2015
ANNUAL REPORT

啟迪國際有限公司
TUS International Limited

(formerly known as Jinheng Automotive Safety Technology Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 872)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Li Feng *(Chairman)*
Mr. Du Peng
Mr. Woo Kar Tung Raymond
Ms. Cheung Joanna Wai Sze
Mr. Lam Wai Hung

Non-executive Directors
Mr. Tsang Ling Biu, Gilbert
Mr. Sheng Ruzhi

Independent Non-Executive Directors
Hon. Shek Lai Him Abrabam *(GBS, JP)*
Mr. Chen Jin
Mr. Poon Chiu Kwok
Mr. Wong Yuk Lun, Alan

COMPANY SECRETARY

Mr. Lau Chi Yuen

AUTHORISED REPRESENTATIVES

Mr. Li Feng
Mr. Lau Chi Yuen

AUDIT COMMITTEE

Mr. Poon Chiu Kwok *(Committee Chairman)*
Mr. Chen Jin
Mr. Tsang Ling Biu, Gilbert
Mr. Wong Yuk Lun, Alan

NOMINATION COMMITTEE

Mr. Chen Jin *(Committee Chairman)*
Mr. Poon Chiu Kwok
Mr. Woo Kar Tung Raymond
Mr. Wong Yuk Lun, Alan

REMUNERATION COMMITTEE

Mr. Poon Chiu Kwok *(Committee Chairman)*
Mr. Chen Jin
Mr. Woo Kar Tung Raymond
Mr. Wong Yuk Lun, Alan

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Cayman Islands

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PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

STOCK CODE

872

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors (the "Board" or "Directors"), I am pleased to present the audited financial results of TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2015.

BUSINESS REVIEW

The year of 2015 was an exciting and yet challenging year for our Group. In response to the continuing slowdown in the growth of the traditional automotive manufacturing industry, we continued to seek new business opportunities which include the automobile inventory financing and automotive internet related business, as well as the business of technology innovation incubator. The Group currently intends to (i) explore the prospects of developing the business of technology innovation incubator, which includes the business of shared workspace and services for and investments in small technology enterprises; (ii) explore the opportunity to develop online platforms for business-to-business ("B2B") automobile inventory financing and business-to-customer ("B2C") leasing services; and (iii) explore the opportunity to branch out into environmental industry in China.

Strengthening Business Structure

During the year of 2015, the Group had demonstrated its determination to maintain a sustainable business of the Group as well as actively exploring new business opportunities for business and risk diversification by strengthening the leadership of the Company with the joining of new directors and management who are experienced in different areas such as financial management and with vast business connections which can help the Group look for appropriate business opportunities and add value to the Group which enables the Group to develop sustainably.

Since early 2015, the Group has been exploring for business opportunities based on the experience and business connection of its management. In February 2015, the Group had acquired 20 premium cars comprising classic and/or premium cars and in December 2015, the Group acquired 51% interest in the share capital of a company, Optimus Financial Group Limited, focusing on the provision of B2C automobile financial leasing services to end users at a consideration of approximately HK$71.9 million from two independent third parties, which has been working to further penetrate into the automobile inventory financing market. The Board considered that such acquisitions allow the Group to tap into the car trading and financing business. Details of which are set out in the announcement of the Company dated 16 February 2015 and 3 December 2015, respectively.

In March 2015, the Group had also acquired 18% of the equity interest in More Cash Limited at a consideration of HK$73.0 million as a start to tap into the property investment business in the PRC. Details of which are set out in the announcements of the Company dated 13 March 2015 and 16 March 2015.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW *(Continued)*

Strengthening Business Structure *(Continued)*

Meanwhile, with the vision to step into the new business so as to achieve sustainable growth, in October 2015, the Group had entered into agreements with associates of Tus-Holdings Limited, which wholly owns Tuspark Venture Investment Ltd which currently holds approximately 23% of the issued share capital of the Company, to form three joint ventures ("JV(s)") companies in Suzhou, Kunshan and Nanjing, and agreed to contribute RMB30.0 million (equivalent to approximately HK$36.9 million), RMB30.0 million (equivalent to approximately HK$36.9 million) and RMB15.0 million (equivalent to approximately HK$18.45 million) as registered capital in cash, respectively. We consider that the formation of the JVs would allow the Group to leverage on the experience and networks of Tus-Holdings Limited in the incubator and accelerator business models, and therefore expect that the formation may provide a platform to expand the Group's business portfolio, income source and enhance possibly its financial performance. Moreover, in November 2015, the Group entered into a non-legally binding memorandum of understanding with a company regarding a possible subscription, if materialises, will create a new business segment, which includes the business of shared workspace and services for and investments in small technology enterprises, in Hong Kong and the PRC. The Group is progressing with its due diligence on the business and will update the market in the very near future.

To further diversify the Group's businesses, the Group entered into a non-legally binding memorandum of understanding in relation to a possible investment in Suzhou Yadu Environmental Protection Technology Co., Limited and its subsidiaries (collectively "Yadu Group") in December 2015. Yadu Group cooperates with major B2C and consumer-to-consumer e-commerce and exhibition websites in the PRC. If this possible investment materialises, it will enable the Group to explore operational synergies based on existing and future businesses and at the same time capture the next wave of reform in the environmental sector in the PRC. Details of which are set out in the announcement of the Company dated 31 December 2015. The Group is also proceeding with its legal and financial due diligence on Yadu Group. Once an investment decision is made, the Group will publish further announcement.

OUTLOOK AND FUTURE PROSPECTS

The year of 2016 will remain a year full of challenges for our Group. The business in traditional automotive manufacturing segment will be increasingly difficult given the downturn of the traditional automotive safety product industry, particularly in the manufacturing sector, while the structural correction of the Chinese economy will inevitably put pressure on our overall business. Latest indicators paint a mixed macro picture of the economy. At present, the demand for imported cars in the PRC is generally strong. In view of the growing potential of the automobile inventory financing services, the Group intends to expand its automobile leasing business in the PRC and the sources of fund for the investment in offshore financing, so as to strive to protect its earnings by securing a relatively stable rate of return in the future. Further, having considered the growing popularity of internet financing in the PRC and subject to compliance with all rules and regulations in the PRC, the Group will, through the newly acquired company, explore the opportunity to develop online platforms for B2B automobile inventory financing and B2C leasing services. Given that no physical outlet is required for such services, it is expected that the online platforms could serve to enhance the efficiency of business operation by offering a simple, convenient and flexible internet financing solution to customers/end users and to attract a new pool of clientele.

CHAIRMAN'S STATEMENT

OUTLOOK AND FUTURE PROSPECTS *(Continued)*

After going through a series of transformations, we formally changed our name to "TUS International Limited" and adopted the Chinese name of "啟迪國際有限公司" as the dual foreign name of the Company in February 2016 to mark a new beginning and demonstrate our future strategy to improve perceptions of the Group.

In March 2016, the Group, with an aim of allocating resources more efficiently, had entered into an agreement to dispose of its entire equity interest of the direct wholly-owned subsidiary, Smooth Ever Limited. The Group in turn realised its past investment in the business segment of the production and sales of automotive components in the PRC. Details of which are set out in the announcement of the Company dated 1 March 2016.

The Board will proactively identify investment opportunities for automotive internet related business to expand and strengthen the business portfolio of the Group, integrate upstream and downstream resources in the industry, and seek to generate sustainable cash flow and profits through enhanced and new investments in the long run.

Meanwhile, the Group will explore the opportunity of Yadu Group's online platforms, and add-on accessories for cars and upgrading of car air-conditioning systems, such as air purifiers, filtering systems for in-car air conditioners.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our investors and shareholders of the Company for their understanding and support for our Group during this period of transition and I would also like to thank all staff for their unrelenting efforts in helping to achieve the Company's objectives. The management team will further continue to fulfill our duties to create more values for our shareholders.

Li Feng
Chairman

Hong Kong, 31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

FINANCIAL REVIEW

During the year ended 31 December 2015, the revenue and the average gross profit margin of the Group were approximately HK$194.6 million and approximately 11.0% respectively, while it was approximately HK$184.9 million and approximately 5.7% respectively in last year. The difference was mainly resulted from downturn of the traditional automotive safety product industry, particularly in the manufacturing sector, while expansion into the automobile inventory financing business brings a promising revenue stream.

The Group leverages on the comprehensive coverage of its automotive electronic products and safety spare parts, car trading, finance lease of motor vehicles and equipment, and to expand its operations amidst the unfavorable industrial trend, and pursued development opportunities at low costs. The revenue of the Group's automotive electronic products and safety spare parts decreased by 64.3% from approximately HK$184.9 million for the year ended 31 December 2014 to approximately HK$66.0 million for the year ended 31 December 2015. The decrease was mainly attributable to the downturn of the traditional automotive safety product industry, particularly in the manufacturing sector, while the structural correction of the Chinese economy will inevitably put pressure on our overall business. The revenue generated from the Group's car trading and finance lease of motor vehicles and equipment segments reached approximately HK$122.3 million and HK$6.2 million respectively. The segment results arrived in this year due to the new businesses of car trading and automobile inventory financing in the current year.

During the year ended 31 December 2015, the Group recorded approximately HK$77.7 million of other loss while it was approximately HK$4.4 million last year. The increment was mainly due to provision for (i) impairment loss recognised on intangible assets of approximately HK$19.2 million; (ii) impairment loss recognised on goodwill of approximately HK$5.1 million; (iii) impairment loss recognised on interests in an associate of approximately HK$31.5 million; (iv) provision for inventories of approximately HK$15.0 million and (v) loss on disposal of property, plant and equipment of approximately HK$4.1 million.

(i) Impairment loss recognised on intangible assets

As disclosed in the annual report of the Company for the year ended 31 December 2014, the Group had discussed the possibility of refining the manufacturing business of the Group by sub-contracting the manufacturing process of automotive engine management system products (the "EMS") with the support of the technology and patent of the Group. Such sub-contracting of manufacturing process is still in testing stage and has not yet commenced as originally scheduled due to the quality and arrangement issues, and it is still under negotiation and inspection.

With the rising attention to environmental issue around the world, the vehicle emission standard and requirements in the PRC are gradually becoming more stringent and moving towards the European standards. As mentioned by a PRC government official in the "2015 International Forum on Automobile Material" conducted in May 2015, the PRC Government plans to advance the implementation of "Heavy-duty vehicles and engines Gas V National Standards" (the "National Standards V") to 1 January 2017, which was originally scheduled to be implemented on 1 January 2018. Many provinces and major cities in the PRC, including Shanghai, Tianjin, Guangdong and Beijing etc, had took a step further and already started to implement stricter policies and requirements on the vehicles before the above national schedule. The Beijing Municipal Environmental Protection Bureau announced in June 2015 that the vehicles that fail to fulfill the requirements of National Standards V are not allowed to be registered and sold. With the fast-changing national standards and requirements, the Group is still in negotiation with its subcontractors with a view to improve the sub-contracting of the manufacturing process in order to meet such higher standard and requirements and to keep pace with such trend and to search for advancement in relation to eco-friendly technology for continuous development of its business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

(i) Impairment loss recognised on intangible assets *(Continued)*

In addition, energy efficiency is another main environmental concern in the industry and electric vehicles and energy-efficient vehicles are becoming more popular worldwide, including in the PRC. Given that vehicle combustion was one of major reasons for air pollution problem in the PRC, the PRC Government was determined to tackle the problem by promoting eco-friendly energy source as well as energy efficient technologies and vehicles. The Group therefore has decided to deploy more resources to improve and modify the existing technologies with an aim to possess more advanced technology to produce automotive EMS which can meet the more stringent environmental standards, which results in a delay of the Group's sub-contracting of manufacturing process. As the sub-contracting of manufacturing process of the EMS is still in the testing stage and has not yet commenced as originally scheduled and the carrying amount of patents is higher than the recoverable amount, impairment loss of approximately HK$19.2 million was recognised during the year ended 31 December 2015.

(ii) Impairment loss recognised on goodwill

The goodwill of the Group belongs to the cash-generating unit (the "CGU") which is related to the manufacturing and sale of EMS products. As the sub-contracting of manufacturing process of the EMS is still in the testing stage and has not yet commenced as originally scheduled and the Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount. As the carrying amount of this CGU is higher than the recoverable amount, impairment loss of approximately HK$5.1 million was recognised during the year ended 31 December 2015.

(iii) Impairment loss recognised on interests in an associate

Impairment loss recognised on interests in an associate of approximately HK$31.5 million represents (1) impairment loss recognised on amount due from an associate of approximately HK$7.5 million and (2) impairment loss recognised on investment in an associate of approximately HK$24.0 million.

Due to the long-aged debt which was over 2 years, the Group decided that the amount due from an associate would not be collectable, and hence impairment on amount due from an associate of approximately HK$7.5 million was made in accordance with the Group's credit policy regarding the treatment of long-aged debt.

For the year ended 31 December 2015, the associate of the Group continuously suffering losses. As it has also provided the impairment on amount due from an associate, the Directors considered that there are indications for the non-recoverability of the interests in an associate. Under this circumstance, the Directors consider to impair the interests in an associate and therefore impairment loss recognised on investment in an associate of approximately HK$24.0 million was made.

(iv) Provision for inventories

Provision for inventories of approximately HK$15.0 million represents provision for slow moving items because of the abovementioned reasons as stated in items (i) and (ii) above, determined by Directors in re-assessing the net realisable value of inventories within the Group. The Group considered that the making of provision for inventories can more accurately reflect the financial position of the Group. The Group will dedicate its effort to keep itself up to date with the market conditions and manage its inventory level more effectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

In 2015, the administrative expenses of the Group were approximately HK$76.1 million, which was increased by approximately HK$9.0 million as compared with 2014. The increment is mainly due to share-based payments to certain eligible participants during the year ended 31 December 2015.

The finance costs during the current year under review were decreased by approximately HK$2.2 million to approximately HK$1.6 million as compared to 2014. This was mainly due to changes to the Group's financing structure which has a relatively lower funding cost than previous year.

For the year ended 31 December 2015, the Group recorded approximately HK$144.7 million loss for the year attributable to the owners of the Company, while it was of approximately HK$96.1 million last year. The increment was mainly due to the increment of other loss as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 31 December 2015, the Group had cash and cash equivalents of approximately HK$240.1 million (2014: approximately HK$105.3 million) and net current assets of approximately HK$379.3 million, which decreased by approximately HK$2.1 million as compared with the last fiscal year. The increase in cash and cash equivalents was mainly due to the increment of bank and cash balances as a result of the placing of new shares completed in June 2015. The total non-current assets of the Group were approximately HK$152.9 million in 2015, while it was approximately HK$132.2 million last year.

As at 31 December 2015, the Group had non-current liabilities of approximately HK$14.5 million, which represented the deferred tax liabilities.

The Group also had short-term borrowings of approximately HK$34.0 million which included a bank loan with a principal amount of approximately HK$6.3 million (equivalent to RMB5.3 million) with fixed interest rate of 6.3%, discounted bills of approximately HK$10.1 million and other loan of approximately HK$17.5 million which were obtained from independent third parties with fixed interest rate of 8% which were not yet matured at the year end date. The short-term borrowings were primarily used to finance short-term cash flows for the operations of the Group.

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopts a treasury policy which allows the Group to invest its surplus funds in different investment grade debt securities or other investment vehicles.

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 December 2015, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE OF ASSETS

As at 31 December 2015, the Group had pledged certain discounted bills with recourse totaling approximately HK$10.1 million were secured by the related bills receivable and were repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The Group's gearing ratio, which was derived from the total liabilities to total assets, increased to 15.9% in 2015 from 11.9% in 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group had authorised but not contracted for capital expenditure commitments of approximately HK$3.4 million in respect of acquisition of fixed assets as at 31 December 2015.

Except for the above and those set out in the section headed "Business Review" in the Chairman's Statement and section headed "Subsequent Events" as below, the Group does not have other authorised but not contracted for capital expenditure commitments as at 31 December 2015.

MATERIAL ACQUISITIONS AND DISPOSALS

In February 2015, the Group had entered into agreements to acquire 20 premium cars at total consideration of HK$65.0 million. The transaction was completed in February 2015.

In mid March 2015, the Group had entered into an agreement to acquire 18% of the entire issued share capital in More Cash Limited, which through its subsidiaries, is engaged in property development and trading and its principal assets of properties are located in Guangzhou City, the PRC, from an independent third party, at the consideration of HK$73.0 million. The transaction was completed in March 2015.

In late March 2015, the Group had entered into an agreement to acquire 5% of the entire issued share capital in Grand Vision Communications Limited, which through its subsidiaries, is engaged in the out-of-home advertising business at the consideration of HK$5.5 million. The transaction was completed in March 2015.

In November 2015, the Company entered into three joint venture agreements between (1) Pine Mega Limited, an indirect wholly-owned subsidiary of the Company and Kunshan Qidi Science Park Development Company Limited（昆山啟迪科技園發展有限公司）; (2) Marvel Rise Limited, an indirect wholly-owned subsidiary of the Company and Suzhou Ziguang Innovative Education Development Company Limited（蘇州紫光創新教育發展有限公司）; and (3) Shine Venture Limited, an indirect wholly-owned subsidiary of the Company and Nanjing Qidi Science Park Asset Management Company Limited（南京啟迪科技園資產管理有限公司）, pursuant to which the joint ventures will be established in Kunshan, Suzhou and Nanjing, the PRC. Pine Mega Limited, Marvel Rise Limited and Shine Venture Limited will have 50% equity interest in each joint venture respectively. The registered capital of the joint ventures will be RMB60.0 million (equivalent to approximately HK$73.8 million), RMB60.0 million (equivalent to approximately HK$73.8 million) and RMB30.0 million (equivalent to approximately HK$36.9 million) respectively.

In December 2015, the Company had entered into an agreement with two independent third parties, Mighty Great Limited and Universal Capital Group Limited, to acquire 51% of the entire issued share capital of Optimus Financial Group Limited, at the consideration of approximately HK$71.9 million. The transaction was completed in December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT

Saved as disclosed above, there was no other significant investment during the year.

CONTINGENT LIABILITIES

As at 31 December 2015, the Directors were not aware of any material contingent liabilities.

