**	**(1,141)**	**(142,489)**
At 31 December 2015	**–**	**–**	**10,950**	**–**	**10,950**
Carrying amount					
At 31 December 2015	**–**	**–**	**37,943**	**–**	**37,943**
At 31 December 2014	–	40,891	28,505	–	69,396

25. INTANGIBLE ASSETS (continued)

Notes:

(a) Technical know-how mainly represents a production technology in respect of rechargeable batteries acquired from a third party at a cost of RMB3,500,000 in 2003 and was amortised over the estimated useful life of 5 years.

(b) Operating license represents the license to operate the wholesale and storage of petrochemicals granted by the PRC government authorities and is amortised over the estimated useful life of 22 years. Operating license belongs to the CGU of petrochemicals segment, details of the impairment testing on which are set out in note 20(c).

(c) Software development costs represent the self-developed software for sales and is amortised over the estimated useful life of 5 years.

(d) Backlog represents the operating lease contracts signed with customer in respect of the petrochemicals storage business and was amortised over the estimated useful life of 1.4 years.

26. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued capital/ registered capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
VCL	BVI	US$11,000	55%	–	Investment holding
Smartac Group Limited	HK	HK$14,450,001	–	100%	Investment holding
Smartac International Limited	HK	HK$1	–	100%	Investment holding
Smartac Asia Limited	HK	HK$1,000	–	100%	Provision of communication system installation and system integration business
Smartac China Limited	HK	HK$15,612,500	–	100%	Investment holding
Advanced Voice Technologies Asia Limited	HK	HK$100,000	–	52%	Trading of voice mail telephone system and provision of maintenance services
Evolve Consulting Limited	HK	HK$10,000	–	51%	Provision of recruitment consulting services
怡峰商務諮詢（上海）有限公司* (Evolve Consulting (Shanghai) Limited)#	PRC	US$110,000	–	100%	Provision of recruitment consulting and IT related services
盈聯卡內基信息科技（蘇州）有限公司* (PCS Carnegie Technology (Suzhou) Limited)#	PRC	US$2,000,000	–	100%	Investment holding
蘇州盈聯智能科技股份有限公司 (Smartac Solutions (Suzhou) Limited)#	PRC	RMB26,000,000	–	96%	Software development
Smartac Intelligent Systems Macau Limited	Macau	MOP100,000	–	100%	Provision of communication system installation and system integration business
Smartac Ventures Limited	BVI	US$1	–	100%	Dormant

26. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries as at 31 December 2015 are as follows: (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued capital/ registered capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Smartac Global Shopping Limited[Δ]	Korea	KRW500,000,000	–	100%	Inactive
蘇州嗨嗨網絡科技有限公司[Δ] (Smartac Global Shopping (Suzhou) Limited)[#]	PRC	RMB2,000,000	–	100%	Inactive
Tosun Limited	BVI	US$1	100%	–	Investment holding
Select Sky Limited	HK	HK$1	–	100%	Investment holding
Haihai Travel Cloud Limited (formerly known as "Solomedia Asia Limited")[Δ]	HK	HK$21,400,000	–	100%	Investment holding
GSTD	HK	HK$200,000,000	–	100%	Investment holding
Cosmartec Limited[Δ] (formerly known as "Solomedia Networks China Limited")	HK	HK$30,000,000	–	100%	Inactive
Haihai Travel Cloud Korea Limited[Δ]	Korea	KRW110,000,000	–	100%	Inactive
鴿子數碼科技（上海）有限公司* (Solomedia Digital (Shanghai) Limited)[#]	PRC	HK$200,000,000	–	100%	Provision of advertising, IT and networking services
鴿子數碼科技（宜興）有限公司* (Solomedia (Yixing) Limited)[#]	PRC	HK$50,000,000	–	100%	Provision of advertising, IT and networking services
宜興鴿子廣告傳媒有限公司[Δ] (Yixing Solomedia Advertising Media Limited)[#]	PRC	RMB1,000,000	–	100%	Provision of advertising, IT and networking services

* These subsidiaries are foreign investment enterprises established pursuant to the law of the PRC.

[#] Being English translated names.

[Δ] These subsidiaries were newly incorporated during the year.

26. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

The following table shows information of subsidiaries held by non-controlling interests ("**NCI**") as at 31 December 2015 which was material to the Group. The financial information represents amounts before inter-company eliminations.

	GSTD		**VCL**	
Date of incorporation	13 December 2013		28 August 2013	
Place of incorporation	HK		BVI	
Principal place of business	The PRC		HK and the PRC	
% of ownership interests/voting rights held by NCI	49% (note (i))		44.55% (note (ii))	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
At 31 December:				
Non-current assets	–	76,048	**100,856**	29,550
Current assets	–	27,869	**49,338**	30,197
Current liabilities	–	(49,412)	**(26,558)**	(14,687)
Non-current liabilities	–	–	**(8,804)**	–
Net assets	–	54,505	**114,832**	45,060
Accumulated NCI		26,707	**31,871**	20,189
Year ended 31 December:				
(Loss)/profit and total comprehensive income	–	(4)	**(159)**	13,706
(Loss)/profit allocated to NCI	–	(2)	**(322)**	6,288
Net cash generated from/(used in) operating activities	–	(4)	**10,290**	(2,114)
Net cash used in investing activities	–	(103,848)	**(16,295)**	(10,368)
Net cash generated from financing activities	–	103,307	**21,619**	11,766
Net (decrease)/increase in cash and cash equivalents	–	(545)	**15,614**	(716)

Notes:

(i) During the year, the Group acquired the 49% of GSTD from the NCI.