SUBSEQUENT EVENTS

On 22 January 2016, the Board resolved to cancel a total of 37,120,000 existing share options and to grant a total of 39,520,000 new share options, part of them are conditionally granted upon the approval of the independent shareholders of the Company and served as replacement share options to the cancelled existing share options to certain directors, consultant and employees of the Company. Details of which are set out in the announcement of the Company dated 22 January 2016. As mentioned in the announcement, the Company proposed to convene an extraordinary general meeting to consider and approve, among others, the grant of new share options to the relevant grantees within 3 months from 22 January 2016. As more time will be required to prepare the relevant circular, the Board proposes to put forward such resolution(s) for consideration and approval at the forthcoming annual general meeting ("AGM") of the Company, which is tentatively scheduled to be held in June 2016.

On 28 January 2016, the English name of the Company has officially been changed from "Jinheng Automotive Safety Technology Holdings Limited" to "TUS International Limited" and the dual foreign name of the Company in Chinese has been changed from "錦恒汽車安全技術控股有限公司" to "啟迪國際有限公司". Following the change of Company name (the "Change of Company Name"), the stock short name of the Company for trading of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been changed from "JH AUTO SAFETY" to "TUS INTL" in English and from "錦恒汽車安全" to "啟迪國際" in Chinese with effect from 9:00 a.m. on 25 February 2016. The stock code of the Company remains unchanged. The website of the Company has been changed to http://www.tus-i.com with effect from 22 February 2016 to reflect the Change of Company Name. Details of which are set out in the announcement of the Company dated 22 February 2016.

On 1 March 2016, the Company had entered into an agreement with an independent third party to dispose the entire issued share capital of Smooth Ever Limited, which is a direct wholly-owned subsidiary of the Company and is principally engaged in production and sales of automotive components in the PRC through its subsidiaries, at a consideration of HK$34.0 million. Details of which are set out in the announcement of the Company dated 1 March 2016.

Saved as disclosed above, so far as is known to the Directors, there are no subsequent events occurred after 31 December 2015, which may have a significant effect, on the assets and liabilities of future operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 289 staff in the PRC and Hong Kong, which maintains at similar level as compared with 31 December 2014. The Group's remuneration to employees, including directors' emoluments increased by approximately HK$10.1 million to approximately HK$37.5 million for the current fiscal year. The increment is mainly due to share-based payments during the year of 2015.

The Group reviews employee remuneration from time to time and salary increment is normally approved annually or by special adjustment depending on length of services and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the performance of the Group.

RETIREMENT SCHEMES

The Group maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries.

CAPITAL STRUCTURE

On 2 June 2015, there was a placing of 147,364,000 new ordinary shares of the Company at the placing price of HK$0.866 per share to not less than six independent placees (who being institutional, professional and/or private investors) by the Company. The placing price represented a discount of approximately 19.81% to the closing price of HK$1.080 per share as quoted on the Stock Exchange on 2 June 2015, being the date of the Placing Agreement. The nominal value per share is HK$0.01 and the aggregate nominal value of the placing shares is HK$1,473,640. The placing of 147,364,000 shares of the Company was completed on 15 June 2015. Details of the placing of 147,364,000 shares of the Company are set out in the announcements of the Company dated 2 June 2015 and 15 June 2015. The Directors have been identifying further investment opportunities in order to diversify its existing business portfolio and maximize the return to the shareholders. The Directors considered that the placing represented an opportunity to provide additional working capital for the Group while broadening its shareholder and capital base thereby increasing the liquidity of the shares. The net proceeds of this placing of shares of the Company is approximately HK$124.2 million after deducting relevant expenses incurred in relation to the placing. The net placing price is approximately HK$0.843 per placing share. As at the date of this report, HK$10.0 million of the total net proceeds has been used by the Group as refundable deposit upon signing of the memorandum of understanding regarding the possible subscription of shares of Tuspark Global Limited for future business expansion and development. Details of the possible subscription are set out in the announcement of the Company dated 2 November 2015. The Group had subsequently signed the memorandum of understanding in November 2015. Approximately HK$71.9 million of the total net proceeds has been further used by the Group for acquisition of 51% of the entire issued share capital of Optimus Financial Group Limited. Details of the acquisition are set out in the announcement of the Company dated 3 December 2015. The remaining balance for the amount of approximately HK$42.3 million was kept in the bank for future business operation and expansion, development and potential investment and/or general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE *(Continued)*

On 3 June 2015, two executive Directors and few employees of the Company exercised their share options to subscribe 33,000,000 shares of HK$0.01 each at the exercise price of HK$0.36 per share. As a result, 33,000,000 shares of the Company were issued and allotted on 3 June 2015.

On 5 June 2015, an employee of the Company exercised the share options to subscribe 5,000,000 shares of HK$0.01 each at the exercise price of HK$0.36 per share. As a result, 5,000,000 shares of the Company were issued and allotted on 5 June 2015.

On 9 June 2015, an executive Director and two independent non-executive Directors exercised their share options to subscribe 6,000,000 shares of HK$0.01 each of the Company at the exercise price of HK$0.36 per share. As a result, 6,000,000 shares of the Company were issued on 9 June 2015.

As at 31 December 2015, the number of total issued shares of the Company was 928,184,888 shares.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To the best of knowledge and belief, the Directors consider that the following are the key risks and uncertainties identified by the Group as at the date of this report.

Market Risks

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

Foreign Exchange Rates Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. During the year ended 31 December 2015, the Group did not carry out any hedging activity against foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

Interest Rate Risk

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

Equity price risk

Equity price risk arises from fluctuation in market prices of the Group's investment in financial assets. The investment portfolio is frequently reviewed and monitored by the senior management to ensure prompt action taken and the loss arising from the changes in the market values is capped within an acceptable range.

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

Liquidity Risk

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

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of the Group would be submitted to the Board.

Economic Environment

All of the Group's facilities, operations and its revenue are located in and derived from Hong Kong and the PRC. The Group's results of operations and financial condition therefore depend on the economies of Hong Kong and the PRC. The economy of Hong Kong is significantly affected by the developments in Mainland China and the Asia-Pacific region. Mainland China's economy may experience negative economic developments, and other regional economies may also deteriorate.

The Group also has significant business across the PRC and part of its growth strategy is to expand into new regions. These regions have also been adversely affected by the global economic slowdown and any continued slowdown may have an adverse effect on the Group's existing operations in, and planned expansion into, these regions.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Feng, aged 54, is the chairman of the Company. Mr. Li, joined the Group in 1997 and is responsible for the overall general management of the Group. Mr. Li graduated from the Beijing University of Aeronautics and Astronautics in 1983 with a bachelor's degree in missile designing. From 1983 to 1996, Mr. Li was employed at Taiyuan Aero-Instruments Co., Ltd. ("Taiyuan Aero") as engineer.

Mr. Du Peng, aged 40, has been appointed as an executive Director with effect from 12 June 2015. Mr. Du studied in Tsinghua University from 1994 and graduated with a Bachelor of Engineering in School of Material Science and a Master of Business Administration in School of Public Management. Mr. Du has joined Tus-Holdings Company Limited (previously named as Tsinghua University Science Park Development Centre) from 2002. Currently, Mr. Du is the vice president of Tus-Holdings Co., Ltd, the managing director of Tus-Financial Group and chairman of Tus Culture and Media Company Limited. Mr. Du is the director of Unisplendour Corporation Limited (a listed company in the Shenzhen Stock Exchange with stock code of 000938.SZ), focusing in the industry of big data management and cloud computing management. He is also the independent director of Beijing Kingtop Technology Company Limited (a listed company in Over the Counter Bulletin Board with stock code of 430064.NEEQ) and director of Beijing Geoshine Oilfield Technology Services Company Limited which is a technology company in oilfield technology service management. Mr. Du is also the Secretary General of Zhongguancun Listed Companies Association, the executive vice chairman of Zhongguancun Committee of Industrial Alliance, council member of China Council for International Investment Promotion – Investment and Financing Committee and chief supervisory of Z-Park Association of Internet Finance.

Mr. Woo Kar Tung Raymond, aged 46, has been appointed as an executive Director and chief financial officer of the Company with effect from 1 September 2015. Mr. Woo holds a Bachelor of Commerce degree from The University of New South Wales and is a member of the Australian Society of Certified Practising Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Woo is currently a non-executive director of IRC Limited (Stock Code: 1029), a company listed on the Main Board of the Stock Exchange and also an independent non-executive director of Yuanda China Holdings Limited (Stock Code: 2789) and SMIT Holdings Limited (Stock Code: 2239), both companies listed on the Main Board of the Stock Exchange.

Ms. Cheung Joanna Wai Sze, aged 28, has been appointed as an executive Director with effect from 25 June 2015. Ms. Cheung holds a Bachelor of Arts degree in Economics from Brown University. She is an active leader in the Hong Kong technology and early stage investment scene. Ms. Cheung co-founded City Champion Int'l Limited in 2014 (later renamed to TGN Innovation Limited) and has grown the company's core business of co-working spaces to become one of the largest operators in Hong Kong under the Tuspark brand. She is also a member of Fintech Advisory Group under the Securities and Futures Commission of Hong Kong.

Mr. Lam Wai Hung, aged 36, holds a bachelor's degree of accounting and finance in Leeds Metropolitan University and is a member of the Association of Chartered Certified Accountants. Mr. Lam is currently an executive director of Sino Haijing Holdings Limited (Stock Code: 1106), a company listed on the Main Board of the Stock Exchange. He had also been working in various companies listed on the Stock Exchange, and was responsible for works related to financial management, corporate finance, merger and acquisition, investor relationship and corporate governance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Tsang Ling Biu, Gilbert, aged 45, has been appointed as a non-executive Director with effect from 15 May 2015. Mr. Tsang holds Master's Degree in Commerce (with Professional Accounting and Finance) and Bachelor's Degree in Science (with Information Systems) from University of New South Wales in Australia. He is also the fellow member of CPA Australia. Mr. Tsang is currently the co-founder and principal of Cortus Capital (Hong Kong) Limited which focused private equity platform with deep and significant access to bespoke deal flow across Asia, including many low profile family-orientated business. He is also the co-founder and partner of Calibration Partners Limited which provides independent, strategic and focused advice in mergers and acquisitions, capital raisings, structured debt, restructurings and bespoke direct investment opportunities. Mr. Tsang had also been working in Barclays Capital Asia Limited and Securities and Future Commission. Mr. Tsang has wealth of experience in private equity and corporate finance.

Mr. Sheng Ruzhi, aged 47, has been appointed as a non-executive Director with effect from 20 November 2015. Mr. Sheng holds a bachelor degree in Economics from Jiangxi University of Finance and Economics. He is currently the vice chairman of Tus-Financial Group. Tus-Financial Group is a subsidiary of Tus-Holdings Co., Ltd, the holding company of Tuspark Venture Investment Ltd, a substantial shareholder holding approximately 23% of the issued share capital of the Company as at the date of this report. Mr. Sheng has extensive experience and network in respect of enterprise management and investment. As at the date of this report, Mr. Sheng holds 1,872,000 shares of the Company, representing approximately 0.2% of the issued share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hon. Shek Lai Him Abraham *(GBS, JP)*, aged 70, has been appointed as an independent non-executive Director with effect from 25 June 2015. Hon. Abraham Shek holds a Bachelor's Degree of Arts in University of Sydney and has extensive experience in property development field. He is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong, a director of The Hong Kong Mortgage Corporation Limited and a non-executive director of the Mandatory Provident Fund Scheme Authority.

Hon. Abraham Shek is an independent non-executive director of MTR Corporation Limited (Stock Code: 66), Midas International Holdings Limited (Stock Code: 1172), Paliburg Holdings Limited (Stock Code: 617), NWS Holdings Limited (Stock Code: 659), Chuang's Consortium International Limited (Stock Code: 367), Chuang's China Investments Limited (Stock Code: 298), ITC Corporation Limited (Stock Code: 372), ITC Properties Group Limited (Stock Code: 199), Country Garden Holdings Company Limited (Stock Code: 2007), Hop Hing Group Holdings Limited (Stock Code: 47), SJM Holdings Limited (Stock Code: 880), China Resources Cement Holdings Limited (Stock Code: 1313), Lai Fung Holdings Limited (Stock Code: 1125), Cosmopolitan International Holdings Limited (Stock Code: 120) and Lifestyle International Holdings Limited (Stock Code: 1212), all companies listed on the Main Board of the Stock Exchange, and Dorsett Hospitality International Limited (withdrawn from listing on the Stock Exchange in October 2015). He is also an independent non-executive director of Eagle Asset Management (CP) Limited (Stock Code: 2778) (the manager of Champion Real Estate Investment Trust which is listed on the Main Board of the Stock Exchange) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust (Stock Code: 1881) which is listed on the Main Board of the Stock Exchange).

Hon. Abraham Shek was awarded the Silver Bauhinia Star and Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2007 and 2013 respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chen Jin, aged 48, has been appointed as an independent non-executive Director with effect from 25 June 2015. Mr. Chen holds a doctoral degree of philosophy in management engineering from Zhejiang University. Mr. Chen is a professor in the Innovative Entrepreneurship and Strategy Department. Mr. Chen is also the executive of Research Centre for Technological Innovation, Tsinghua University.

Mr. Chen is also a member of the Education Committee of CAE (the Chinese Academy of Engineering), the member of the division of management science in council for technology and science of Minister of Education, and vice chairman of the Chinese Association for Science of Science and S&T Policy. Mr. Chen serves as the chief editor of "Journal of Knowledge-based Innovation in China" and "Review of Evolutionary Economics and Economics of Innovation", the associate chief editor of "International Journal of Technology Marketing", "Journal of Knowledge Management Studies", "Journal of Foresight and Innovation Policy" and "Journal of Industrial Engineering and Engineering Management" and Executive Associate Editor of "Chinese Journal of Engineering Design". Mr. Chen also serves as the member of editor committee of "International Journal of Technology Management" (SSCI Journal), "Science: Journal of Zhejiang University" (SCI Journal), "International Journal of Innovation and Technology Management", "International Journal of Technological Learning, Innovation and Development" and "Journal of Chinese Culture and Management", and the guest editor of "International Journal of Manpower" (2004). He is the member of editor committee of "Studies in Science of Science", "Science Research Management", "Journal of Systems Engineering", "Systems Engineering-Theory & Practice", "R&D Management", "Journal of Management", "Technology Economics", "Science & Technology Progress and Policy" and "Science and Technology Management Research".

Mr. Chen is also serves as an independent non-executive director of the following public listed companies: Shanghai Shenqi Pharmaceutical Investment Management Co., Ltd. (Stock Code: 600613.SH), a company listed on the Shanghai Stock Exchange, Shunfa Hengye Corporation (Stock Code: 000631.SZ), a company listed on the Shenzhen Stock Exchange, Zhejiang NHU Company Ltd (Stock Code: 002001.SZ), a company listed on the Shenzhen Stock Exchange and Zhejiang Semir Garment Co., Ltd. (Stock Code: 002563.SZ), a company listed on the Shenzhen Stock Exchange.

Mr. Poon Chiu Kwok, aged 54, has been appointed as an independent non-executive Director with effect from 1 September 2015. Mr. Poon was awarded the postgraduate diploma in laws by the University of London. He holds a bachelor's degree in laws and a bachelor's degree in business studies and a master's degree in international accounting. He is a fellow member of the Hong Kong Securities and Investment Institute, a fellow member of The Institute of Chartered Secretaries and Administrators, and a fellow member of The Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel and Professional Development Committee. Mr. Poon has over 25 years of experience in corporate finance and listed companies governance and management. Mr. Poon is currently an executive director, vice president and company secretary of Huabao International Holdings Limited (Stock Code: 336), a company listed on the Main Board of the Stock Exchange. He also serves as an independent non-executive director of Sunac China Holdings Limited (Stock Code: 1918), Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631), Yuanda China Holdings Limited (Stock Code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (Stock Code: 1292), Tonly Electronics Holdings Limited (Stock Code: 1249), and AUX International Holdings Limited (Former Name: Magnum Entertainment Group Holdings Limited) (Stock Code: 2080), all companies listed on the Main Board of the Stock Exchange.

Mr. Wong Yuk Lun, Alan, aged 41, holds a bachelor's degree of accounting and finance in University of Sunderland. Mr. Wong had been working with various accounting firms and commercial companies for about 17 years of working experience and was responsible for works related to financial management, taxation, audit and non-audit services.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lau Chi Yuen, aged 40, holds a master degree in professional accounting from the University of Southern Cross. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants. Mr. Lau has been appointed as the Company Secretary of the Company on 2 September 2014. Mr. Lau had been serving with a company listed on the Stock Exchange as company secretary, authorised representative and executive director of subsidiaries of listed companies. He has many years of experience in and was mainly responsible for works related to company secretarial, corporate finance, merger and acquisition, investor relationship and corporate governance. He has been working in the company secretarial, accounting, auditing and taxation fields for over 15 years.

REPORT OF THE DIRECTORS

The Directors have the pleasure in presenting their annual report together with the audited financial statements of TUS International Limited and its subsidiaries for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Group is principally engaged in the production and sales of automotive related products including sale of automotive electronic products and safety spare parts. During the year ended 31 December 2015, the Group had begun to engage in car trading (including premium and classic car) business, expansion into the automobile inventory financing business, developing the business of technology innovation incubator in the PRC. Further discussion of the Group's business as required by Schedule 5 of the Hong Kong Companies Ordinance can be found in the Chairman's Statement as set out on pages 3 to 4 of this annual report. Such discussion forms part of this Report of the Directors. The principal activities and other particulars of its subsidiaries are set out in Note 22 to the consolidated financial statements.

The Group's revenue for the year is principally attributable to the sales of automotive related products, car trading and provision of financing service for leasing motor vehicles and equipment net of sales tax and value added tax. An analysis of the revenue from the principal activities during the financial year is set out in Note 7 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the group's business, and the compliance with relevant laws and regulations, as well as the Group's environmental policies and performance which have a significant impact on the Company, can be found in the Management Discussion and Analysis set out on pages 12 to 14 and the Chairman's Statement as set out on pages 4 to 5 of this annual report. Such discussion forms part of this Report of the Directors.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2015 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 43 to 46 and page 141.

DIVIDENDS

The Directors did not recommend the payment of final dividend of the year ended 31 December 2015.

CHARITABLE DONATIONS

No donation was made by the Group during the year (2014: HK$Nil).

FIXED ASSETS

Details of movements in fixed assets are set out in Note 18 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in Note 36 to the consolidated financial statements and consolidated statement of changes in equity respectively.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 36(a) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the law in the Cayman Islands.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings as at 31 December 2015 are set out in Note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	42.9%	
Five largest customers in aggregate	86.5%	
The largest supplier		55.0%
Five largest suppliers in aggregate		73.4%

Save as disclosed above and so far as the Board are aware, neither the Directors, their close associates nor any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Li Feng *(Chairman)*
Mr. Du Peng (Appointed on 12 June 2015)
Mr. Woo Kar Tung Raymond (Appointed on 1 September 2015)
Ms. Cheung Joanna Wai Sze (Appointed on 25 June 2015)
Mr. Lam Wai Hung
Mr. Xing Zhanwu (Retired on 2 June 2015)
Mr. Wong Ka Ching (Resigned on 9 June 2015)
Ms. Ng Sau Lin (Resigned on 25 June 2015)
Mr. Wang Nai (Appointed on 1 September 2015 and resigned on 23 October 2015)

Non-executive Directors

Mr. Tsang Ling Biu, Gilbert (Appointed on 15 May 2015)
Mr. Sheng Ruzhi (Appointed on 20 November 2015)

Independent non-executive Directors

Hon. Shek Lai Him Abraham *(GBS, JP)* (Appointed on 25 June 2015)
Mr. Chen Jin (Appointed on 25 June 2015)
Mr. Poon Chiu Kwok (Appointed on 1 September 2015)
Mr. Wong Yuk Lun, Alan
Mr. Lim Chi Kit (Resigned on 25 June 2015)
Mr. Hui Hung Kwan (Resigned on 25 June 2015)

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. All annual remuneration packages of the Directors were determined on arm's length negotiations between the parties based on their respective contributions to and responsibilities in the Company. Mr. Li Feng is also entitled to a discretionary bonus calculated as a percentage of the audited consolidated net profits of the Group attributable to shareholders of the Company. The percentage shall be determined by the Board of Directors but in any case the aggregate amount payable for each financial year to all the executive Directors of the Company shall not exceed 4% of such profit.

Each of the two non-executive Directors and the four independent non-executive Directors has a service term of three years with the Company. The service can be terminated by either party by giving three months' notice to the other party.

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors and chief executives in shares and underlying shares and in debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "SFO") as recorded in the register required to be kept under section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions in issued shares

Name of director	Capacity	Registered Shareholders	Underlying Interest	Approximate percentage of shareholding
Sheng Ruzhi	Beneficial Owner	1,872,000	–	0.20%
Du Peng	Beneficial Owner	–	9,280,000	1.00%
Cheung Joanna Wai Sze	Beneficial Owner	–	9,280,000	1.00%
Woo Kar Tung Raymond	Beneficial Owner	–	9,280,000	1.00%
Tsang Ling Biu, Gilbert	Beneficial Owner	–	4,640,000	0.50%

Apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the issuance of in aggregate no more than 10% in the nominal amount of the aggregate of shares in issue on 19 June 2009 ("2009 Share Option Scheme"). A summary of principal terms of the 2009 Share Option Scheme was disclosed in the circular of the Company issued on 29 April 2009.

The total number of securities available for issue under the 2009 Share Option Scheme as at 31 December 2015 was 36,562,088 shares which represented approximately 3.94% of the issued share capital of the Company as at 31 December 2015.

Eligible participants of the Scheme would be any person or an entity belonging to any of Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The purpose of the Scheme is to reward participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole.

Unless approved by the Shareholders, the total number of shares issued and to be issued upon the exercise of share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the number of the shares of the Company in issue.

The Scheme was effective on 19 June 2009 and unless otherwise cancelled or amended, will remain valid and effective for the period of 10 years from that date.

The exercise price for the options shall be determined by the Board which must be at least the higher of:

(1) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(3) the nominal value of the Shares.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES *(Continued)*

During the year ended 31 December 2015, total of 81,120,000 share options were granted. 44,000,000 share options were granted to the eligible participants on 28 January 2015 and were exercised by the participants under the Scheme. 27,840,000 and 9,280,000 share options were granted to the eligible participants on 25 June 2015 and 1 September 2015 which were not exercised by the participants. Movements of the share options under the Scheme during the year ended 31 December 2015 are as follows:

2015

			Number of share options					
Name	Date of Grant	Exercise Period	As at 1 January 2015	Grant during the year	Exercised during the year	Lapsed during the year	As at 31 December 2015	Exercise price per share
Directors								
Lam Wai Hung	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	–	7,000,000	7,000,000	–	–	HK$0.36
Wong Yuk Lun, Alan	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	–	500,000	500,000	–	–	HK$0.36
Cheung Joanna Wai Sze	25 June 2015	25 June 2015 to 24 June 2016	–	9,280,000	–	–	9,280,000	HK$1.84
Du Peng	25 June 2015	25 June 2015 to 24 June 2016	–	9,280,000	–	–	9,280,000	HK$1.84
Tsang Ling Biu, Gilbert	25 June 2015	25 June 2015 to 24 June 2016	–	4,640,000	–	–	4,640,000	HK$1.84
Woo Kar Tung Raymond	1 September 2015	1 September 2015 to 31 August 2016	–	4,640,000	–	–	4,640,000	HK$0.93
Wang Nai (appointed on 1 September 2015 and resigned on 20 November 2015)	1 September 2015	1 September 2015 to 31 August 2016	–	4,640,000	–	–	4,640,000	HK$0.93
Former Directors								
Wong Ka Ching	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	–	7,000,000	7,000,000	–	–	HK$0.36
Ng Sau Lin	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	–	5,000,000	5,000,000	–	–	HK$0.36
Lim Chi Kit	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	–	500,000	500,000	–	–	HK$0.36
Other Eligible participants								
Employees	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	–	24,000,000	24,000,000	–	–	HK$0.36
Consultant – Woo Kar Tung Raymond (appointed as executive Director and chief financial officer on 1 September 2015)	25 June 2015	25 June 2015 to 24 June 2016	–	4,640,000	–	–	4,640,000	HK$1.84
				81,120,000	44,000,000	–	37,120,000	

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2015, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

	Capacity	Number of ordinary shares of the Company held	Approximately percentage of total shares of the Company (Note 3)
Tuspark Venture Investment Ltd. (“Tuspark Venture”)	Beneficial owner (Note 1)	212,490,802	22.89%
Tus-Holdings Co., Ltd. (“Tus-Holdings”)	Interested in controlled corporation (Note 1)	212,490,802	22.89%
Tsinghua Holdings Co., Ltd. (“Tsinghua Holdings”)	Interested in controlled corporation (Note 2)	212,490,802	22.89%
Beijing Baijun Investment Company Limited (“Beijing Baijun”)	Interested in controlled corporation (Note 2)	212,490,802	22.89%
Wang Jiwu	Interested in controlled corporation (Note 2)	212,490,802	22.89%
Tsinghua University	Interested in controlled corporation (Note 2)	212,490,802	22.89%

REPORT OF THE DIRECTORS

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY *(Continued)*

Note:

1. Tuspark Venture is the beneficial owner of 212,490,802 Shares. The entire issued share capital of Tuspark Venture is beneficially owned by Tus-Holdings. Tus-Holdings is therefore deemed to be interested in the 212,490,802 Shares held by Tuspark Venture pursuant to the SFO.

2. Tus-Holdings is held (i) as to approximately 44.92% by Tsinghua Holdings, which is in turn held as to 100% by Tsinghua University; and (ii) as to approximately 30.08% by Beijing Baijun, which is in turn held as to 100% by Wang Jiwu.

3. The approximate percentage of shareholding is calculated based on 928,184,888 Shares in issue as at 31 December 2015.

Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other person (other than the Directors) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, 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 any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors have an interest in any business constituting a competing business to the Group.

REPORT OF THE DIRECTORS

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2015, the Company has adopted the code set out in the Appendix 10 of the Listing Rules for securities transactions by Directors. The Company also had made specific enquiry of all Directors who confirmed to the Company that they have, during the year ended 31 December 2015, strictly complied with the adopted code, and the Company was not aware of any non-compliance with the required standard set out in the adopted code regarding securities transactions by Directors.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive Directors have confirmed that they are independent.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2015 are disclosed in Note 42 to the financial statements. Save as mentioned, there were no other discloseable non-exempted connected transactions or non-exempted continuing connected transactions for inclusion in this report as required under Rule 14A.71 of the Listing Rules. To the extent where the related party transactions as disclosed in Note 42 to the financial statements constituted connected transaction or continuing connected transaction, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

AUDITORS

In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited which has been appointed as the auditors of the Company by the shareholders at the annual general meeting held on 18 June 2012.

Apart from the foregoing, there were no other changes in auditors of the Company in any of the preceding three years.

HLB Hodgson Impey Cheng Limited will retire and a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint them as auditors of the Company.

On behalf of the Board

Li Feng
Chairman

Hong Kong, 31 March 2016

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2015, except the following:

Code Provision A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The board meetings of the Company held during the year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board.

The Company will endeavor to arrange the meetings for the Chairman with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM.

Mr. Li Feng, the chairman of the Board was unable to attend the AGM for 2015 due to other business engagement. However, an executive Director had chaired the AGM for 2015 and answered questions from the shareholders of the Company.

The AGM provides a channel for communication between the Board and the shareholders of the Company. Other than the AGM, the shareholders may communicate with the Company through the contact information as set out in this annual report.

(A) BOARD OF DIRECTORS

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the directors' responsibilities to create value for shareholders and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

As at the date of this report, the Board comprises 11 Directors, including 5 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors, in compliance with the requirement of Listing Rules which states that "every board of directors of an issuer must include at least 3 independent non-executive directors which represent at least one-third of the board".

(A) BOARD OF DIRECTORS *(Continued)*

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

Executive Directors

Mr. Li Feng *(Chairman)*
Mr. Du Peng (Appointed on 12 June 2015)
Mr. Woo Kar Tung Raymond (Appointed on 1 September 2015)
Ms. Cheung Joanna Wai Sze (Appointed on 25 June 2015)
Mr. Lam Wai Hung
Mr. Xing Zhanwu (Retired on 2 June 2015)
Mr. Wong Ka Ching (Resigned on 9 June 2015)
Ms. Ng Sau Lin (Resigned on 25 June 2015)
Mr. Wang Nai (Appointed on 1 September 2015 and resigned on 23 October 2015)

Non-executive Directors

Mr. Tsang Ling Biu, Gilbert (Appointed on 15 May 2015)
Mr. Sheng Ruzhi (Appointed on 20 November 2015)

Independent non-executive Directors

Hon. Shek Lai Him Abraham *(GBS, JP)* (Appointed on 25 June 2015)
Mr. Chen Jin (Appointed on 25 June 2015)
Mr. Poon Chiu Kwok (Appointed on 1 September 2015)
Mr. Wong Yuk Lun, Alan
Mr. Lim Chi Kit (Resigned on 25 June 2015)
Mr. Hui Hung Kwan (Resigned on 25 June 2015)

Biography of the Directors are set out on pages 15 to 17 of this annual report and also made available on the Company's website.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realizing the strategies and goals of the Group;

- being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, other price sensitive announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;

CORPORATE GOVERNANCE REPORT

(A) BOARD OF DIRECTORS *(Continued)*

- whilst executive Directors/chief executives, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;

- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and

- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives to ensure appropriate arrangements are in place.

Experience

Executive and non-executive Directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields, in particular the appropriate accounting qualifications possessed by Mr. Poon Chiu Kwok. During its decision-making process, the Board holds in high regard the views of the independent non-executive Directors, which serve as the effective direction of the Group's operations.

Chairman and Chief Executive Officer

Under Code Provision A.2.1, the role of both the chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Li Feng is currently the Chairman of the Company. During the year of 2015, after the resignation of Mr. Xing Zhanwu as executive Director and chief executive officer of the Company (the "CEO") on 2 June 2015, no individual was formally appointed as CEO to fill his vacancy.

The role of the CEO has been performed collectively by all executive Directors. The Board considers this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the shareholders of the Company as a whole.

Appointment, Re-election and Removal of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company with specific term and is subject to retirement and re-election at the forthcoming general meeting of the Company after his/her appointment and will also be subject to the retirement by rotation and re-election in accordance with the articles of association of the Company and the Code.

CORPORATE GOVERNANCE REPORT

(A) BOARD OF DIRECTORS *(Continued)*

Non–Executive Directors

The Company has complied with the requirement to appoint a sufficient number of independent non-executive directors as set out in Rule 3.10(1) of the Listing Rules. Throughout the year ended 31 December 2015, the Company has appointed four independent non-executive Directors, namely Hon. Shek Lai Him Abraham (GBS, JP), Mr. Chen Jin, Mr. Poon Chiu Kwok and Mr. Wong Yuk Lun, Alan.

Mr. Tsang Ling Biu, Gilbert, and Mr. Sheng Ruzhi, being the non-executive Directors and Hon. Shek Lai Him Abraham (GBS, JP), Mr. Chen Jin, Mr. Poon Chiu Kwok and Mr. Wong Yuk Lun, Alan, being the independent non-executive Directors, are all appointed for a fixed term of three years. All the non-executive Directors and independent non-executive Directors are subject to normal retirement and re-election by shareholders of the Company pursuant to the articles of association of the Company at the annual general meeting of the Company.

Directors' and Officers' Insurance

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

Corporate Governance Function

The Board is responsible for the corporate governance functions, which include the following duties:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report. The Board has discharged the above functions during the year under review.

CORPORATE GOVERNANCE REPORT

(A) BOARD OF DIRECTORS *(Continued)*

Attendance of Meeting(s)

The Board meets at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual director cannot attend the meeting in person. Opinions of the non-executive directors, including independent non-executive directors, are actively sought by the Company if they are unable to attend the meeting in person.

Members of the Board, who are well-informed of their duties and responsibilities, held a total of 27 meetings during the year 2015. The Directors are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Proposals considered and approved by the Board during the period under review mainly included:

- financial performance and results of each period as well as review of corporate governance measures;
- a proposal to seek approval from shareholders in general meeting for distribution of final dividends to shareholders;
- a proposal to seek approval from shareholders in general meeting for re-election and re-appointment of Directors;
- a proposal to seek approval from shareholders in general meeting for re-appointment the Company's auditors and fixing their remuneration;
- a proposal to seek approval from shareholders in general meeting for issuance of new shares and repurchases of shares;
- appointment and resignation of members of the Board; and
- other material disposal and acquisition and capital expenditure.

(A) BOARD OF DIRECTORS *(Continued)*

Attendance of Meeting(s) *(Continued)*

Details of Directors' attendance at Board meetings, Committee meetings and general meetings held in 2015 are set out as follows:

	Attendance				
	General Meetings	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Executive directors					
Mr. Li Feng	0/3	1/27	N/A	N/A	N/A
Mr. Du Peng (Appointed on 12 June 2015)	2/2	11/12	N/A	N/A	N/A
Mr. Woo Kar Tung Raymond (Appointed on 1 September 2015)	1/1	11/11	N/A	1/1	1/1
Ms. Cheung Joanna Wai Sze (Appointed on 25 June 2015)	1/1	11/12	N/A	3/3	3/3
Mr. Lam Wai Hung	1/3	26/27	N/A	N/A	N/A
Mr. Wang Nai (Appointed on 1 September 2015 and resigned on 23 October 2015)	0/1	2/5	N/A	N/A	N/A
Mr. Xing Zhanwu (Retired on 2 June 2015)	0/3	0/9	N/A	0/2	0/3
Ms. Ng Sau Lin (Resigned on 25 June 2015)	0/1	14/14	N/A	N/A	N/A
Mr. Wong Ka Ching (Resigned on 9 June 2015)	0/1	11/11	N/A	N/A	N/A
Non-executive directors					
Mr. Tsang Ling Biu, Gilbert (Appointed on 15 May 2015)	2/3	17/18	2/2	N/A	N/A
Mr. Sheng Ruzhi (Appointed on 20 November 2015)	N/A	3/3	N/A	N/A	N/A
Independent non-executive directors					
Hon. Shek Lai Him Abraham *(GBS, JP)* (Appointed on 25 June 2015)	1/1	8/12	N/A	N/A	N/A
Mr. Chen Jin (Appointed on 25 June 2015)	0/1	8/12	2/2	2/2	2/2
Mr. Poon Chiu Kwok (Appointed on 1 September 2015)	0/1	8/11	1/1	1/1	1/1
Mr. Wong Yuk Lun, Alan	0/3	26/27	3/3	6/6	7/7
Mr. Lim Chi Kit (Resigned on 25 June 2015)	1/2	14/14	1/1	3/4	4/5
Mr. Hui Hung Kwan (Resigned on 25 June 2015)	1/2	9/14	1/1	N/A	0/5

CORPORATE GOVERNANCE REPORT

(A) BOARD OF DIRECTORS *(Continued)*

Code for Dealing in Securities of the Company

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code throughout the year under review.

Training, Induction and Continuing Development of Directors

Each Director receives comprehensive, formal and tailored induction on the first occasion of his appointment so as to ensure the he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company is committed to arranging and funding suitable training to all directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

Audit Committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules, which can be obtained on the website of the Company and the Stock Exchange.

The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process, internal control and risk management systems of the Group. During the year under review, the Audit Committee had reviewed the interim results and final results of the Group. The Audit Committee had reviewed this annual report and confirmed that it complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors of the Audit Committee regarding the selection and appointment of external auditors.

The Audit Committee currently comprises an non-executive Director and three independent non-executive Directors:

Mr. Poon Chiu Kwok *(Chairman of Audit Committee)*
Mr. Chen Jin
Mr. Tsang Ling Biu, Gilbert
Mr. Wong Yuk Lun, Alan

The changes in the composition of the Audit Committee for the year ended 31 December 2015 are set out below:

On 25 June 2015, (i) Mr. Hui Hung Kwan ceased to be the chairman of the Audit Committee; (ii) Mr. Lim Chi Kit ceased to be a member of the Audit Committee; (iii) Mr. Wong Yuk Lun, Alan was appointed as the chairman of the Audit Committee; (iv) Mr. Chen Jin and Mr. Tsang Ling Biu, Gilbert were both appointed as members of the Audit Committee.