(ii) The Group acquired 4.45% of equity interest from the NCI during the year by way of subscription of new shares issued by VCL.

27. INVESTMENT IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
Unlisted investment:		
Share of net assets	**4,004**	–
Goodwill	**7,224**	–
	11,228	–
Less: Impairment loss (note c)	**(7,224)**	–
	4,004	–

Notes:

(a) The amount due to an associate is unsecured, interest-free and repayable on demand.

(b) Details of the Group's associate at 31 December 2015 is as follows:

Name	Place of establishment	Registered capital	Percentage of ownership interest	Principal activities
上海澤維信息技術有限公司 ("**Shanghai Zewei**")	The PRC	RMB6,060,606	27.4%	Provision of information inquiries and sharing services

27. INVESTMENT IN AN ASSOCIATE (continued)

Notes: (Continued)

The following table shows information of an associate that is material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the associate's management financial statements prepared under IFRS.

	RMB'000
At 31 December:	
Non-current assets	715
Current assets	15,224
Non-current liabilities	(206)
Current liabilities	(1,118)
Net assets	14,615
Group's share of net assets	4,004
Goodwill	7,224
Group's share of carrying amount of interests	11,228
Period from 16 November 2015 (date of acquisition) to 31 December 2015:	
Revenue	397
Loss for the period and total comprehensive income	(720)

Pursuant to the Supplemental Agreement relating to Shanghai Zewei dated 15 September 2015, the Group has the right to acquire RMB200,000 registered capital of Shanghai Zewei from the one of the existing shareholders at a consideration of RMB600,000 and subscribe at maximum of RMB1,631,702 for newly increased registered capital in Shanghai Zewei at a consideration of RMB9,625,000 (the "Call Option"). The Call Option is exercisable within 30 days from the date of the issuance of the audited financial statements for the year ending 31 December 2016, of which Shanghai Zewei, subject to different audited net profit conditions. Details of the Call Option are set out in the Company's announcement dated 15 September 2015.

27. INVESTMENT IN AN ASSOCIATE (continued)

Notes: (Continued)

The fair value of the Call Option as at 16 November 2015 was determined to be zero by reference to valuation report. The fair value of the Call Option was calculated using the Scenario Based Analysis approach and valued by Avista. The inputs of the valuation model are as follows:

	16 November 2015
Share price of Shanghai Zewei	Range from RMB21,322 to RMB31,983
Expected exercise price*	RMB47,181
Risk free rate	2.62%
Life of Call Option	1.25 years

* The expected exercise price is estimated based on the Shanghai Zewei's profit forecast.

(c) The recoverable amount of the investment in Shanghai Zewei, is determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rate and budgeted turnover. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investment in Shanghai Zewei. The growth rates are based on long-term average economic growth rate of the geographical area in which Shanghai Zewei operates. Budgeted turnover are based on expectations on market development of related operations.

The cash flow forecasts of Shanghai Zewei were derived from the most recent financial budgets approved by the directors covering a five-year period using a constant growth rate of 3%. The pre-tax rate used to discount the forecast cash flow is 23.2%. Due to the unpredictability of income generated from this operation and uncertainty of having a long term contractual arrangement with a major strategic partner, the recoverable amount of Shanghai Zewei decreased and impairment loss of RMB7,224,000 was recognised in profit or loss.

As at 31 December 2015, the bank and cash balances of the Group' associate in the PRC denominated in RMB amounted to RMB4,370,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. LONG-TERM PREPAYMENTS

Prepayment for operations of wireless networks at railway stations

During the year, the Group made prepayments for operations of wireless networks at railway stations. The movement of prepayments is as follows:

	2015 **RMB'000**	2014 RMB'000
At 1 January	**43,289**	–
Additions	**5,425**	65,033
Amortisation for the year	**(33,589)**	(21,744)
Impairment loss (note 20(c))	**(15,125)**	–
At 31 December	**–**	43,289
Current portion	**–**	(23,627)
Non-current portion	**–**	19,662

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 **RMB'000**	2014 RMB'000
Non-current assets		
Unlisted equity security	**600**	–
Less: impairment loss	**(600)**	–
	–	–

The unlisted equity security represented an investment of 1.81% equity interest in a private company established in the PRC with carrying amount of RMB600,000 was carried at cost as it does not have a quoted market price in an active market and its fair value cannot be reliably measured.

Available-for-sale financial assets are denominated in Renminbi.