(A) BOARD OF DIRECTORS *(Continued)*

Audit Committee *(Continued)*

On 1 September 2015, (i) Mr. Wong Yuk Lun, Alan was re-designated from the chairman of the Audit Committee to a member of the Audit Committee; and (ii) Mr. Poon Chiu Kwok was appointed as the chairman of the Audit Committee.

During the year ended 31 December 2015, the Audit Committee held 3 meetings. The attendance and records are set out under the section headed "Attendance of Meeting(s)" as above.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") in November 2005. The terms of reference of the Remuneration Committee can be obtained on the website of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to assist the Board and make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The Remuneration Committee currently comprises an executive Director and three independent non-executive Directors:

Mr. Poon Chiu Kwok *(Chairman of Remuneration Committee)*
Mr. Chen Jin
Mr. Woo Kar Tung Raymond
Mr. Wong Yuk Lun, Alan

The changes in the composition of the Remuneration Committee for the year ended 31 December 2015 are set out below:

On 2 June 2015, Mr. Xing Zhanwu ceased to be a member of the Remuneration Committee following his retirement as an executive Director and Mr. Lam Wai Hung was appointed as a member of the Remuneration Committee.

On 25 June 2015, Mr. Chen Jin was appointed as a member of the Remuneration Committee and Mr. Lim Chi Kit ceased to be a member of the Remuneration Committee.

On 1 September 2015, (i) Mr. Wong Yuk Lun, Alan has been re-designated from the chairman of the Remuneration Committee to a member of the Remuneration Committee; (ii) Mr. Poon Chiu Kwok has been appointed as the chairman of the Remuneration Committee; (iii) Mr. Woo Kar Tung Raymond has been appointed as a member of the Remuneration Committee; and (iv) Mr. Lam Wai Hung ceased to be a member of the Remuneration Committee.

During the year ended 31 December 2015, the Remuneration Committee held 6 meetings. In the meetings, the Remuneration Committee had reviewed the remuneration policy for Directors and senior management. The attendance and records are set out under the section headed "Attendance of Meeting(s)" as above to review the remuneration packages of the Directors.

CORPORATE GOVERNANCE REPORT

(A) BOARD OF DIRECTORS *(Continued)*

Remuneration of Directors and Senior Management

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies of which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance and should avoid paying more than necessary for such purpose; and
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual.

The remuneration payable to members of senior management is within the following band:

	Number of Individuals
HK$ Nil – HK$1,000,000	3
HK$1,000,001 – HK$1,500,000	2

Further details of the Directors' and senior management remuneration are set out in Notes 14 and 15 of the financial statements in this report.

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") in November 2005. The terms of reference of the Nomination Committee can be obtained on the website of the Company and the Stock Exchange.

The Nomination Committee concerns the diversity of Board members which aims to maintain the Board with a diversity of Directors in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, with a view to enhancing the quality of performance of the Board. The primary duties of the Nomination Committee are to assist the Board in the overall management of the nomination practices of the Company to ensure that effective policies, processes and practices are implemented in respect of the appointment and removal of Directors.

(A) BOARD OF DIRECTORS *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee currently comprises an executive Director and three independent non-executive Directors:

Mr. Chen Jin *(Chairman of the Nomination Committee)*
Mr. Poon Chiu Kwok
Mr. Woo Kar Tung Raymond
Mr. Wong Yuk Lun, Alan

The changes in the composition of the Nomination Committee for the year ended 31 December 2015 are set out below:

On 2 June 2015, Mr. Xing Zhanwu ceased to be a member of the Nomination Committee following his retirement as an executive Director and Mr. Lam Wai Hung was appointed as a member of the Nomination Committee.

On 25 June 2015, (i) Mr. Hui Hung Kwan ceased to be the chairman of the Nomination Committee; (ii) Mr. Lim Chi Kit ceased to be a member of the Nomination Committee; and (iii) Mr. Chen Jin was appointed as the chairman of the Nomination Committee.

On 1 September 2015, (i) Mr. Poon Chiu Kwok has been appointed as the member of the Nomination Committee; (ii) Mr. Woo Kar Tung Raymond has been appointed as a member of the Nomination Committee; and (ii) Mr. Lam Wai Hung ceased to be a member of the Nomination Committee.

During the year ended 31 December 2015, the Nomination Committee held 7 meetings. In the meetings, the Nomination Committee had reviewed the structure size and composition of the Board, assess the independence of the independent non-executive Directors and other related matters of the Company. The attendance and records are set out under the section headed "Attendance of Meeting(s)" as above to review the remuneration packages of the Directors.

Company Secretary

Mr. Lau Chi Yuen, the company secretary of the Company, has confirmed the completion of relevant professional training of not less than 15 hours.

CORPORATE GOVERNANCE REPORT

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Accountability and Audit

The Directors are responsible for overseeing the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company.

Given the Group's current simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for internal control of the Group and for reviewing its effectiveness. The Group will continue to review regularly on whether there is a need for engaging for external independent internal auditing expert.

Internal Control

The Board has conducted a review on the internal control system of the Group which has covered major and material controls in areas of financial, operations, compliance and risk management of the Company and will improve the internal control manual and system in accordance to the Company's business condition. It has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and shareholders' interests. The Audit Committee and the Board also reviews and monitors the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

External Auditor's Remuneration

During the year under review, the Group has engaged HLB Hodgson Impey Cheng Limited ("HLB") (including any entity that is under common control, ownership or management with HLB or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of HLB nationally or internationally) to provide the following services and their respective fees charged are set out as below:–

Type of services provided	Amount of fees *(HKD)*
Audit services	850,000
Non-audit services (Note)	50,000
Total	900,000

Note:

Non-audit services referred to performing an agreed-upon procedure to assist the Company to review the financial statements of Optimus Financial Group Limited which was acquired by the Company during the year ended 31 December 2015.

(C) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Company maintains effective communications with its shareholders, investors and analysts through, inter alia:

- establishing dedicated personnel for liaison with investors and analysts by answering their questions;
- arranging on-site visits to the production facilities of the Company to enhance their timely understanding of the situations and latest development of the Company's business operations;
- gathering, in a timely manner, opinions and comments from analysts and investors on the operations of the Company, compiling reports thereon at regular intervals and selectively adopting them in the Company's operations;
- making available information on the Company's website, including description of the Company, Board and corporate governance, results of the Company, financial highlights, promotional materials and press releases of the Company, etc.; and
- actively communicating with various parties, in particular, convening briefing sessions, press conferences and individual meeting with institutional investors upon the announcement of interim and annual results and making decisions on material investments. The Company also participates in a range of investor activities and communicates on one-on-one basis with its investors regularly.

During the year under review, there was no change in Company's constitutional document.

CORPORATE GOVERNANCE REPORT

(D) SHAREHOLDERS' RIGHTS

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.

Any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders of the Company or not less than 100 shareholders can put forward any proposed resolution or the business to be dealt with at general meetings of the Company by depositing a requisition in writing at the principal office of the Company. The requisition must be signed by the relevant shareholder(s).

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Room 1301, Prosperity Tower,
39 Queen's Road Central,
Hong Kong
Email: info@tus-i.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INDEPENDENT AUDITORS' REPORT

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF TUS INTERNATIONAL LIMITED
(FORMERLY KNOWN AS JINHENG AUTOMOTIVE SAFETY TECHNOLOGY HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 143, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY *(CONTINUED)*

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

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

OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK$	2014 HK$
Revenue	7	**194,606,323**	184,878,802
Cost of sales		**(173,115,454)**	(174,296,075)
Gross profit		**21,490,869**	10,582,727
Other revenue	8	**4,995,292**	7,662,708
Other loss	9	**(77,689,775)**	(4,372,225)
Research and development expenses	10	**(58,349,616)**	(56,140,396)
Selling and distribution expenses		**(16,668,024)**	(8,048,358)
Administrative expenses		**(76,068,981)**	(67,032,174)
Finance costs	11	**(1,600,366)**	(3,789,444)
Realised and unrealised gain/(loss) on held-for-trading investments	12	**8,380,249**	(1,616,096)
Loss on disposal of subsidiaries, net	39	**–**	(7,276,306)
Share of loss of an associate	23	**(3,950,830)**	(6,270,000)
Loss before taxation	12	**(199,461,182)**	(136,299,564)
Taxation	13	**(1,851,358)**	1,186,020
Loss for the year		**(201,312,540)**	(135,113,544)
Other comprehensive loss for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(3,562,946)**	(7,231,784)
Other comprehensive loss for the year		**(3,562,946)**	(7,231,784)
Total comprehensive loss for the year		**(204,875,486)**	(142,345,328)
Loss for the year attributable to:			
Owners of the Company		**(144,698,559)**	(96,080,590)
Non-controlling interests		**(56,613,981)**	(39,032,954)
		(201,312,540)	(135,113,544)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK$	2014 HK$
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(147,495,454)**	(102,055,926)
Non-controlling interests		**(57,380,032)**	(40,289,402)
		(204,875,486)	(142,345,328)
Loss per share			
– Basic and diluted (HK cents)	17	**(17.18)**	(16.35)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$	2014 HK$
Non-current assets			
Fixed assets			
– Property, plant and equipment	18	**31,172,985**	34,730,223
– Interests in leasehold land held for own use under operating leases	18	**9,665,342**	11,257,370
Deposits paid for acquisition of property, plant and equipment		**–**	726,874
Construction in progress	19	**6,369,951**	–
Finance lease receivables	28	**4,797,860**	–
Intangible assets	20	**18,997,671**	44,628,533
Goodwill	21	**3,380,099**	5,363,669
Interests in an associate	23	**–**	35,460,243
Available-for-sale investments	24	**78,500,000**	–
		152,883,908	132,166,912
Current assets			
Inventories	26	**56,563,591**	26,048,015
Trade receivables, prepayments and other receivables	27	**148,084,846**	248,106,931
Finance lease receivables	28	**18,085,823**	–
Loan receivables	29	**–**	33,000,000
Held-for-trading investments	30	**–**	19,622,500
Cash and cash equivalents	31	**240,100,479**	105,343,549
		462,834,739	432,120,995
Current liabilities			
Trade and other payables	32	**46,449,377**	33,145,028
Current tax payable	25	**3,132,768**	95,218
Borrowings	33	**33,967,780**	17,526,334
		83,549,925	50,766,580
Net current assets		**379,284,814**	381,354,415
Total assets less current liabilities		**532,168,722**	513,521,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	**2015** HK$	2014 HK$
Non-current liabilities			
Deferred tax liabilities	25	**14,541,595**	16,538,705
Net assets		**517,627,127**	496,982,622
Capital and reserves			
Share capital	36	**9,281,849**	7,368,209
Reserves	36	**531,707,336**	521,420,638
Total equity attributable to owners of the Company		**540,989,185**	528,788,847
Non-controlling interests		**(23,362,058)**	(31,806,225)
Total equity		**517,627,127**	496,982,622

Approved and authorised for issue by the Board of Directors on 31 March 2016

Du Peng	**Woo Kar Tung Raymond**
Director	*Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share Capital HK$	Share premium HK$	Statutory surplus reserve HK$	Exchange reserve HK$	Other reserve HK$	Share option reserve HK$	Retained profits HK$	Sub-total HK$	Non-controlling interests HK$	Total HK$
As at 1 January 2014	5,117,189	248,891,857	7,932,209	37,616,915	(46,562,018)	–	301,138,470	554,134,622	22,456,809	576,591,431
Loss for the year	–	–	–	–	–	–	(96,080,590)	(96,080,590)	(39,032,954)	(135,113,544)
Other comprehensive loss for the year, net of income tax:										
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	(5,975,336)	–	–	–	(5,975,336)	(1,256,448)	(7,231,784)
Total comprehensive loss for the year	–	–	–	(5,975,336)	–	–	(96,080,590)	(102,055,926)	(40,289,402)	(142,345,328)
Placing of ordinary shares (Note 36(a)(i))	2,251,020	89,018,850	–	–	–	–	–	91,269,870	–	91,269,870
Transaction costs attributable to placing of ordinary shares	–	(2,481,747)	–	–	–	–	–	(2,481,747)	–	(2,481,747)
Disposal of subsidiaries (Note 39)	–	–	(220,236)	(11,839,495)	(18,241)	–	–	(12,077,972)	(6,473,632)	(18,551,604)
Dividend paid to non-controlling shareholder	–	–	–	–	–	–	–	–	(7,500,000)	(7,500,000)
Appropriations to statutory surplus reserve	–	–	181,684	–	–	–	(181,684)	–	–	–
As at 31 December 2014 and 1 January 2015	7,368,209	335,428,960	7,893,657	19,802,084	(46,580,259)	–	204,876,196	528,788,847	(31,806,225)	496,982,622
Loss for the year	–	–	–	–	–	–	(144,698,559)	(144,698,559)	(56,613,981)	(201,312,540)
Other comprehensive loss for the year, net of income tax:										
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	(2,796,895)	–	–	–	(2,796,895)	(766,051)	(3,562,946)
Total comprehensive loss for the year	–	–	–	(2,796,895)	–	–	(144,698,559)	(147,495,454)	(57,380,032)	(204,875,486)
Placing of ordinary shares (Note 36(a)(ii))	1,473,640	126,143,584	–	–	–	–	–	127,617,224	–	127,617,224
Transaction costs attributable to placing of ordinary shares	–	(3,345,835)	–	–	–	–	–	(3,345,835)	–	(3,345,835)
Acquisition of subsidiaries (Note 37)	–	–	–	–	–	–	–	–	65,824,199	65,824,199
Share-based payments	–	–	–	–	–	19,584,403	–	19,584,403	–	19,584,403
Exercise of share options (Note 36(a)(iii))	440,000	18,811,000	–	–	–	(3,411,000)	–	15,840,000	–	15,840,000
Appropriations to statutory surplus reserve	–	–	–	–	–	–	–	–	–	–
As at 31 December 2015	**9,281,849**	**477,037,709**	**7,893,657**	**17,005,189**	**(46,580,259)**	**16,173,403**	**60,177,637**	**540,989,185**	**(23,362,058)**	**517,627,127**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK$	2014 HK$
Operating activities			
Loss before taxation		**(199,461,182)**	(136,299,564)
Adjustments for:			
– Depreciation of property, plant and equipment		**5,735,353**	13,453,138
– Amortisation of intangible assets		**4,520,776**	4,606,071
– Amortisation of leasehold land held for own use under operating leases		**1,118,938**	1,637,469
– Finance costs		**1,600,366**	3,789,444
– Bank interest income		**(20,420)**	(397,291)
– Loan interest income		**(3,973,917)**	–
– Share of loss of an associate		**3,950,830**	6,270,000
– Loss on disposal of property, plant and equipment		**4,059,977**	28,609
– Loss on disposal of subsidiaries, net	39	**–**	7,276,306
– Realised and unrealised (gain)/loss on held-for-trading investments		**(8,380,249)**	1,616,096
– Provision for inventories		**15,032,825**	–
– Impairment loss recognised on trade receivables		**–**	3,814,579
– Impairment loss recognised on intangible assets		**19,237,409**	–
– Impairment loss recognised on amount due from an associate	23	**7,515,200**	–
– Impairment loss recognised on investment in an associate	23	**23,994,213**	–
– Impairment loss recognised on goodwill		**5,120,447**	–
– Share-based payments		**19,584,403**	–
– Dividends income from held-for-trading investments		**(286,000)**	–
Operating loss before changes in working capital		**(100,651,031)**	(94,205,143)
(Increase)/decrease in inventories		**(45,548,401)**	9,315,249
Decrease/(increase) in trade receivables, prepayments and other receivables		**220,017,557**	(29,154,572)
Decrease in finance lease receivables		**1,172,310**	–
(Decrease)/increase in trade and other payables		**(17,015,666)**	117,387,038
Purchase of held-for-trading investments		**–**	(28,775,336)
Proceeds from disposal of held-for-trading investments		**28,002,749**	7,536,740
Cash generated from/(used in) operations		**85,977,518**	(17,896,024)
PRC income tax paid		**(327,877)**	(141,815)
Net cash generated from/(used in) operating activities		**85,649,641**	(18,037,839)
Investing activities			
Purchase of property, plant and equipment		**(5,174,399)**	(166,731)
Payment for construction in progress		**(6,590,147)**	–
Proceeds from disposal of property, plant and equipment		**508,938**	–
Addition of loan receivables		**–**	(33,000,000)
Repayment of loan receivables		**33,000,000**	11,000,400
Net cash inflow on disposal of subsidiaries	39	**–**	26,698,376
Bank interest received		**20,420**	397,291
Loan interest received		**612,602**	–
Purchase of available-for-sale investments	24	**(64,500,000)**	–
Net cash outflow on acquisition of subsidiaries	37	**(55,198,491)**	–
Net cash outflow on acquisition of asset	38	**(2,124,540)**	–
Dividends received from held-for-trading investments		**286,000**	–
Net cash (used in)/generated from investing activities		**(99,159,617)**	4,929,336

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$	2014 HK$
Financing activities		
Proceeds from bank loans	**10,143,198**	62,919,581
Repayment of bank loans	**(17,526,334)**	(58,056,215)
Proceeds from other loans	**17,500,000**	–
Repayment of other loans	**–**	(3,798,742)
Proceeds from placing of ordinary shares	**127,617,224**	91,269,870
Payment for transaction costs attributable to placing of ordinary shares	**(3,345,835)**	(2,481,747)
Bank and other loans interest paid	**(1,600,366)**	(3,789,444)
Dividends paid	**–**	(7,500,000)
Proceeds from shares issued under share option scheme	**15,840,000**	–
Net cash generated from financing activities	**148,627,887**	78,563,303
Net increase in cash and cash equivalents	**135,117,911**	65,454,800
Effect of foreign exchange rate changes	**(360,981)**	(1,073,229)
Cash and cash equivalents as at 1 January	**105,343,549**	40,961,978
Cash and cash equivalents as at 31 December	**240,100,479**	105,343,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

1. GENERAL INFORMATION

TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) (the "Company") was incorporated in the Cayman Islands on 26 February 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2004. On 12 November 2008, the Company withdrew the listing of its shares on GEM and listed its entire issued share capital by way of transfer on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 22 to the consolidated financial statements.