30. OTHER INVESTMENTS

The Group's other investments represent certificate of deposits ("**CDs**") held by the Company issued by financial institutions. The CDs carry fixed interest at 0.9% – 1% per annum, payable yearly, and will mature in August 2016. None of these assets has been past due or impaired at the end of the reporting period.

31. INVENTORIES

	2015 **RMB'000**	2014 RMB'000
Raw materials	**–**	31,916
Work in progress	**–**	6,206
Finished goods	**2,624**	9,417
	2,624	47,539
Less: Allowance for inventories	**–**	(19,892)
	2,624	27,647

	2015 **RMB'000**	2014 RMB'000
Reconciliation of allowance for inventories:		
At 1 January	**19,892**	18,403
Allowance for the year	**552**	1,500
Disposal of discontinued operations (note 45(a))	**(20,444)**	–
Exchange difference	**–**	(11)
At 31 December	**–**	19,892

32. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables (note (a))	**4,650**	78,387
Less: Allowance	**(724)**	(1,710)
	3,926	76,677
Advance payments to suppliers	**301**	1,989
Deposits	**7,665**	6,247
Prepayments	**1,661**	2,779
Other receivables (note (b))	**15,822**	14,822
	29,375	102,514

(a) Trade receivables

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors and senior management.

The ageing analysis of the Group's trade receivables, based on invoice date, and net of allowance, is as follows:

	2015 RMB'000	2014 RMB'000
Up to 3 months	**3,142**	73,858
3 to 6 months	**105**	1,156
6 months to 1 year	**–**	755
Over 1 year	**679**	908
	3,926	76,677

32. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Reconciliation of allowance for trade receivables:

	2015 RMB'000	2014 RMB'000
At 1 January	**1,710**	1,292
Allowance for the year	**242**	498
Disposal of discontinued operations (note 45(a))	**(762)**	–
Reversal of allowance	**(466)**	(80)
At 31 December	**724**	1,710

As of 31 December 2015, trade receivables of approximately RMB1,719,000 (2014: RMB10,350,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
Up to 3 months	**959**	8,332
3 to 6 months	**81**	633
6 months to 1 year	**331**	752
Over 1 year	**348**	633
	1,719	10,350

The carrying amounts of the Group's net trade receivables are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
HK$	**376**	6,835
RMB	**2,710**	62,940
US$	**840**	6,902
	3,926	76,677

32. TRADE AND OTHER RECEIVABLES (continued)

(b) At 31 December 2014, an allowance was made for estimated irrecoverable VAT receivables of approximately RMB16,839,000 and other receivable of approximately RMB3,408,000 from subsidiaries relating to discontinued operations.

(c) At 31 December 2015, other receivable included in non-current assets represented an amount due from a purchaser arising from disposal of a subsidiary as disclosed in note 45(b).

33. BANK AND CASH BALANCES

	2015 **RMB'000**	2014 RMB'000
Cash at bank and on hand	**95,515**	92,119
Bank deposits	**–**	1,000
	95,515	93,119

The carrying amounts of the Group's and Company's bank and cash balances are denominated in the following currencies:

	2015 **RMB'000**	2014 RMB'000
US$	**19,610**	85
HK$	**68,008**	86,026
RMB	**4,166**	6,915
KRW	**3,684**	–
Others	**47**	93
	95,515	93,119

As at 31 December 2015, the Group's bank and cash balances held by the PRC subsidiaries denominated in RMB amounted to approximately RMB4,166,000 (2014: RMB6,915,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

34. TRADE AND OTHER PAYABLES

	2015 **RMB'000**	2014 RMB'000
Trade payables	**2,906**	23,803
Receipts in advance from customers	**428**	1,968
Payables for construction costs and purchase of property, plant and equipment	**1,292**	11,998
Other payables	**18,520**	36,368
Accrued expenses	**4,666**	16,745
	27,812	90,882

The ageing analysis of the Group's trade payables, based on the date of receipt of goods, is as follows:

	2015 **RMB'000**	2014 RMB'000
Up to 3 months	**2,543**	17,819
3 to 6 months	**78**	3,119
6 months to 1 year	**4**	785
Over 1 year	**281**	2,080
	2,906	23,803

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2015 **RMB'000**	2014 RMB'000
RMB	**2,578**	19,797
HK$	**328**	3,307
US$	**–**	699
	2,906	23,803

35. DUE TO DIRECTORS

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

36. BANK LOANS AND BANKING FACILITIES

The analysis of the Group's bank loans is as follows:

	2015 RMB'000	2014 RMB'000
Secured bank loans repayable within one year (i)	**17,000**	11,956
Bank invoice loans (ii)	**368**	2,395
	17,368	14,351

The carrying amounts of the Group's bank loans are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**17,000**	11,956
HK$	**–**	1,260
US$	**368**	1,135
	17,368	14,351

The average interest rates at 31 December were as follows:

	2015	2014
Bank loans	**5.61% to 7.28%**	7% to 8%
Bank invoice loans	**4.75% to 6.25%**	4.75% to 6.25%

The Group's bank loans are repayable within one year. Bank loans of RMB17,000,000 are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Bank invoice loans are arranged at floating interest rates, thus exposing the Group to cash flow interest rate risk.