As at 31 December 2015, the directors consider the immediate parent and ultimate controlling party of the Company and its subsidiaries (together referred to as the "Group") to be Tuspark Venture Investment Ltd., which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

The consolidated financial statements of the Company and the subsidiaries (collectively the "Group") are presented in Hong Kong dollars ("HK$") except when otherwise indicated.

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

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

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

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

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

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

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

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

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

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

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

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

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

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

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations *(Continued)*

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

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

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

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

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

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

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

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

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

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

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

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

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 12 Disclosure of Interests in Other Entities and HKAS 28 Investments in Associates and Joint Ventures clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The directors do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

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

Annual Improvements to HKFRSs 2012-2014 Cycle

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

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

Except as described above, the directors of the Company do not anticipate that the application of these new and revised HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

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

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

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

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

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

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

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Basis of consolidation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Basis of consolidation *(Continued)*

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment at the acquisition date*; and

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Business combinations *(Continued)*

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

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

(e) Goodwill

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

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

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

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Investment in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment or a portion thereof, is classified as held for sales, in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Investment in associates *(Continued)*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Property, plant and equipment

Property, plant and equipment, including buildings, leasehold land (classified as finance lease) and freehold land held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress 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.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line methods.

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

–	Machinery and equipment	3-10 years
–	Motor vehicles	10 years
–	Office equipment	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Construction in progress

Construction in progress represents buildings under construction and equipment pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest charges during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities in the PRC.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting periods, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any impairment losses.

Internally-generated intangible asset – development cost

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during the development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Intangible assets (other than goodwill) *(Continued)*

Intangible assets acquired in a business combination

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

Derecognition of intangible assets

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

Amortisation of capitalised development cost is charged to profit or loss over the estimated life cycle (not more than 5 years) of the relevant products. Amortisation of other intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives as follows:

– Patents	10-18 years

Both the period and method of amortisation are reviewed annually.

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and other costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade receivables and other receivables

Trade receivables and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Bills discounted with recourse are not derecognised from the statement of financial position until actual settlement on maturity, and the related advances from banks in respect of discounted bills are classified as secured bank loans.

(o) Trade and other payables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Cash and cash equivalents

Cash equivalents comprise 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 which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial or trinomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Taxation *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Provisions *(Continued)*

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(t) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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.

(u) Current assets and liabilities

Current assets are expected to be realised within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets at FVTPL represent investments held-for-trading.

A financial asset is classified as held-for-trading if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Financial assets (Continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other revenue".

Available-for-sale financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

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

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

For certain categories of financial assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Financial assets (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held-for-trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held-for-trading if:

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

A financial liability other than a financial liability held-for-trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the other loss.

Other financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Sale of goods

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

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(iii) Interest income

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

(iv) Finance lease income

Finance lease income is recognised over the period of lease (see accounting policy in respect of leasing above).

(v) Dividend income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Foreign currencies *(Continued)*

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

(z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(aa) Related parties transactions

A party is considered to be related to the Group if:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) Related parties transactions *(Continued)*

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

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

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

(iii) the entity and the Group are joint ventures of the same third party.

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

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

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

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

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

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

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

(ab) Segment reporting

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

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The methods, estimates and judgments the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgments, on matters that are inherently uncertain. Note 5 and 21 contain information about the assumptions and the risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation and amortisation

Property, plant and equipment and intangible assets except for development costs (see Note 18 and 20) are depreciated and amortised on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at the end of each reporting period and assess the need for write down of inventories.

(c) Allowance for impairment of doubtful debts

Allowance for impairment of doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of doubtful debts would affect profit or loss in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. ACCOUNTING ESTIMATES AND JUDGMENTS *(CONTINUED)*

(d) Impairment losses for property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment and intangible assets (including goodwill) is estimated. The recoverable amount of the property, plant and equipment and intangible assets is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(e) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which calculations of the ultimate tax determination is uncertain. 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 year in which such determination is made.

(f) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 3 to the consolidated financial statements. The recoverable amounts of cash generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(g) Impairment losses of associate

In considering the impairment losses that may be required for the Group's associate, recoverable amount of the associate needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value-in-use. It is difficult to precisely estimate selling price because quoted market prices for the associate may not be readily available. In determining the value-in-use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, loan receivables, available-for-sale investments, held-for-trading investments, finance lease receivables, cash and cash equivalents, trade and other payables and borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2015	2014
	HK$	HK$
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**368,079,467**	338,505,008
Available-for-sale investments	**78,500,000**	–
Finance lease receivables	**22,883,683**	–
Held-for-trading investments	**–**	19,622,500
	469,463,150	358,127,508
Financial liabilities		
Amortised costs	**80,417,157**	50,671,362

Financial risk factors

The Group is exposed to a variety of financial risks: credit, liquidity, currency and interest rate risks arise in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables, bills receivable, other receivables and loan receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group generally grants a credit period of not more than 90 to 180 days from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and credit worthiness, extend the credit period upon customers' request. Debtors with balances that are more than 12 months overdue are requested to settle all outstanding balance before any further credit is granted. Normally, the Group does not obtain collateral from customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(a) Credit risk *(Continued)*

At the end of the reporting period, the Group has a certain level of concentrations of credit risk as 0% (2014: 0%) and 63% (2014: 72%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

The Group does not provide any guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables, bills receivable, finance lease receivables and loan receivables are set out in Note 27, Note 28 and 29 to the consolidated financial statements respectively.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date of the Group can be required to pay:

As at 31 December 2015

	Weighted average effective interest rate %	On demand or less than 1 year HK$	Over 1 year HK$	Total undiscounted cash flows HK$	Carrying amount HK$
Non-derivative financial liabilities					
Trade and other payables	–	46,449,377	–	46,449,377	46,449,377
Borrowings	7.09	36,378,835	–	36,378,835	33,967,780
		82,828,212	–	82,828,212	80,417,157

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(b) Liquidity risk *(Continued)*

As at 31 December 2014

	Weighted average effective interest rate %	On demand or less than 1 year HK$	Over 1 year HK$	Total undiscounted cash flows HK$	Carrying amount HK$
Non-derivative financial liabilities					
Trade and other payables	–	33,145,028	–	33,145,028	33,145,028
Borrowings	5.05	18,411,136	–	18,411,136	17,526,334
		51,556,164	–	51,556,164	50,671,362

(c) Currency risk

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective subsidiaries. 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.

(d) Interest rate risk

(i) Exposure to interest rate risk

The Group's exposure to the risk of changes in market interest rate relates primarily to its interest-bearing bank loans. Borrowings at floating rates expose the Group to cash flow interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(ii) Sensitivity analysis

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's loss for the year would increase/decrease by HK$169,858 (2014: HK$62,500). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(e) Fair values

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

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

– the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

– the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair value.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(e) Fair values *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position (Continued)

Financial assets	Fair value as at 31 December 2015 HK$	Fair value as at 31 December 2014 HK$	Fair value hierarchy	Valuation technique and key inputs
Held-for-trading Investments	–	19,622,500	Level 1	Quoted bid price in an active market

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values as at 31 December 2015 and 2014.

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 in the both years.

6. SEGMENT INFORMATION

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

The Group is principally engaged in production and sale of automotive related products, car trading and provision of financing service for leasing motor vehicles and equipment.

The three reportable segments of the Group under HKFRS 8 are as follow:

(a) Automotive electronic products and safety spare parts – sale of automotive electronic products and safety spare parts in the PRC

(b) Car trading – sale of premium cars in Hong Kong and sale of cars in the PRC

(c) Finance lease of motor vehicles and equipment – providing financing service for leasing motor vehicles and equipment in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. SEGMENT INFORMATION *(CONTINUED)*

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

	Automotive electronic products and safety spare parts HK$	Car trading HK$	Finance lease of motor vehicles and equipment HK$	Total HK$
Year ended 31 December 2015				
Segment revenue	**66,014,928**	**122,344,876**	**6,246,519**	**194,606,323**
Segment results	**(54,938,743)**	**1,219,485**	**192,487**	**(53,526,771)**
Share of loss of an associate	**(3,950,830)**	**–**	**–**	**(3,950,830)**
Loss on disposal of property, plant and equipment	**(4,059,977)**	**–**	**–**	**(4,059,977)**
Impairment loss recognised on amount due from an associate	**(7,515,200)**	**–**	**–**	**(7,515,200)**
Impairment loss recognised on investment in an associate	**(23,994,213)**	**–**	**–**	**(23,994,213)**
Provision for inventories	**(15,032,825)**	**–**	**–**	**(15,032,825)**
Impairment loss recognised on intangible assets	**(19,237,409)**	**–**	**–**	**(19,237,409)**
Impairment loss recognised on goodwill	**(5,120,447)**	**–**	**–**	**(5,120,447)**
Unallocated corporate expense				**(78,798,685)**
Unallocated corporate income				**13,375,541**
Finance costs				**(1,600,366)**
Loss before taxation				**(199,461,182)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. SEGMENT INFORMATION *(CONTINUED)*

	Automotive electronic products and safety spare parts HK$	Total HK$
Year ended 31 December 2014		
Segment revenue	184,878,802	184,878,802
Segment results	(53,606,027)	(53,606,027)
Share of loss of an associate	(6,270,000)	(6,270,000)
Loss on disposal of subsidiaries, net	(7,276,306)	(7,276,306)
Loss on disposal of property, plant and equipment	(28,609)	(28,609)
Impairment loss recognised on trade receivables	(3,814,579)	(3,814,579)
Unallocated corporate expense		(69,177,307)
Unallocated corporate income		7,662,708
Finance costs		(3,789,444)
Loss before taxation		(136,299,564)

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expense, unallocated corporate income, share of loss of an associate, loss on disposal of property, plant and equipment, impairment loss recognised on trade receivables, impairment loss recognised on investment in an associate, impairment loss recognised on amount due from an associate, provision for inventories, impairment loss recognised on intangible assets, impairment loss recognised on goodwill, net loss on disposal of subsidiaries and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

6. SEGMENT INFORMATION *(CONTINUED)*

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

	Automotive electronic products and safety spare parts HK$	**Car trading HK$**	**Finance lease of motor vehicles and equipment HK$**	**Total HK$**
Year ended 31 December 2015				
Segment assets	**132,449,372**	**76,256,196**	**26,528,438**	**235,234,006**
Segment liabilities	**45,038,309**	**6,052,430**	**7,563,942**	**58,654,681**

	Automotive electronic products and safety spare parts HK$	Car trading HK$	Finance lease of motor vehicles and equipment HK$	Total HK$
Year ended 31 December 2014				
Segment assets	240,758,933	–	–	240,758,933
Segment liabilities	52,940,857	–	–	52,940,857

Reconciliation of reportable segments' assets and liabilities:

	2015 HK$	2014 HK$
Assets		
Total assets of reportable segments	**235,234,006**	240,758,933
Unallocated headquarter amounts:		
Prepayments and other receivables	**57,751,468**	165,562,925
Available-for-sale investments	**78,500,000**	–
Loan receivables	**–**	33,000,000
Held-for-trading investments	**–**	19,622,500
Cash and cash equivalents	**240,100,479**	105,343,549
Office equipment and motor vehicles	**4,132,694**	–
Consolidated total assets	**615,718,647**	564,287,907
Liabilities		
Total liabilities of reportable segments	**58,654,681**	52,940,857
Unallocated headquarter amounts:		
Other payables	**18,882,254**	14,364,428
Other loan	**17,500,000**	–
Current tax payable	**3,054,585**	–
Consolidated total liabilities	**98,091,520**	67,305,285

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6. SEGMENT INFORMATION *(CONTINUED)*

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

- all assets are allocated to operating segments other than available-for-sale investments, held-for-trading investments and other unallocated corporate assets (mainly comprising prepayments and other receivables, loan receivables, cash and cash equivalents and office equipment and motor vehicles); and

- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising other payables, other loan and current tax payable).

During the year ended 31 December 2015, the Group's capital expenditure related to acquisition of subsidiaries, available-for-sale investments which were stated in Note 37 and Note 24 respectively.

Other segment information

	Automotive electronic products and safety spare parts HK$	**Car trading** HK$	**Finance lease of motor vehicles and equipment** HK$	**Unallocated** HK$	**Total** HK$
Year ended 31 December 2015					
Capital expenditure	**10,350,459**	**–**	**67,500**	**4,265,501**	**14,683,460**
Depreciation and amortisation	**11,222,883**	**–**	**19,377**	**132,807**	**11,375,067**
Taxation	**(1,281,410)**	**30,062**	**48,121**	**3,054,585**	**1,851,358**
Year ended 31 December 2014					
Capital expenditure	21,009,179	–	–	–	21,009,179
Depreciation and amortisation	19,696,678	–	–	–	19,696,678
Taxation	(1,186,020)	–	–	–	(1,186,020)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

6. SEGMENT INFORMATION *(CONTINUED)*

Information about geographical areas

During the year, the Group was mainly operating in Hong Kong and the PRC. The Group's revenue from external customers based on the location of the operation and information about its non-current assets by geographical location are presented below:

	Automotive electronic products and safety spare parts		Car trading		Finance lease of motor vehicles and equipment		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Revenue								
Hong Kong	**–**	–	**16,000,000**	–	**–**	–	**16,000,000**	–
The PRC	**66,014,928**	184,878,802	**106,344,876**	–	**6,246,519**	–	**178,606,323**	184,878,802
Non-current assets								
Hong Kong	**–**	–	**–**	–	**–**	–	**–**	–
The PRC	**62,005,755**	132,166,912	**–**	–	**8,245,459**	–	**70,251,214**	132,166,912

Information about major customers

For the year ended 31 December 2015, revenue generated from two (2014: two) customers of the Group amounting to HK$130,748,354 (2014: HK$118,173,049) has individually accounted for over 10% of the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue for both years.

Revenue from major customers of them amounted to 10% or more of the Group's revenue, is set out below:

	2015	2014
	HK$	HK$
Customer A (Note)	**–**	86,456,606
Customer B	**47,211,137**	31,716,443
Customer C	**83,537,217**	–

Note:

No information on revenue for the current year is disclosed for this customer since it contributed less than 10% to the Group's revenue for the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. REVENUE

The Group is principally engaged in production and sale of automotive related products, car trading and provision of financing service for leasing motor vehicles and equipment.

Revenue recognised during the year is analysed as follows:

	2015 HK$	2014 HK$
Sales of automotive safety system components and other automotive components	**20,016,150**	153,162,359
Sales of electronic airbag systems	**45,998,778**	31,716,443
Sales of cars	**122,344,876**	–
Finance lease income	**6,246,519**	–
	194,606,323	184,878,802

8. OTHER REVENUE

	2015 HK$	2014 HK$
Bank interest income	**20,420**	397,291
Subsidy income (Note)	**236,996**	1,225,660
Sub-contract income	**–**	2,403,314
Sundry income	**477,959**	3,636,443
Dividends income from held-for-trading investments	**286,000**	–
Loan interest income	**3,973,917**	–
	4,995,292	7,662,708

Note:

For the years ended 31 December 2015 and 2014, subsidy income mainly represents the reward for innovative and high-end technology enterprise in the PRC. Subsidy income received by the Group is recognised in the consolidated statement of profit or loss and other comprehensive income when received and no specific conditions have been required to fulfill. The subsidy income recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to those subsidy income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. OTHER LOSS

	2015 HK$	2014 HK$
Net foreign exchange loss	**2,729,704**	529,037
Loss on disposal of property, plant and equipment	**4,059,977**	28,609
Impairment loss recognised on amount due from an associate	**7,515,200**	–
Impairment loss recognised on investment in an associate	**23,994,213**	–
Impairment loss recognised on trade receivables	**–**	3,814,579
Impairment loss recognised on intangible assets	**19,237,409**	–
Impairment loss recognised on goodwill	**5,120,447**	–
Provision for inventories	**15,032,825**	–
	77,689,775	4,372,225

10. RESEARCH AND DEVELOPMENT EXPENSES

	2015 HK$	2014 HK$
Research and development expenses incurred	**58,349,616**	56,140,396

11. FINANCE COSTS

	2015 HK$	2014 HK$
Interest expenses on bank loans	**897,536**	2,607,717
Interest expenses on other loans	**106,032**	–
Discounting charges on discounted bills receivable	**596,798**	1,181,727
	1,600,366	3,789,444

12. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the followings:

	2015	2014
	HK$	HK$
Auditors' remuneration	**900,000**	600,000
Staff costs		
– Salaries, wages and bonuses	**18,182,170**	22,741,950
– Retirement scheme contributions and welfare	**1,922,505**	4,690,320
– Share-based payments	**17,383,769**	–
Depreciation of property, plant and equipment	**5,735,353**	13,453,138
Amortisation of leasehold land held for own use under operating leases	**1,118,938**	1,637,469
Amortisation of intangible assets		
– Patents	**4,520,776**	4,606,071
Operating lease charges in respect of rented properties	**1,637,508**	656,474
Cost of inventories	**151,946,509**	153,661,699
Loss on disposal of property, plant and equipment	**4,059,977**	28,609
Impairment loss recognised on trade receivables	**–**	3,814,579
Impairment loss recognised on intangible assets	**19,237,409**	–
Impairment loss recognised on goodwill	**5,120,447**	–
Impairment loss recognised on amount due from an associate	**7,515,200**	–
Impairment loss recognised on investment in an associate	**23,994,213**	–
Provision for inventories	**15,032,825**	–
Realised (gain)/loss on held-for-trading investments	**(8,380,249)**	71,868
Unrealised loss on fair value change in held-for-trading investments	**–**	1,544,228
	(8,380,249)	1,616,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

13. TAXATION

(a) Income tax recognised in profit or loss:

	2015 HK$	2014 HK$
Current tax:		
PRC Enterprise Income Tax	**280,780**	237,033
Hong Kong Profits Tax	**3,084,647**	–
Deferred tax:		
Reversal of temporary differences (Note 25(b))	**(1,514,069)**	(1,423,053)
Total income tax charged/(credited) to profit or loss	**1,851,358**	(1,186,020)

Pursuant to the income tax rules and regulations of the PRC, provision for PRC Enterprise Income Tax of the Group is calculated based on the following rates:

	Note	2015	2014
Troitec Automotive Electronics Co., Ltd ("Troitec")	(i)	**25%**	25%
Shanghai Nanlang Finance Lease Limited ("Shanghai Nanlang")	(i) and (iii)	**25%**	N/A
Hunan Delu Car Trading Limited ("Hunan Delu")	(i) and (iii)	**25%**	N/A
Shenyang Jinheng Jinsida Automotive Electronic Co., Limited ("Jinheng Jinsida")	(i) and (iv)	**N/A**	25%
Beijing Jinheng Great Idea Automotive Systems Co., Limited ("Beijing Great Idea")	(i) and (iv)	**N/A**	25%
Shanxi Avichina Jinheng Technology Limited (formerly known as "Shanxi Winner Auto-Parts Limited") ("Shanxi Jinheng")	(ii)	**15%**	15%
Tianjian Troitec Automotive Electronic Co., Ltd. ("Tianjian Troitec")	(ii) and (iv)	**N/A**	15%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

13. TAXATION *(CONTINUED)*

(a) Income tax recognised in profit or loss: *(Continued)*

Note:

(i) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(ii) Shanxi Jinheng and Tianjian Troitec are "encouraged hi-tech enterprise" and entitle to reduce the tax rate to 15% from 2013 to 2016 and 2012 to 2014 respectively.

(iii) These companies were acquired during the year ended 31 December 2015.

(iv) These companies were disposed during the year ended 31 December 2014.

Taxes on profits assessable in the PRC have been calculated at the prevailing rates, based on existing legislation, interpretations and practices in respect thereof.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2015. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2014.

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

(b) Reconciliation between income tax and accounting profit at applicable tax rates

	2015 **HK$**	2014 HK$
Loss before taxation	**(199,461,182)**	(136,299,564)
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(42,676,248)**	(29,287,425)
Tax effect of non-deductible expenses	**18,904,101**	16,598,435
Tax effect of non-taxable revenue	**(1,456,959)**	(796,723)
Tax effect of tax concessions	**2,312,142**	1,372,314
Tax effect of unrecognised temporary differences and tax losses	**25,375,486**	11,625,656
Tax effect of share of profits of subsidiaries (Note)	**(567,164)**	(698,277)
Tax reduction	**(40,000)**	–
Taxation	**1,851,358**	(1,186,020)

Note:

Hong Kong enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% on dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. During the year ended 31 December 2015, withholding tax of HK$567,164 (2014: HK$698,277) has been credited to the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

14. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, are as follows:

Year ended 31 December 2015

	Fees HK$	Salaries, allowance and benefits in kind HK$	Discretionary bonuses HK$	Retirement scheme contributions HK$	Sub-total HK$	Share-based payments HK$	Total HK$
Executive directors							
Mr. Li Feng (Note (i), (ii))	–	–	–	–	–	–	–
Mr. Du Peng (appointed on 12 June 2015)	–	633,000	–	–	633,000	4,401,268	5,034,268
Mr. Woo Kar Tung, Raymond (appointed on 1 September 2015)	–	800,000	–	6,000	806,000	1,484,800	2,290,800
Ms. Cheung Joanna Wai Sze (appointed on 25 June 2015)	–	620,000	–	10,000	630,000	4,401,268	5,031,268
Mr. Lam Wai Hung	–	360,000	–	18,150	378,150	542,659	920,809
Mr. Xing Zhanwu (retired on 2 June 2015) (Note (i), (iii))	–	–	–	–	–	–	–
Ms. Ng Sau Lin (resigned on 25 June 2015)	–	58,333	–	–	58,333	387,614	445,947
Mr. Wong Ka Ching (resigned on 9 June 2015)	–	159,000	–	8,100	167,100	542,659	709,759
Mr. Wang Nai (appointed on 1 September 2015 and resigned on 23 October 2015)	–	170,967	–	–	170,967	1,484,800	1,655,767
Non-Executive directors							
Mr. Tsang Ling Biu, Gilbert (appointed on 15 May 2015)	199,484	–	–	–	199,484	2,200,634	2,400,118
Mr. Sheng Ruzhi (appointed on 20 November 2015)	41,000	–	–	–	41,000	–	41,000
Independent non-executive directors							
Hon. Shek Lai Him, Abraham (appointed on 25 June 2015)	186,000	–	–	–	186,000	–	186,000
Mr. Chen Jin (appointed on 25 June 2015)	186,000	–	–	–	186,000	–	186,000
Mr. Poon Chiu Kwok (appointed on 1 September 2015)	120,000	–	–	–	120,000	–	120,000
Mr. Wong Yuk Lun, Alan	180,000	–	–	9,075	189,075	38,761	227,836
Mr. Lim Chi Kit (resigned on 25 June 2015)	87,500	–	–	4,375	91,875	38,761	130,636
Mr. Hui Hung Kwan (resigned on 25 June 2015)	58,333	–	–	–	58,333	–	58,333
Total	1,058,317	2,801,300	–	55,700	3,915,317	15,523,224	19,438,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

14. DIRECTORS' REMUNERATION *(CONTINUED)*

Details of directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, are as follows: *(Continued)*

Year ended 31 December 2014

	Fees HK$	Salaries, allowance and benefits in kind HK$	Discretionary bonuses HK$	Retirement scheme contributions HK$	Sub-total HK$	Share-based payments HK$	Total HK$
Executive directors							
Mr. Li Feng (Note (ii))	–	840,000	–	–	840,000	–	840,000
Mr. Xing Zhanwu (Note (iii))	–	840,000	–	–	840,000	–	840,000
Mr. Yang Donglin (resigned on 2 September 2014)	–	173,433	–	–	173,433	–	173,433
Mr. Foo Tin Chung, Victor (resigned on 2 September 2014)	–	516,800	–	10,940	527,740	–	527,740
Mr. Wong Ka Ching (appointed on 13 June 2014)	–	172,000	–	6,000	178,000	–	178,000
Ms. Ng Sau Lin (appointed on 2 September 2014)	–	40,000	–	–	40,000	–	40,000
Mr. Lam Wai Hung (appointed on 2 September 2014)	–	119,000	–	–	119,000	–	119,000
Non-executive director							
Mr. Li Hong (resigned on 6 January 2014)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Hui Hung Kwan	120,000	–	–	–	120,000	–	120,000
Mr. Zhu Tong (resigned on 2 September 2014)	53,780	–	–	–	53,780	–	53,780
Mr. Chen Li Zhou (resigned on 6 October 2014)	61,293	–	–	–	61,293	–	61,293
Mr. Wong Yuk Lun, Alan (appointed on 2 September 2014)	59,500	–	–	2,975	62,475	–	62,475
Mr. Lim Chi Kit (appointed on 6 October 2014)	42,581	–	–	2,129	44,710	–	44,710
Total	337,154	2,701,233	–	22,044	3,060,431	–	3,060,431

Note:

(i) The directors agreed to waive their remuneration for the year ended 31 December 2015.

There were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join. There were two directors (2014: Nil) as indicated above waived or agreed to waive remuneration of HK$1,194,666 for the year ended 31 December 2015 (2014: HK$Nil).

(ii) During the years ended 31 December 2015 and 2014, the executive director of the Company, Mr. Li Feng, was also the Chairman of the Group.

(iii) During the years ended 31 December 2015 and 2014, the executive director of the Company, Mr. Xing Zhanwu, was also the chief executive officer of the Group and retired on 2 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

15. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group, included five (2014: three) directors whose emoluments are disclosed in Note 14. The detail of the emoluments in respect of the remaining (2014: two) individuals who are neither a director nor chief executive of the Company for the years ended 31 December 2015 and 2014 are as follows:

	2015 **HK$**	2014 HK$
Salaries and other emoluments	–	711,534
Retirement scheme contributions	–	17,484
	–	729,018

The emoluments of the individuals who are not the director of the Company with the highest emoluments are within the following band:

	2015 **Number of individuals**	2014 Number of individuals
HK$1 – HK$500,000	–	2

16. DIVIDENDS

The directors of the Company do not recommend the payment of any dividends in respect of the year ended 31 December 2015 (2014: HK$ Nil).

17. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK$144,698,559 (2014: HK$96,080,590) and the weighted average of 842,474,137 (2014: 587,626,170) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015 Number of shares	2014 Number of shares
Issued ordinary shares at 1 January	**736,820,888**	511,718,888
Effect of exercise of share options	**25,309,589**	–
Effect of placing of ordinary shares	**80,343,660**	75,907,282
Weighted average number of ordinary shares at 31 December	**842,474,137**	587,626,170

(b) Diluted loss per share

For the years ended 31 December 2015 and 2014, diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in an anti-dilutive effect on loss per share during the year ended 31 December 2015 while the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2014.

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31 December 2015

18. FIXED ASSETS

	Buildings held for own use HK$	Machinery and equipment HK$	Motor vehicles HK$	Office equipment HK$	Sub-total HK$	Interests in leasehold land held for own use under operating leases HK$	Total HK$
Cost:							
As at 1 January 2014	56,547,930	120,947,430	6,422,759	7,289,439	191,207,558	44,733,329	235,940,887
Additions	736,220	6,683,703	–	837,402	8,257,325	–	8,257,325
Derecognised on disposal of subsidiaries (Note 39)	(33,117,908)	(86,145,042)	(629,903)	(2,945,089)	(122,837,942)	(24,715,590)	(147,553,532)
Disposals	–	(58,361)	(154,243)	(21,700)	(234,304)	–	(234,304)
Exchange alignment	(1,820,824)	(2,804,631)	(81,204)	(102,480)	(4,809,139)	(1,084,487)	(5,893,626)
As at 31 December 2014 and 1 January 2015	22,345,418	38,623,099	5,557,409	5,057,572	71,583,498	18,933,252	90,516,750
Additions	–	1,756,533	664,147	3,480,593	5,901,273	–	5,901,273
Acquisition of subsidiaries (Note 37)	–	–	–	67,500	67,500	–	67,500
Acquisition of assets (Note 38)	–	–	2,124,540	–	2,124,540	–	2,124,540
Disposals	(287,157)	(29,162,451)	(890,210)	(60,479)	(30,400,297)	–	(30,400,297)
Exchange alignment	(1,461,275)	(1,346,361)	(80,699)	(369,147)	(3,257,482)	(519,333)	(3,776,815)
As at 31 December 2015	**20,596,986**	**9,870,820**	**7,375,187**	**8,176,039**	**46,019,032**	**18,413,919**	**64,432,951**
Accumulated depreciation:							
As at 1 January 2014	6,620,661	44,148,827	1,171,476	4,159,719	56,100,683	7,267,166	63,367,849
Charge for the year	2,303,975	9,868,109	531,179	749,875	13,453,138	1,637,469	15,090,607
Derecognised on disposal of subsidiaries (Note 39)	(2,244,255)	(26,071,498)	(434,708)	(2,076,575)	(30,827,036)	(1,318,165)	(32,145,201)
Written back on disposal	–	(46,222)	(149,172)	(10,301)	(205,695)	–	(205,695)
Exchange alignment	(198,615)	(1,322,056)	(48,124)	(99,020)	(1,667,815)	89,412	(1,578,403)
As at 31 December 2014 And 1 January 2015	6,481,766	26,577,160	1,070,651	2,723,698	36,853,275	7,675,882	44,529,157
Charge for the year	1,139,146	2,380,664	331,131	1,884,412	5,735,353	1,118,938	6,854,291
Written back on disposal	(100,241)	(25,106,433)	(574,387)	(50,321)	(25,831,382)	–	(25,831,382)
Exchange alignment	(241,921)	(1,282,781)	(86,285)	(300,212)	(1,911,199)	(46,243)	(1,957,442)
As at 31 December 2015	**7,278,750**	**2,568,610**	**741,110**	**4,257,577**	**14,846,047**	**8,748,577**	**23,594,624**
Carrying amounts:							
As at 31 December 2015	**13,318,236**	**7,302,210**	**6,634,077**	**3,918,462**	**31,172,985**	**9,665,342**	**40,838,327**
As at 31 December 2014	15,863,652	12,045,939	4,486,758	2,333,874	34,730,223	11,257,370	45,987,593

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18. FIXED ASSETS *(CONTINUED)*

Note:

(a) As at 31 December 2015 and 2014, the Group's interests in leasehold land and buildings are held by a subsidiary in the PRC, which represent the land use rights together with the buildings thereon situated in Shanxi in the PRC.

(b) As at 31 December 2015, leasehold land with carrying amount of HK$9,665,342 (2014: HK$11,257,370) is situated outside Hong Kong under medium-term lease.

(c) As at 31 December 2015, no carrying amount of leasehold land and buildings of the Group was pledged (2014: HK$27,121,022 was pledged for the Group's bank loans).

19. CONSTRUCTION IN PROGRESS

	2015	2014
	HK$	HK$
As at 1 January	–	81,826,184
Additions	**6,590,147**	12,751,854
Derecognised on disposal of subsidiaries (Note 39(b))	–	(92,554,967)
Exchange alignment	**(220,196)**	(2,023,071)
As at 31 December	**6,369,951**	–

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20. INTANGIBLE ASSETS

	Acquired technology HK$	Development costs HK$	Patents HK$	Total HK$
Cost:				
As at 1 January 2014	5,850,576	57,919,957	82,051,218	145,821,751
Derecognised on disposal of subsidiaries	(5,711,625)	(10,488,823)	–	(16,200,448)
Exchange alignment	(138,951)	(506,800)	(1,948,718)	(2,594,469)
As at 31 December 2014 and 1 January 2015	–	46,924,334	80,102,500	127,026,834
Exchange alignment	–	(2,127,834)	(3,632,333)	(5,760,167)
As at 31 December 2015	**–**	**44,796,500**	**76,470,167**	**121,266,667**
Accumulated amortisation and impairment:				
As at 1 January 2014	5,850,576	57,919,957	31,648,331	95,418,864
Amortisation charge for the year	–	–	4,606,071	4,606,071
Derecognised on disposal of subsidiaries	(5,711,625)	(10,488,823)	–	(16,200,448)
Exchange alignment	(138,951)	(506,800)	(780,435)	(1,426,186)
As at 31 December 2014 and 1 January 2015	–	46,924,334	35,473,967	82,398,301
Amortisation charge for the year	–	–	4,520,776	4,520,776
Impairment charge	–	–	19,237,409	19,237,409
Exchange alignment	–	(2,127,834)	(1,759,656)	(3,887,490)
As at 31 December 2015	**–**	**44,796,500**	**57,472,496**	**102,268,996**
Carrying amounts:				
As at 31 December 2015	**–**	**–**	**18,997,671**	**18,997,671**
As at 31 December 2014	–	–	44,628,533	44,628,533

Acquired technology comprises a non-refundable license fee was paid to KOR Electronic Technical Consultancy Limited ("KETC") in accordance with the License and Technical Assistance Agreement signed in January 2006, pursuant to which KETC agreed to supply technical services and granted a license to Jinheng Jinsida for use of the know-how for the production of electronic control units in the PRC. Acquired technology is amortised over the directors' estimated useful life of 5 years.

20. INTANGIBLE ASSETS *(CONTINUED)*

Development costs represent costs incurred to develop tailor-made safety airbag systems and engine management systems.

Patents represent the registration fee of technologies developed by Troitec, which have been registered with the relevant government authorities to restrict the access of such technologies by third parties. The directors consider that the estimated useful life of the patents of Troitec to be 18 years.

As at 31 December 2015, the estimated useful life of the patents remained 9 years.

For the review of impairment, the carrying amount of patent has been allocated to CGU of operating segment of the production and sales of automotive related products containing goodwill, its recoverable amount was determined based on value-in-use calculation. As the sub-contracting of manufacturing process of the EMS is still in the testing stage and has not yet commenced as originally scheduled and the carrying amount of patents is higher than the recoverable amount, impairment loss of HK$19,237,409 was recognised in profit or loss during the year ended 31 December 2015. For more details of the impairment loss recognised on intangible assets, please refer to Note 40.

Amortisation charge for the year ended 31 December 2015 of HK$4,520,776 (2014: HK$4,606,071) is included in "research and development expenses".

21. GOODWILL

	2015 **HK$**	2014 HK$
As at 1 January	**5,363,669**	5,494,155
Impairment charge	**(5,120,447)**	–
Additional amount recognised from acquisition of subsidiaries during the year (Note 37)	**3,380,099**	–
Exchange alignment	**(243,222)**	(130,486)
As at 31 December	**3,380,099**	5,363,669

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21. GOODWILL *(CONTINUED)*

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill has been allocated to the following CGUs. The carrying amount of goodwill (net of impairment loss) as at 31 December 2015 and 2014 are allocated as follows:

	2015	2014
	HK$	HK$
Manufacturing and sale of EMS	–	5,363,669
Finance lease of motor vehicles and equipment	**3,380,099**	–
	3,380,099	5,363,669

Manufacturing and sale of EMS

The recoverable amount of this CGU is determined by reference to the income approach, which is based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 17.5% that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5 year period have been extrapolated using a steady 3% growth rate.

As the sub-contracting of manufacturing process of the EMS is still in the testing stage and has not yet commenced as originally scheduled and the carrying amount of this CGU is higher than the recoverable amount, impairment loss of HK$5,120,447 was recognised during the year ended 31 December 2015. For more details of the impairment loss recognised on goodwill, please refer to Note 40.

Finance lease of motor vehicles and equipment

The recoverable amount of this CGU is determined by reference to the income approach, which is based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 14.8% that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5 year period have been extrapolated using a steady 3% growth rate.

21. GOODWILL *(CONTINUED)*

Impairment tests for cash-generating units containing goodwill *(Continued)*

Finance lease of motor vehicles and equipment *(Continued)*

The key assumptions included in the discounted cash flow were as followings:

- For the CGU to continue as a going concern, it will successfully carry out all necessary activities for the development of its business;
- The availability of finance will not be a constraint on the forecast growth of the CGU in accordance with the projection;
- Market trends and conditions where the CGU operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the CGU;
- There will be no material changes in the business strategy of the CGU and its operating structure;
- Interest rates and exchange rates in the localities for the operation of the CGU will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the CGU operates or intends to operate will not be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the CGU operates or intends to operate, which would adversely affect the revenues and profits attributable to CGU.