36. BANK LOANS AND BANKING FACILITIES (continued)

As at 31 December 2015, bank loans of RMB17,368,000 (2014: RMB14,351,000) are secured by:

– Charge over the building (note 20(b));

– Charge over the prepaid land lease payments (note 23);

– Charge over the investment property (note 21);

– Personal guarantee provided by a director of the Company (note 49(b)); and

– Charge over a property owned by a related company (note 49(b)).

37. CONVERTIBLE BONDS

The Company issued 2 tranches, Tranche 1 and Tranche 2, of convertible bonds at 100% of the principal amount of HK$65,000,000 for each tranche (totalling HK$130,000,000), as part of the consideration for the acquisition of Muntari Group on 6 January 2011. The convertible bonds are interest-free and unsecured.

On 16 June 2011, Tranche 1 of convertible bonds with principal amount of HK$65,000,000 was converted into 144,444,444 ordinary shares of the Company.

The rights of the convertible bond holders to convert Tranche 2 convertible bonds into ordinary shares are as follows:

– Conversion rights regarding Tranche 2 of convertible bonds are exercisable at any time after 15 days from the date of the board meeting for approving the audited financial statements of Ningbo Lianyi Enterprise Management Consultancy Company Limited and Ningbo Bokun Petrochemical Storage Company Limited for the financial year ended 31 December 2011 up to 10 business days prior to its maturity date on 6 January 2016.

– If a convertible bond holder exercises its conversion rights, the Company is required to deliver ordinary shares at a conversion price of HK$0.45 per share.

The convertible bond holders are not entitled to redeem the convertible bonds before their maturity date. On the other hand, the Company shall have the right to redeem all, but not some only, of the convertible bonds outstanding at an amount equivalent to the principal amount of the convertible bonds in its sole and absolute discretion at any time after 30 months of the issue date of the convertible bonds.

During the year ended 31 December 2015, the Tranche 2 convertible bonds with principal amount of HK$65,000,000 were converted into ordinary shares (note 40(c)).

37. CONVERTIBLE BONDS (continued)

The Tranche 2 convertible bonds have been split between the liability component and derivative component as follows:

	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January 2014	41,147	2,510	43,657
Interest charge for the year (note 11)	3,817	–	3,817
Change in fair value	–	2,653	2,653
Exchange difference	1,065	84	1,149
At 31 December 2014 and 1 January 2015	**46,029**	**5,247**	**51,276**
Interest charge for the year (note 11)	**1,439**	**–**	**1,439**
Transfer to equity upon conversion (note 40(c))	**(47,355)**	**(5,236)**	**(52,591)**
Exchange difference	**(113)**	**(11)**	**(124)**
At 31 December 2015	**–**	**–**	**–**

The interest charged for the year is calculated by applying an effective interest rate of 8.92% per annum (2014: 8.92% per annum) to the liability component.

The fair value of the liability component of the convertible bonds at 31 December 2014 was approximately HK$57,700,000 (equivalent to RMB46,252,000). The fair value has been calculated by discounted cash flow method at a discount rate representing the market yield (level 3 fair value measurement).

The derivative component is measured at its fair value at the date of issue, at the end of each reporting period and the date of conversion. The fair value has been determined by Avista. The fair values are estimated using the binomial model (level 3 fair value measurement). The key assumptions used are as follows:

	Date of conversion 7 May 2015	31 December 2014
Weighted average share price	**HK$0.44**	HK$0.37
Weighted average exercise price	**HK$0.45**	HK$0.45
Expected volatility	**70%**	70%
Expected life	**1.02 years**	1.02 years
Risk free rate	**0.13%**	0.13%
Expected dividend yield	**0%**	0%

38. CONTINGENT PAYABLES

The Company offered 2 tranches, Tranche A of 253,141,304 consideration shares and Tranche B of 108,489,130 consideration shares to the shareholders of VCL as part of the consideration for the acquisition of the 51% equity interest in VCL in 2013.

On 26 November 2013, Tranche A consideration shares of 253,141,304 shares were issued at HK$0.28 per share based on closing price of the Company's shares on share issue date. The fair value of Tranche B consideration shares was approximately RMB31,742,000 (equivalent to HK$39,599,000) as at 31 December 2014.

On 24 November 2015, Tranche B consideration shares of 108,489,130 were issued at HK$0.335 per share based on closing price of the Company's shares on share issue date.

	2015 **RMB'000**	2014 RMB'000
At 1 January	**31,742**	19,729
Change in fair value (note 13)	**(2,649)**	11,430
Release upon issue of consideration shares (note 40(e))	**(29,970)**	–
Exchange difference	**877**	583
	–	31,742

39. DEFERRED TAX

The following are the deferred tax assets/(liabilities) recognised by the Group.

	Property, plant and equipment and other assets RMB'000	Future benefit of tax losses RMB'000	Intangible assets RMB'000	Investment property RMB'000	Total RMB'000
At 1 January 2014	2,105	28	(21,888)	(1,047)	(20,802)
(Charged)/credited to profit or loss (note 12)	(2,525)	(28)	9,274	(4,889)	1,832
At 31 December 2014 and 1 January 2015	**(420)**	**–**	**(12,614)**	**(5,936)**	**(18,970)**
(Charged)/credited to profit or loss (note 12)	**56**	**–**	**567**	**(550)**	**73**
Disposal of discontinued operation (note 45(a))	**–**	**–**	**10,223**	**–**	**10,223**
At 31 December 2015	**(364)**	**–**	**(1,824)**	**(6,486)**	**(8,674)**

At 31 December 2015, the Group has unused tax losses of approximately RMB102,512,000 (2014: RMB175,542,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately RMB102,512,000 (2014: RMB175,542,000) due to the unpredictability of future profit streams. The 2014 tax losses was also included the tax losses arising from discontinued operations.

The unused tax losses of approximately RMB98,936,000 (2014: RMB146,056,000) will expire as follows:

	2015 RMB'000	2014 RMB'000
Year 2015	**–**	14,271
Year 2016	**–**	8,799
Year 2017	**–**	49,937
Year 2018	**–**	32,863
Year 2019	**24,448**	40,186
Year 2020	**74,488**	–
	98,936	146,056

Apart from the tax losses as disclosed above, the remaining tax losses may be carried forward indefinitely.

40. SHARE CAPITAL

	The Company	
	Number of shares	Nominal value of shares HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 1 January 2014, 31 December 2014,1 January 2015 and 31 December 2015	8,000,000,000	400,000

	Number of shares	Nominal value of shares HK$'000	Nominal value of shares RMB'000
Issued and fully paid:			
At 1 January 2014	2,806,947,850	140,347	131,938
Issue of shares upon placement (note (a))	260,000,000	13,000	10,425
Issue of share upon placement (note (b))	300,000,000	15,000	12,034
At 31 December 2014 and 1 January 2015	**3,366,947,850**	**168,347**	**154,397**
Issue of shares upon conversion of convertible bonds (note (c))	**144,444,444**	**7,222**	**5,778**
Issue of shares upon placement (note (d))	**348,480,000**	**17,424**	**13,941**
Issue of shares upon consideration share grant (note (e))	**108,489,130**	**5,424**	**4,473**
At 31 December 2015	**3,968,361,424**	**198,417**	**178,589**

Notes:

(a) On 10 July 2014, Mr. Yang Xin Min, the ultimate controlling party, placed 260,000,000 ordinary shares of HK$0.05 each in the Company to independent third parties at a price of HK$0.31 per share. Mr. Yang Xin Min then subscribed for a total 260,000,000 new shares of HK$0.05 each in the Company at HK$0.31 per share. The placement was completed on 16 July 2014 and the premium on the issue of shares, amounting to approximately RMB53,051,000 (equivalent to HK$66,154,000), net of share issue expenses of approximately RMB1,160,000 (equivalent to HK$1,446,000), was credited to the Company's share premium account and approximately RMB10,425,000 (equivalent to HK$13,000,000) was credited to share capital.

40. SHARE CAPITAL (continued)

(b) On 15 December 2014, the Company and Orient Securities (Hong Kong) Limited entered into a placing agreement in respect of the placement of 300,000,000 ordinary shares of HK$0.05 each at a price of HK$0.31 per share. The placement was completed on 23 December 2014 and the premium on the issue of shares, amounting to approximately RMB60,456,000 (equivalent to HK$75,359,000), net of share issue expenses of approximately RMB2,119,000 (equivalent to HK$2,641,000), was credited to the Company's share premium account and approximately RMB12,034,000 (equivalent to HK$15,000,000) was credited to share capital.

(c) On 7 May 2015, principal amount of HK$65,000,000 Tranche 2 of convertible bonds with carrying amount of approximately RMB52,591,000 was converted into 144,444,444 ordinary shares the Company of HK$0.05 each and approximately RMB5,778,000 (equivalent to HK$7,222,000) and approximately RMB46,813,000 (equivalent to HK$51,967,000) were credited to share capital and share premium account respectively.

(d) On 28 May 2015, the Company and Orient Securities (Hong Kong) Limited entered into a placing agreement in respect of the placement of 348,480,000 ordinary shares of HK$0.05 each at a price of HK$0.51 per share. The placement was completed on 5 June 2015 and the premium on the issue of shares, amounting to approximately RMB125,407,000 (equivalent to HK$156,733,000), net of share issue expenses of approximately RMB2,855,000 (equivalent to HK$3,568,000), was credited to the Company's share premium account and approximately RMB13,941,000 (equivalent to HK$17,424,000) was credited to share capital.

(e) On 24 November 2015, Tranche B of 108,489,130 consideration shares were issued at HK$0.335, based on the closing price of the Company's shares on that date, of which approximately RMB25,497,000 (equivalent to HK$30,919,000) was credited to the Company's share premium account, and approximately RMB4,473,000 (equivalent to HK$5,424,000) was credited to share capital.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the year ended 31 December 2014 and 2015.