As the recoverable amount of the CGU is higher than the carrying amount, no impairment loss on goodwill of this CGU is recognised in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

22. PARTICULARS OF SUBSIDIARIES

(a) The details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name of company	Place of incorporation/ registration/ operations	Class of shares held	Paid up/ registered capital	Proportion of ownership interest held by the Company				Principle activities
				Directly		Indirectly		
				2015 %	2014 %	2015 %	2014 %	
Troitec	The PRC, limited liability company	Registered and paid up capital	RMB82,270,400	–	–	**65.8**	65.8	Production and sales of automotive components in the PRC
Shanxi Jinheng	The PRC, limited liability company	Registered and paid up capital	RMB30,040,000	–	–	**60**	60	Production and sales of automotive components in the PRC
Sunlight Management Limited	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**100**	100	Administration and management services to the Group
Splendid Best International Limited	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**100**	100	Car trading in Hong Kong
Shanghai Nanlang (Note (i))	The PRC, limited liability company	Registered and paid up capital	RMB114,002,987	–	–	**51**	–	Provision of financing service for leasing motor vehicles and equipment in the PRC
Hunan Delu (Note (i))	The PRC, limited liability company	Registered and paid up capital	RMB100,000	–	–	**51**	–	Car trading in the PRC

Note:

(i) These companies were acquired during the year ended 31 December 2015.

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31 December 2015

22. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests

Name of company	Place of incorporation, registration and operation	Proportion of ownership interests held by non-controlling interests		Proportion of voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
		%	%	**%**	%	**HK$**	HK$	**HK$**	HK$
Shanxi Jinheng	The PRC	**40**	40	**40**	40	**(9,432,899)**	(13,758,046)	**15,369,356**	25,498,559
Troitec	The PRC	**48.8**	48.8	**48.8**	48.8	**(49,489,078)**	(31,189,673)	**(81,603,315)**	(34,695,321)
Shanghai Nanlang	The PRC	**49**	–	**49**	–	**121,895**	–	**64,896,575**	–

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

Shanxi Jinheng

	2015	2014
	HK$	HK$
Current assets	**43,325,983**	63,151,775
Non-current assets	**38,299,848**	40,164,491
Current liabilities	**(43,112,942)**	(40,075,181)
Non-current liabilities	**(89,499)**	(249,796)
Equity attributable to owners of the Company	**23,054,034**	37,794,773
Non-controlling interests	**15,369,356**	25,196,516

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22. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Shanxi Jinheng

	2015	2014
	HK$	HK$
Revenue	**67,155,042**	45,280,345
Expenses	**(90,737,288)**	(58,555,033)
Loss for the year	**(23,582,246)**	(13,274,688)
Loss attributable to owners of the Company	**(14,149,347)**	(7,964,813)
Loss attributable to non-controlling interests	**(9,432,899)**	(5,309,875)
Loss for the year	**(23,582,246)**	(13,274,688)
Total comprehensive loss attributable to owners of the Company	**(14,740,739)**	(8,617,451)
Total comprehensive loss attributable to non-controlling interests	**(9,827,160)**	(5,744,967)
Total comprehensive loss for the year	**(24,567,899)**	(14,362,418)
Dividend paid to non-controlling interests	**–**	7,500,000
Net cash inflow from operating activities	**17,797,865**	27,624,213
Net cash outflow from investing activities	**(9,334,172)**	(1,698,083)
Net cash outflow from financing activities	**(7,383,136)**	(25,373,016)
Net cash inflow	**1,080,557**	553,114

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31 December 2015

22. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Troitec

	2015 HK$	2014 HK$
Current assets	**62,533,504**	36,434,775
Non-current assets	**49,019,966**	51,489,849
Current liabilities	**(274,415,315)**	(144,952,073)
Non-current liabilities	**(4,358,065)**	(14,069,521)
Equity attributable to owners of the Company	**(85,616,595)**	(36,401,649)
Non-controlling interests	**(81,603,315)**	(34,695,321)
Revenue	**72,246**	13,226,675
Expenses	**(101,484,293)**	(77,139,939)
Loss for the year	**(101,412,047)**	(63,913,264)
Loss attributable to owners of the Company	**(51,922,969)**	(32,723,591)
Loss attributable to non-controlling interests	**(49,489,078)**	(31,189,673)
Loss for the year	**(101,412,047)**	(63,913,264)
Total comprehensive loss attributable to owners of the Company	**(49,214,946)**	(34,805,204)
Total comprehensive loss attributable to non-controlling interests	**(46,907,994)**	(33,173,711)
Total comprehensive loss for the year	**(96,122,940)**	(67,978,915)
Net cash (outflow)/inflow from operating activities	**(4,345,079)**	2,890,006
Net cash inflow from investing activities	**4,403,206**	303
Net cash inflow	**58,127**	2,890,309

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22. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Shanghai Nanlang

	2015 HK$	2014 HK$
Current assets	143,137,274	N/A
Non-current assets	4,862,710	N/A
Current liabilities	(15,557,993)	N/A
Non-current liabilities	–	N/A
Equity attributable to owners of the Company	67,545,416	N/A
Non-controlling interests	64,896,575	N/A
Revenue	6,246,519	N/A
Expenses	(5,997,753)	N/A
Profit for the year	248,766	N/A
Profit attributable to owners of the Company	126,870	N/A
Profit attributable to non-controlling interests	121,896	N/A
Profit for the year	248,766	N/A
Total comprehensive loss attributable to owners of the Company	(3,570,675)	N/A
Total comprehensive loss attributable to non-controlling interests	(3,443,805)	N/A
Total comprehensive loss for the year	(7,014,480)	N/A
Net cash inflow from operating activities	33,648,550	N/A
Net cash outflow from financing activities	(470,462)	N/A
Net cash inflow	33,178,088	N/A

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations result in restrictions on exporting capital from the PRC, other than through normal dividends.

23. INTERESTS IN AN ASSOCIATE

Details of the Group's interests in an associate are as follows:

	2015 HK$	2014 HK$
Cost of investment in an associate (unlisted)	**40,000,000**	40,000,000
Amount due from an associate	**7,515,200**	7,515,200
Share of post-acquisition loss and other comprehensive income, net of dividend received	**(16,005,787)**	(12,054,957)
Impairment loss recognised on amount due from an associate (Note)	**(7,515,200)**	–
Impairment loss recognised on investment in an associate (Note)	**(23,994,213)**	–
	–	35,460,243

Note:

For the year ended 31 December 2015, due to continuously suffered loss and failure to fulfill the business plan of associate, the directors of the Company reviewed the recoverability of the investment in an associate and amount due from an associate. There are indications for the non-recoverability of the investment in an associate and the amount due from an associate. Under this circumstance, the impairment loss recognised on investment in an associate of HK$23,994,213 and amount due from an associate of HK$7,515,200 were made.

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation	Principle place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting right held by the Group	Principle activities
Ever Tech Holdings Limited ("Ever Tech")	Limited liability company	British Virgin Islands	PRC	Ordinary	30%	30%	Investment holding

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23. INTERESTS IN AN ASSOCIATE *(CONTINUED)*

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Associate is accounted for using the equity method in the consolidated financial statements.

	2015	2014
	HK$	HK$
Current assets	–	10,000,000
Non-current assets	–	3,163,433
Current liabilities	**(10,710,567)**	(10,704,565)
Non-current liabilities	–	–
Revenue	–	–
Loss for the year	**(13,169,435)**	(20,900,000)
Other comprehensive loss for the year	–	–
Total comprehensive loss for the year	**(13,169,435)**	(20,900,000)
Dividend received from associate during the year	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associate recognised in the consolidated financial statements:

	2015	2014
	HK$	HK$
Net (liabilities)/assets of associate	**(10,710,567)**	2,458,868
Proportion of ownership interests in Ever Tech held by the Group	**30%**	30%
	(3,213,170)	737,660
Effect of fair value adjustments at acquisition	**34,722,583**	34,722,583
Impairment loss recognised on amount due from an associate	**(7,515,200)**	–
Impairment loss recognised on investment in an associate	**(23,994,213)**	–
Carrying amount of ownership interests in Ever Tech held by the Group	–	35,460,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$	2014 HK$
Unlisted equity investments, at cost (Note (a) and (b))	**78,500,000**	–

All available-for-sale financial assets are held with the intention for a continuing strategic or long-term purpose, including an indirectly owned 13.5% effective equity interest in a property holding company in the PRC and a 5% equity interest in a company engaging in out-of-home advertising business in the PRC.

Unlisted equity investments are measured at cost less impairment for the year ended 31 December 2015 since there was no quoted market price in an active market for the shares and the directors of the Company were of the opinion that their fair values cannot be reliably measured. The directors of the Company conduct a regular review on the performance of the investee companies.

Note:

(a) On 13 March 2015, the Group entered into a sale and purchase agreement with an independent third party for acquiring 18% of the entire issued share capital of More Cash Limited at a consideration of HK$73,000,000. More Cash Limited is the owner of the entire issued share capital of a company incorporated in Hong Kong, which in turn owns as to 75% equity interest in a company established in the PRC of which is principally engaged in estate industry. The principal assets of the PRC company are properties which comprise, among others, car park, shopping mall, office, apartment, hotel and restaurant in a commercial and residential complex located in Guangzhou City, the PRC. The development of such complex has been completed and the sale of which has been commenced since year 2012. Upon completion, the Group becomes indirectly interested in 18% of the entire issued share capital of More Cash Limited and (ii) becomes indirectly interested in 13.5% equity interest in the PRC company.

(b) On 25 March 2015, the Group entered into a sale and purchase agreement with an independent third party for acquiring 5% of the entire issued share capital of Grand Vision Communications Limited at a consideration of HK$5,500,000. Grand Vision Communications Limited is the owner of the entire issued share capital of a company incorporated in Hong Kong, which in turn wholly owns the entire equity interest in a company established in the PRC. Grand Vision Communications Limited is principally engaged in out-of-home advertising business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax payable in the consolidated statement of financial position represents:

	2015 HK$	2014 HK$
As at 1 January	95,218	–
Provision for income tax for the year (Note 13)	3,365,427	237,033
PRC income tax paid	(327,877)	(141,815)
As at 31 December	3,132,768	95,218

(b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Development costs HK$	Acquired technology and patents HK$	Fixed assets HK$	Tax losses HK$	Unremitted earnings HK$	Others HK$ (Note)	Total HK$
As at 1 January 2014	4,230,315	14,976,977	1,798,714	(4,756,440)	66,216	3,808,484	20,124,266
Credit to consolidated statement of profit or loss and other comprehensive income (Note 13)	–	(575,760)	(64,749)	–	(698,277)	(84,267)	(1,423,053)
Derecognised on disposal of subsidiaries (Note 39(a))	–	–	–	–	1,199,225	(3,384,494)	(2,185,269)
Exchange alignment	(100,470)	181,933	(81,742)	112,965	–	(89,925)	22,761
As at 31 December 2014 and 1 January 2015	4,129,845	14,583,150	1,652,223	(4,643,475)	567,164	249,798	16,538,705
Credit to consolidated statement of profit or loss and other comprehensive income (Note 13)	–	(5,374,449)	(61,813)	4,643,475	(567,164)	(154,118)	(1,514,069)
Exchange alignment	(187,272)	(199,038)	(90,550)	–	–	(6,181)	(483,041)
As at 31 December 2015	**3,942,573**	**9,009,663**	**1,499,860**	**–**	**–**	**89,499**	**14,541,595**

Note:

Others represent temporary differences arising from different expense recognition criteria between accounting and tax basis.

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(b) Deferred tax liabilities recognised *(Continued)*

	2015	2014
	HK$	HK$
Deferred tax liabilities recognised on the consolidated statement of financial position	**14,541,595**	16,538,705

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 3, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$23,289,500 (2014: HK$29,522,418) as it is not probable the future taxable profits against which the losses can be utilised will be available in relevant tax jurisdiction and entity. The tax losses will expire in the coming two to five years. (2014: two to five years)

26. INVENTORIES

	2015	2014
	HK$	HK$
Raw materials	**11,846,311**	22,310,826
Work-in-progress	**193,141**	986,907
Finished goods	**59,556,964**	2,750,282
Less: provision for inventories	**(15,032,825)**	–
	56,563,591	26,048,015

The amount of inventories recognised as an expense under "cost of sales" amounted to HK$151,946,509 during the year ended 31 December 2015 (2014: HK$153,661,699).

For the year ended 31 December 2015, due to slow moving of inventories, the net realisable value of the inventories was less than the carrying amount of inventories. The directors of the Company considered to make a provision for inventories of HK$15,032,825 (2014: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

27. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	HK$	HK$
Trade receivables	**62,187,188**	58,735,891
Less: allowance for doubtful debts	**(10,027,268)**	(10,027,268)
	52,159,920	48,708,623
Bills receivable	**12,114,934**	27,887,024
	64,274,854	76,595,647
Deposits and prepayments	**20,105,858**	47,945,472
Other receivables	**63,704,134**	123,565,812
	148,084,846	248,106,931

As at 31 December 2015, HK$10,143,198 (2014: HK$5,026,334) of bills receivable were pledged to the banks to secure short-term bank loans as set out in Note 33 to the consolidated financial statements. All the bills receivable will be matured within six months (2014: six months) after the end of the reporting period. All the bills receivable are denominated in RMB.

As at 31 December 2015, HK$29,444,776 (2014: HK$Nil) included in other receivables was amount due from a non-controlling interest shareholder.

All of the trade receivables, bills receivable and other receivables are expected to be recovered within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

27. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(a) Ageing analysis

The ageing analysis of trade receivables, based on the invoice date, and net of allowance for doubtful debts, is as follows:

	2015	2014
	HK$	HK$
Within 3 months	**52,097,558**	28,026,531
Over 3 months but less than 6 months	**62,362**	20,681,916
Over 6 months but less than 12 months	**–**	176
Over 12 months	**–**	–
	52,159,920	48,708,623

The Group generally grants a credit period for 90 to 180 days from the date of billing.

(b) Impairment of trade receivables

Impairment loss in respect of trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The ageing analysis of the Group's trade receivables which are impaired is presented as follows:

	2015	2014
	HK$	HK$
Overdue by:		
Over 12 months	**10,027,268**	10,027,268

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31 December 2015

27. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(b) Impairment of trade receivables *(Continued)*

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	2015 HK$	2014 HK$
As at 1 January	**10,027,268**	6,212,689
Impairment loss recognised	–	3,814,579
As at 31 December	**10,027,268**	10,027,268

As at 31 December 2015 and 2014, the Group's trade receivables of HK$10,027,268 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties. Consequently, specific allowances for doubtful debts of HK$Nil (2014: HK$3,814,579) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015 HK$	2014 HK$
Neither past due nor impaired	**52,159,920**	28,026,531
Overdue by:		
Less than 3 months	–	20,681,916
Over 3 months but less than 12 months	–	176
Over 12 months	–	–
	–	20,682,092
Total	**52,159,920**	48,708,623

27. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(c) Trade receivables that are not impaired *(Continued)*

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

28. FINANCE LEASE RECEIVABLES

	2015	2014
	HK$	HK$
Current portion	18,085,823	–
Non-current portion	4,797,860	–
	22,883,683	–

Certain of the Group's motor vehicles are leased out under finance leases. All leases are denominated in RMB. The average term of finance leases entered into is 1 to 3 years.

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28. FINANCE LEASE RECEIVABLES *(CONTINUED)*

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$	HK$	**HK$**	HK$
Not later than 1 year	**20,663,898**	–	**18,085,823**	–
Later than 1 year and not later than 5 years	**5,998,037**	–	**4,797,860**	–
Later than 5 years	**–**	–	**–**	–
	26,661,935	–	**22,883,683**	–
Less: unearned finance income	**(3,778,252)**	–	**N/A**	N/A
Present value of minimum lease payments receivable	**22,883,683**	–	**22,883,683**	–

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 12.4% per annum for the year ended 31 December 2015.

The finance lease receivables as at 31 December 2015 are neither past due nor impaired.

29. LOAN RECEIVABLES

	2015	2014
	HK$	HK$
Current portion	**–**	33,000,000

For the year ended 31 December 2014, the effective interest rates on the Group's loan receivables are 5% to 12%.

As at 31 December 2014, all loans were advanced to independent third parties, comprising (i) a loan of HK$16,000,000 carries interest at 5% per annum and repayable on 30 June 2015, and (ii) a loan of HK$17,000,000 carries interest at 12% per annum and repayable on 14 July 2015. The loan receivables were fully settled during the year ended 31 December 2015.

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30. HELD-FOR-TRADING INVESTMENTS

	2015	2014
	HK$	HK$
Listed securities:		
Equity securities listed in Hong Kong	–	19,622,500

Held-for-trading investments are stated at fair values which are determined with reference to quoted market bid prices.

31. CASH AND CASH EQUIVALENTS

	2015	2014
	HK$	HK$
Cash and cash equivalents in the consolidated statement of financial position and statement of cash flows	**240,100,479**	105,343,549

Cash and cash equivalents of the Group of HK$56,622,443 (2014: HK$304,792) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

32. TRADE AND OTHER PAYABLES

	2015	2014
	HK$	HK$
Trade payables	**19,555,842**	18,780,600
Other payables and accruals	**26,893,535**	14,364,428
	46,449,377	33,145,028

All of the trade and other payables are expected to be settled within one year.

As at 31 December 2015, HK$7,994,050 (2014: HK$Nil) included in other payables was deposits paid by customers for the financing services for leasing motor vehicles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. TRADE AND OTHER PAYABLES *(CONTINUED)*

The ageing analysis of trade payables is as follows:

	2015	2014
	HK$	HK$
Within 3 months	**11,053,392**	8,476,255
Over 3 months but less than 6 months	**932,127**	2,574,862
Over 6 months but less than 12 months	**2,352,136**	543,925
Over 12 months	**5,218,187**	7,185,558
	19,555,842	18,780,600

33. BORROWINGS

	2015	2014
	HK$	HK$
Bank loans (Note (a) and (b))	**16,467,780**	17,526,334
Other loans (Note (c))	**17,500,000**	–
	33,967,780	17,526,334
Secured (Note (a) and (b))	**16,467,780**	17,526,334
Unsecured (Note (c))	**17,500,000**	–
	33,967,780	17,526,334
Carrying amount repayable:		
On demand or within one year	**33,967,780**	17,526,334
Less: amounts classified as current liabilities	**(33,967,780)**	(17,526,334)
	–	–

33. BORROWINGS *(CONTINUED)*

As at 31 December 2015 and 2014, terms of bank loans were summarised as follows:

(a) As at 31 December 2015, the short-term secured bank loan of HK$6,324,582 (2014: HK$12,500,000) carries interest rate of 6.3% (2014: 6%) per annum.