40. SHARE CAPITAL (continued)

The Group monitors capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained profits and other reserves).

	2015 **RMB'000**	2014 RMB'000
Debt (a)	**61,509**	191,539
Less: Bank and cash balances	**(95,515)**	(93,119)
Net debt	**(34,006)**	98,420
Equity (b)	**162,301**	207,214
Net debt-to-adjusted capital ratio	**N/A**	47.5%

(a) Debt is defined as due to an associate, trade and other payables, due to directors, bank loans, liability components of convertible bonds and due to related parties as detailed in notes 27(a), 34, 35, 36, 37 and 49(c) to the consolidated financial statements.

(b) Equity includes all capital and reserves attributable to the owners of the Company.

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group checks the substantial share interests showing the non-public float through the Stock Exchange's website and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2015, 79.16% (2014: 63.15%) of shares were in public hands.

41. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2015 **RMB'000**	2014 RMB'000
Non-current assets		
Property, plant and equipment	**445**	–
Investments in subsidiaries	**61,981**	87,242
	62,426	87,242
Current assets		
Other receivables	**4,437**	11,663
Due from subsidiaries	**24,255**	50,359
Due from a director	**–**	1,615
Other investments	**24,010**	–
Bank and cash balances	**32,292**	80,428
	84,994	144,065
Current liabilities		
Accruals and other payables	**2,242**	1,323
Contingent payables	**–**	31,742
Derivative financial instruments	**–**	5,247
Due to subsidiaries	**–**	13
Due to directors	**6,402**	584
	8,644	38,909
Net current assets	**76,350**	105,156
Total assets less current liabilities	**138,776**	192,398
Non-current liabilities		
Convertible bonds	**–**	46,029
NET ASSETS	**138,776**	146,369
Capital and reserves		
Share capital	**178,589**	154,397
Reserves	**(39,813)**	(8,028)
TOTAL EQUITY	**138,776**	146,369

Approved by the Board of Directors on 31 March 2016 and are signed on its behalf by:

Yang Xin Min	Kwan Che Hang Jason
Director	Director

41. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium account RMB'000 (note 42(b)(i))	Share-based payment reserve RMB'000 (note 42(b)(iv))	Foreign currency translation reserve RMB'000 (note 42(b)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	727,285	1,849	(111,999)	(511,895)	105,240
Total comprehensive income for the year	–	–	11,967	(238,742)	(226,775)
Issue of new shares upon placement (note 40(a) and (b))	113,507	–	–	–	113,507
Lapse of share options granted in prior years	–	(90)	–	90	–
Changes in equity for the year	113,507	(90)	11,967	(238,652)	(113,268)
At 31 December 2014 and at 1 January 2015	**840,792**	**1,759**	**(100,032)**	**(750,547)**	**(8,028)**
Total comprehensive income for the year	**–**	**–**	**10,107**	**(239,609)**	**(229,502)**
Issue of new shares upon placement (note 40(d))	**125,407**	**–**	**–**	**–**	**125,407**
Issue of new shares upon conversion of convertible bonds (note 40(c))	**46,813**	**–**	**–**	**–**	**46,813**
Issue of consideration shares in related to acquisition of VCL (note 40 (e))	**25,497**	**–**	**–**	**–**	**25,497**
Lapse of share options granted in prior years	**–**	**(423)**	**–**	**423**	**–**
Changes in equity for the year	**197,717**	**(423)**	**10,107**	**(239,186)**	**(31,785)**
At 31 December 2015	**1,038,509**	**1,336**	**(89,925)**	**(989,733)**	**(39,813)**

42. RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein are presented in the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve of the Group arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2002 and represented the difference between the nominal value of the aggregate capital of the subsidiaries combined under the group reorganisation over the nominal value of the share capital of the Company issued in exchange therefore.

(iii) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(iv) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(t) to the consolidated financial statements.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(vi) Capital reserve

The capital reserve represents the premium arising from further acquisition of the equity interest up to 100% in GSTD during the year ended 31 December 2015.

(vii) Other reserve

Other reserve represents the non distributable reserves regarding the disposal of discontinued operation during the year ended 31 December 2015.

43. SHARE-BASED PAYMENTS

Equity-settled share option scheme

Pursuant to the written resolution passed by the shareholders of the Company on 24 September 2002, the share option scheme (the "**Old Scheme**") was approved and adopted and, the board of directors may, at its discretion, grant options to any director (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid).

Pursuant to the resolution passed by the shareholders of the Company in the annual general meeting held on 27 May 2011, the Old Scheme was terminated such that no further options could thereafter be offered under the Old Scheme but in all other respects and provisions of the Old Scheme shall remain in full force and effect, while a new share option scheme (the "**New Scheme**") was approved and adopted and, the board of directors may, at its discretion, grant options to the eligible persons as defined in the New Scheme.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, directors and full-time and part-time business consultants of the Company and the shareholders of the Group. The New Scheme became effective on 27 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the New Scheme, if earlier.

43. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options relevant for the year ended 31 December 2015 are as follows:

Date of grant	Grantee	Vesting period	Exercise period	Subscription Price per share HK$	No. of shares granted
14 June 2011	Directors	Immediate	14 June 2011 to 13 June 2016	0.818	2,000,000
14 June 2011	Employees	Immediate	14 June 2011 to 13 June 2016	0.818	1,800,000
Grand Total					3,800,000

If the options remain unexercised after an exercise period from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

43. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

Grantee	2015 Outstanding at 1 January	Reclassified/ Expired during the year	Outstanding at 31 December	Exercisable at 31 December	Exercise price
Directors	**3,800,000**	**(1,800,000)**	**2,000,000**	**2,000,000**	**HK$0.818**
Employees	**1,200,000**	**600,000**	**1,800,000**	**1,800,000**	**HK$0.818**
	5,000,000	**(1,200,000)**	**3,800,000**	**3,800,000**	
Weighted average exercise price	**HK$0.82**	**HK$0.82**	**HK$0.82**	**HK$0.82**	

Grantee	2014 Outstanding at 1 January	Reclassified/ Expired during the year	Outstanding at 31 December	Exercisable at 31 December	Exercise price
Directors	200,000	(200,000)	–	–	HK$0.261
Directors	4,000,000	(200,000)	3,800,000	3,800,000	HK$0.818
Employees	1,200,000	–	1,200,000	1,200,000	HK$0.818
	5,400,000	(400,000)	5,000,000	5,000,000	
Weighted average exercise price	HK$0.80	HK$0.54	HK$0.82	HK$0.82	

The options outstanding at 31 December 2015 had an exercise price at HK$0.818 (2014: HK$0.818) and a weighted average remaining contractual life of approximately one year (2014: approximately one year).

44. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2014, additions to property, plant and equipment of approximately RMB249,000 and RMB916,000 were transferred from construction in progress and prepayments for acquisition of property, plant and equipment respectively. Besides, approximately RMB71,000 was transferred from prepayments for acquisition of property, plant and equipment to construction in progress.

In addition, during the year ended 31 December 2014, approximately RMB23,052,000 addition to long-term prepayment for operations of wireless networks at railway stations and approximately RMB8,447,000 addition to construction in progress were included in other payables.

45. NOTE TO CASH FLOW STATEMENT

(a) Disposals of discontinued operations

On 27 September, 18 December and 28 December 2015, the Group discontinued the petrochemicals and zirconium products segments at the time of the disposal of its subsidiaries, Kanway and its subsidiaries, Kingweston and its subsidiaries and APR as fully disclosed in note 17.

List of disposed subsidiaries as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued capital/ registered capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Kingweston	BVI	US$2,500,000	100%	–	Investment holding
APR	Indonesia	US$1,900,000	51%	–	Separation, processing and refining of zircon sand, contracting and management of mining concession and the sale of zircon products
濱海龍晶化工有限公司	PRC	US$12,410,550	–	100%	Research, development, manufacturing and sales of zirconium compounds
Century Dragon Investment Limited	HK	HK$15,000,000	–	100%	Leasing of the Group's office premises in HK, provision of administrative services and general trading in HK

45. NOTE TO CASH FLOW STATEMENT (continued)

(a) Disposals of discontinued operations (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued capital/ registered capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
宜興倍特電池有限公司	PRC	US$4,200,000	–	100%	Research, development, manufacturing and sales of rechargeable batteries
宜興新興鋯業有限公司	PRC	US$13,100,000	–	100%	Research, development, manufacturing and sales of zirconium compounds, electronic materials, electronics ceramics and new energy materials
Kanway	BVI	US$50,000	100%	–	Investment holding
Muntari Holdings Limited	BVI	US$1	–	100%	Investment holding
Muntari Investments (HK) Limited	HK	HK$1	–	100%	Investment holding
寧波聯易企業管理諮詢有限公司 (Ningbo Lianyi Enterprise Management Consultancy Company Limited)	PRC	RMB1,500,000	–	100%	Provision of management consulting service
寧波市博琨石化倉儲有限公司 (Ningbo Bokun Petrochemical Storage Company Limited)	PRC	RMB50,000,000	–	Note*	Provision of petrochemicals storage and wholesale services

Note*: Control the subsidiary through a series of contractual arrangements and enjoy 100% of its economic benefits.

45. NOTE TO CASH FLOW STATEMENT (continued)

(a) Disposals of discontinued operations (continued)

Aggregated net assets at the dates of disposals were as follows:

	Total RMB'000
Property, plant and equipment (note 20)	14,429
Construction in progress (note 22)	1,068
Prepaid land lease payments (note 23)	37,215
Intangible assets (note 25)	37,921
Inventories	22,589
Trade and other receivables	67,090
Bank and cash balances	23,032
Trade and other payables	(56,871)
Due to related companies	(35,143)
Due to directors	(8,000)
Current tax liabilities	(18,054)
Non-controlling interests	24
Deferred tax liabilities (note 39)	(10,223)
Net assets disposed of	75,077
Release of foreign currency translation reserve	(96,636)
Professional expenses	721
Gain on disposal of discontinued operations (note 17)	45,525
Total consideration	24,687
Consideration satisfied by	
Cash	20,840
Deferred sales proceeds	3,847
	24,687
Net cash outflow arising on disposal:	
Cash consideration received, net of expenses	20,119
Cash and cash equivalents disposed of	(23,032)
	(2,913)

45. NOTE TO CASH FLOW STATEMENT (continued)

(b) Disposal of a subsidiary

On 14 October 2015, the Group entered into a sale agreement with a director of PCS I-Datacomms Limited ("**PCSI**") to dispose of the Group's 51% entire equity interests in PCSI. PCSI was principally engaged in provision of structure cabling, IT infrastructures system integration business and system maintenance.

Net assets at the date of disposal were as follows:

	Total RMB'000
Property, plant and equipment (note 20)	96
Inventory	1,412
Trade and other receivables	2,839
Bank and cash balances	916
Current tax liabilities	254
Due to fellow subsidiaries	(277)
Due to a related company	(183)
Due to a shareholder	(610)
Non-controlling interests	(358)
Trade and other payables	(3,716)
Net assets disposed of	373
Goodwill allocated to a subsidiary (note 24)	1,586
Release of foreign currency translation reserve	(35)
Loss on disposal of a subsidiary	(1,370)
Total consideration	554
Consideration satisfied by	
Cash	112
Deferred sales proceeds	442
	554
Net cash outflow arising on disposal:	
Cash consideration received	112
Cash and cash equivalents disposed of	(916)
	(804)

45. NOTE TO CASH FLOW STATEMENT (continued)

(c) Acquisition of an associate

On 21 January 2015 and 15 September 2015, the Group entered into an investment agreement ("Investment Agreement") and supplemental agreement with 天翼科技創業投資有限公司, ("**Tianyi Venture**") and an individual to acquire in aggregate 27.4% equity interest in Shanghai Zewei (note 27). Shanghai Zewei is principally engaged in provision of information inquiries and sharing in the PRC. The consideration for the acquisition was satisfied by cash of RMB11,425,000. As at 31 December 2015, the amount had not yet been settled.

46. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2015 **RMB'000**	2014 RMB'000
Property, plant and equipment		
Contracted but not provided for	**20,793**	36,409

47. LEASE COMMITMENTS

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**3,924**	4,969
In the second to fifth year inclusive	**2,305**	9,414
After five years	**69**	26,276
	6,298	40,659

The Group leases offices and land under operating lease with fixed rental. The lease runs for an initial period of 0.5 to 3 years, with an option to renew when all terms are renegotiated.

47. LEASE COMMITMENTS (continued)

At 31 December 2015, the total future minimum lease expected to be received under non-cancellable operating leases are as follows:

	2015 **RMB'000**	2014 RMB'000
Within 1 year	**1,904**	2,552
After 1 year but within 5 years	**1,026**	2,216
	2,930	4,768

The Group leases out the investment property under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after the date at which time all terms are negotiated. Lease payments are usually adjusted every year to reflect market rentals. None of the leases includes contingent rentals.

48. OTHER COMMITMENTS

At 31 December 2015, the Group had commitments of RMB76,910,000 (2014: RMB68,200,000) and RMB28,900,000 (2014: RMB2,400,000) in respect of the outstanding payment for the long-term prepayments and deposits, respectively.

At 31 December 2015, the Group had certain commitments in respect of the outstanding capital contribution of the following companies:

	2015 **RMB'000**	2014 RMB'000
Outstanding capital contribution in		
– APR	**–**	2,400
– 蘇州嗨嗨網絡科技有限公司	**1,900**	–
– 鴿子數碼科技（宜興）有限公司	**26,000**	–
– 宜興鴿子廣告傳媒有限公司	**1,000**	–
– Haihai Travel Cloud Limited	**18,133**	–
– Cosmartec Limited	**25,419**	–

49. RELATED PARTIES TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had entered into the following transactions with its related parties during the year.

(a) Transactions with related parties

Name of related parties	Relationship	Nature of transaction	**2015 RMB'000**	2014 RMB'000
Shanghai Bokun Investments Co., Ltd.	Controlled by a director of the Company	Motor vehicles service fee charged	**393**	600

(b) Details of guarantees provided by related parties for banking facilities granted to the Group are as set out in note 36 to the consolidated financial statements.

(c) Amounts due from/(to) related parties

Name of related parties	Relationship	Terms	**2015 RMB'000**	2014 RMB'000
Shanghai Bokun Investments Co., Ltd.	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	**–**	(34,000)
Jiangsu Xinxing Chemicals Co., Ltd.	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	**–**	(1,138)
Proactive Cyberspace Company Limited	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	**726**	268
PCS Telecom Limited	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	**(130)**	(131)

(d) The compensation to the Group's key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees, is disclosed in note 15 to the consolidated financial statements.

50. COMPARATIVE FIGURES

The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.