As at 31 December 2014, the loan was secured by the Group's leasehold land and building of HK$27,121,002. The loan was fully settled during the year ended 31 December 2015..

(b) Included in short-term secured bank loans are discounted bills with recourse of HK$10,143,198 (2014: HK$5,026,334) were secured by the related bills receivable.

(c) As at 31 December 2015, other loans of HK$17,500,000 (2014: HK$Nil) were obtained from independent third parties, which were unsecured, repayable within one year and carry interest rate of 8% (2014: Nil) per annum.

Further details of the Group's management of liquidity risk are set out in Note 5(b).

34. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

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35. SHARE OPTION SCHEME

A summary of the share option scheme of the Company are set out in the section headed "Share Option Schemes" in the Report of the Directors of this annual report.

During the year ended 31 December 2015, a total number of 81,120,000 share options were granted to consultant, directors and senior management of the Company. Details of specific categories of share options are as follows:

	Date of grant	Exercise period	Exercise price	Number of share options granted
Share Option 1	28 January 2015	28 January 2015 to 27 January 2016	HK$0.36	44,000,000
Share Option 2	25 June 2015	25 June 2015 to 24 June 2016	HK$1.84	27,840,000
Share Option 3	1 September 2015	1 September 2015 to 31 August 2016	HK$0.93	9,280,000

During the year ended 31 December 2015, 44,000,000 share options were exercised and no share option was lapsed.

35. SHARE OPTION SCHEME *(CONTINUED)*

The particulars of the changes of the share options under the scheme during the year ended 31 December 2015 are as follows:

					Number of share options			
Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1 January 2015	Granted during the year	Exercised during the year	At 31 December 2015
Director	28 January 2015	Immediately	28 January 2015 to 27 January 2016	0.36	–	20,000,000	(20,000,000)	–
Employee	28 January 2015	Immediately	28 January 2015 to 27 January 2016	0.36	–	24,000,000	(24,000,000)	–
Director	25 June 2015	Immediately	25 June 2015 to 24 June 2016	1.84	–	23,200,000	–	23,200,000
Consultant (Note)	25 June 2015	Immediately	25 June 2015 to 24 June 2016	1.84	–	4,640,000	–	4,640,000
Director	1 September 2015	Immediately	1 September 2015 to 31 August 2016	0.93	–	9,280,000	–	9,280,000
					–	81,120,000	(44,000,000)	37,120,000
Exercisable at the end of the year								37,120,000
Weighted average exercise price (HK$)					–	0.93	0.36	1.61

Note:

Options granted to consultant were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, their fair values are measured by reference to the fair value of the share options granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEME *(CONTINUED)*

The fair value of the options granted is estimated at the date of grant using Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The fair value of options granted during the year ended 31 December 2015 was estimated on the date of grant using the following assumptions:

	Share Option 1	**Share Option 2**	**Share Option 3**
Date of grant	28 January 2015	25 June 2015	1 September 2015
Fair value at measurement date	HK$0.078	HK$0.474	HK$0.320
Share price	HK$0.36	HK$1.84	HK$0.93
Exercise price	HK$0.36	HK$1.84	HK$0.93
Expected volatility	56.76%	93.00%	126.00%
Option life	1.00 year	0.50 year	0.50 year
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate	1.420%	0.033%	0.013%

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

During the year ended 31 December 2015, the total fair value of the share options granted was HK$19,584,403 and the Group recognised share-based payments of HK$17,383,769 and professional fee of HK$2,200,634.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(a) Share capital

Authorised and issued share capital

	2015		2014	
	Number of shares	HK$	Number of shares	HK$
Authorised:				
Ordinary shares of HK$0.01 each	10,000,000,000	100,000,000	10,000,000,000	100,000,000
Issued:				
As at 1 January	736,820,888	7,368,209	511,718,888	5,117,189
Placing of ordinary shares	147,364,000	1,473,640	225,102,000	2,251,020
Exercise of share options	44,000,000	440,000	–	–
As at 31 December	928,184,888	9,281,849	736,820,888	7,368,209

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Note:

(i) On 9 July 2014, the Company, through a placing agent, placed 102,300,000 ordinary shares of HK$0.01 each at a placing price HK$0.37 for a total consideration, before expenses, of HK$37,851,000, which is intended to be used for general working capital of the Group.

On 14 October 2014, the Company, through a placing agent, placed 122,802,000 ordinary shares of HK$0.01 each at a placing price HK$0.435 for a total consideration, before expenses, of HK$53,418,870, which is intended to be used for future business operations, expansion, development and potential investment (including but not limited to the possible formation of a joint venture company) and/or general working capital of the Group.

(ii) On 15 June 2015, the Company, through two placing agents, placed 147,364,000 ordinary shares of HK$0.01 each at a placing price of HK$0.866 for a total consideration, before expenses, of HK$127,617,224, which is intended to be used for future business, development and potential investment opportunities and/or general working capital of the Group.

(iii) During the year ended 31 December 2015, the Company alloted and issued 44,000,000 shares of HK$0.01 each for cash with an exercise price of HK$0.36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

36. CAPITAL AND RESERVES *(CONTINUED)*

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Company Law of Cayman Islands.

(ii) Statutory surplus reserve

The subsidiaries in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of their registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies.

(iv) Other reserve

Other reserve of the Group comprises the following:

– the fair value of existing share of net identifiable assets of a jointly controlled entity or an associate acquired over its carrying amount of net identifiable assets of subsidiaries at date of which control is obtained by the Group;

– the excess of purchase consideration on acquisition of non-controlling interests over the carrying value of share of net assets acquired in accordance with the accounting policy adopted for subsidiaries and non-controlling interests; and

– gain on deemed disposal or partial disposal of subsidiaries where the Group's interest in a subsidiary is increased without losing control in accordance with the accounting policy adopted for subsidiaries and non-controlling interests.

(v) Share option reserve

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full-time and part-time employee, director, consultant or advisor of the Company and its subsidiaries or any associate of the Company, recognised in accordance with the share option scheme which are set out in the section headed "Share Option Schemes" in Report of the Directors of this annual report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. CAPITAL AND RESERVES *(CONTINUED)*

(c) Distributability of reserves

The Company had distributable reserves of HK$446,277,318 at 31 December 2015 (2014: HK$459,258,736), which include the Company's share premium and accumulated losses.

(d) Capital management

The Group's primary 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, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. Net debt is calculated as aggregate of bank loans and other loans less cash and cash equivalents. Adjusted capital comprises all components of equity.

During year ended 31 December 2015, the Group has complied with all the externally imposed capital requirements. The Group also has a strategy to maintain the net debt-to-adjusted capital ratio at or below 60% (2014: 60%).

The net debt-to-adjusted capital ratio at 31 December 2015 was as follows:

	Note	**2015** **HK$**	2014 HK$
Bank loans	33	**16,467,780**	17,526,334
Other loans	33	**17,500,000**	–
		33,967,780	17,526,334
Less: Cash and cash equivalents	31	**(240,100,479)**	(105,343,549)
Net debt		**(206,132,699)**	(87,817,215)
Total equity		**517,627,127**	496,982,622
Net debt-to-adjusted capital ratio		**N/A**	N/A

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37. ACQUISITION OF SUBSIDIARIES

Name of subsidiary	Principal activity	Date of acquisition	Proportion of shares acquired %	Consideration HK$
Optimus Financial Group Limited ("Optimus Group")	Finance leasing and car trading business	3 December 2015	51	71,891,000

At the date of acquisition, the fair values of net identifiable assets of acquired subsidiaries are as follow:

	Optimus Group HK$
Property, plant and equipment	67,500
Trade and other receivables	130,634,157
Finance lease receivables	24,055,993
Cash and cash equivalents	16,692,509
Trade and other payables	(30,320,015)
Bank borrowings	(6,795,044)
Net assets	**134,335,100**

The receivables acquired in these transactions with a fair value of HK$154,690,150 for Optimus Group were approximate to their gross contractual amounts and no balance was expected to be uncollectible.

37. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

Goodwill arising on acquisition:

	Optimus Group HK$
Cash consideration transferred	71,891,000
Plus: non-controlling interests	65,824,199
Less: fair value of identifiable net assets acquired	(134,335,100)
Goodwill arising on acquisition	3,380,099

The non-controlling interests in Optimus Group recognised at the date of acquisition was measured by reference to the present ownership instruments proportionate share in the recognised amounts of their identifiable net assets.

Net cash outflow on acquisition of subsidiaries:

	Optimus Group HK$
Consideration paid in cash	(71,891,000)
Less: cash and cash equivalent balance acquired	16,692,509
Net cash outflow	(55,198,491)

Impact of acquisition on the results of the Group

Revenue of HK$111,379,035 and profit of HK$935,018 contributed by Optimus Group, were recognised in the Group's loss for the year ended 31 December 2015.

Had these business combination be effective on 1 January 2015, the revenue of the Group would have been HK$203,558,854 and the loss for the year would have been HK$219,049,249. The Directors consider these number to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future period.

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38. ACQUISITION OF ASSET

The Group acquired 100% of the entire issued share capital of Xedak Electrical Limited ("Xedak") for an aggregate consideration of RMB1,800,000 (equivalent to HK$2,124,540). Asset of Xedak is property, plant and equipment – motor vehicle, the purpose of the acquisition is for the Group's business operation.

The acquisition of Xedak did not constitute an acquisition of business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. Therefore, the Company recognised the asset at the date of acquisition.

The net asset acquired and recognised at the date of acquisition is as follows:

	HK$
Net asset acquired	
Property, plant and equipment	**2,124,540**
Total consideration satisfied by:	
Cash consideration	**2,124,540**

Net cash outflow on acquisition of asset:

	HK$
Consideration paid in cash	**(2,124,540)**
Less: cash and cash equivalent balance acquired	–
Net cash outflow	**(2,124,540)**

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39. DISPOSAL OF SUBSIDIARIES

(a) In May 2014, the Company entered into a sale and purchase agreement that the Company agreed to sell the entire issued share capital of Jinheng Automotive Electronic (BVI) Limited and its wholly owned subsidiaries, including Jinheng Jinsida, Jinheng Automotive Electronic Hong Kong Limited, Great Idea Group Limited, Beijing Great Idea and Jay Trumps Investments Limited (collectively referred to as the "Jinheng Electronic BVI Group") with a consideration of HK$30,000,000. The disposal was completed on 30 September 2014.

Summary of the effects of the disposal of Jinheng Electronic BVI Group is as follows:

	HK$
Net assets disposed of:	
Property, plant and equipment	38,320,244
Inventories	95,034
Trade receivables, prepayments and other receivables	24,268,915
Cash and cash equivalents	1,631,552
Trade and other payables	(13,626,466)
Deferred tax liabilities	(2,185,269)
	48,504,010
Release of statutory surplus reserve	(220,236)
Release of exchange reserve	(10,888,084)
Release of other reserve	(18,241)
Loss on disposal	(7,377,449)
Consideration received in cash and cash equivalents for disposal of Jinheng Electronic BVI Group	30,000,000

Net cash inflow on disposal of Jinheng Electronic BVI Group:

	HK$
Consideration received in cash and cash equivalents for disposal of Jinheng Electronic BVI Group	30,000,000
Less: cash and cash equivalent balances disposed of	(1,631,552)
Net cash inflow	28,368,448

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39. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) The loss on disposal is included in the loss for the year in the consolidated statement of profit or loss and other comprehensive income. For the period from 1 January 2014 to the date of disposal, Jinheng Electronic BVI Group was engaged in production and sales of automotive electronic products in the PRC. Revenue of HK$Nil and loss of HK$4,889,252 contributed by Jinheng Electronic BVI Group was recognised in the Group's loss for the year ended 31 December 2014.

(b) On 31 December 2014, an indirect non-wholly owned subsidiary of the Company, Troitec, entered into a sale and purchase agreement and agreed to sell all 80% equity interests in Tianjian Troitec held by Troitec, with a consideration of RMB24,000,000 (equivalent to approximately HK$30,000,000). The disposal was completed on 31 December 2014.

Summary of the effects of the disposal of Tianjian Troitec is as follows:

	HK$
Net assets disposed of:	
Property, plant and equipment	53,690,662
Interests in leasehold land held for own use under operating leases	23,397,425
Deposits paid for acquisition of property, plant and equipment	1,880,989
Construction in progress	92,554,967
Inventories	10,885,725
Trade receivables, prepayments and other receivables	39,815,228
Cash and cash equivalents	1,670,072
Trade and other payables	(141,571,168)
Bank loans	(45,000,000)
	37,323,900
Release of exchange reserve	(951,411)
Release of non-controlling interests	(6,473,632)
Gain on disposal	101,143
Consideration receivable from disposal of Tianjian Troitec	30,000,000

Net cash outflow on disposal of Tianjian Troitec:

	HK$
Cash and cash equivalent balances disposed of	(1,670,072)

The gain on disposal is included in the loss for the year in the consolidated statement of profit or loss and other comprehensive income. For the period from 1 January 2014 to the date of disposal, Tianjian Troitec was engaged in production and sales of automotive components in the PRC. Revenue of HK$130,257,248 and loss of HK$601,214 contributed by Tianjian Troitec was recognised in the Group's loss for the year ended 31 December 2014.

40. IMPAIRMENT TESTING ON CASH GENERATING UNIT

During the year, the decline of the financial performance of the Group's automotive electronic products and safety spare parts segment (the "Cash Generating Unit") was mainly due to the sub-contracting of manufacturing process of the EMS is still in the testing stage and has not yet commenced as originally scheduled and the Group considered it was an indication that the assets of the automotive electronic products and safety spare parts may be impaired. Thus, the Group carried out an impairment testing on the Cash Generating Unit. The review was performed by an independent qualified valuer as at 31 December 2015 and the value in use of the Cash Generating Unit has been measured by using cash flow projection based on the cash flows covering a five year period with discount rate and terminal growth rate of 17.5% and 3% respectively.

The key assumptions included in the cash flow projection were as followings:

- For the Cash Generating Unit to continue as a going concern, it will successfully carry out all necessary activities for the development of its business;
- The availability of finance will not be a constraint on the forecast growth of the Cash Generating Unit in accordance with the projection;
- Market trends and conditions where the Cash Generating Unit operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Cash Generating Unit;
- There will be no material changes in the business strategy of the Cash Generating Unit and its operating structure;
- Interest rates and exchange rates in the localities for the operation of the Cash Generating Unit will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organisation required to operate in the localities where the Cash Generating Unit operates or intends to operate will not be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Cash Generating Unit operates or intends to operate, which would adversely affect the revenues and profits attributable to the Cash Generating Unit.

The value in use amount of the Cash Generating Unit as at 31 December 2015 was HK$14,326,587 and impairment loss of HK$24,357,856 has been recognised during the year ended 31 December 2015 (2014: HK$Nil). The impairment loss of HK$5,120,447 was allocated to the goodwill of the Cash Generating Unit (Note 21) and the remaining HK$19,237,409 was allocated to the intangible assets (Note 20). Any adverse change in assumptions used in the calculation of recoverable amount of the Cash Generating Unit would result in further impairment loss on the intangible assets.

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41. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding at 31 December 2015 and 2014 not provided for in the consolidated financial statements were as follows:

	2015 HK$	2014 HK$
Contracted for property, plant and equipment but not provide for	**3,386,358**	–

(b) At 31 December 2015 and 2014, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2015 HK$	2014 HK$
Within 1 year	**2,662,033**	280,000
After 1 year but within 5 years	**3,565,730**	–
	6,227,763	280,000

42. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions during the year.

Compensation to key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 14 and certain of the highest paid employee as disclosed in Note 15, is as follows:

	2015 HK$	2014 HK$
Short-term employee benefits	**3,859,617**	3,749,921
Post-employment benefits	**55,700**	39,528
Share-based payments	**15,523,224**	–
	19,438,541	3,789,449

Total remuneration is included in "staff costs" (see Note 12).

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$	2014 HK$
Non-current assets		
Investments in subsidiaries	**37,265,534**	37,265,440
Current assets		
Prepayments and other receivables	**3,534,315**	68,380,107
Amounts due from subsidiaries	**286,449,972**	225,164,986
Loan receivables	–	33,000,000
Held-for-trading investments	–	19,622,500
Cash and cash equivalents	**168,896,698**	104,876,992
	458,880,985	451,044,585
Current liabilities		
Other payables and accruals	**394,500**	718,264
Amounts due to subsidiaries	**20,964,864**	20,964,816
Current tax payable	**3,054,585**	–
	24,413,949	21,683,080
Net current assets	**434,467,036**	429,361,505
Net assets	**471,732,570**	466,626,945
Capital and reserves		
Share capital	**9,281,849**	7,368,209
Reserves	**462,450,721**	459,258,736
Total equity	**471,732,570**	466,626,945

Approved and authorised for issue by the Board of Directors on 31 March 2016

Du Peng
Director

Woo Kar Tung Raymond
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Reserve of the Company

	Share capital HK$	Share premium HK$	Share option reserve HK$	(Accumulated losses)/ Retained profits HK$	Total HK$
As at 1 January 2014	5,117,189	248,891,857	–	287,033,612	541,042,658
Loss for the year	–	–	–	(163,203,836)	(163,203,836)
Placing of ordinary shares (Note 36(a)(i))	2,251,020	89,018,850	–	–	91,269,870
Transaction costs attributable to placing of ordinary shares	–	(2,481,747)	–	–	(2,481,747)
As at 31 December 2014 and 1 January 2015	7,368,209	335,428,960	–	123,829,776	466,626,945
Loss for the year	–	–	–	(154,590,167)	(154,590,167)
Placing of ordinary shares (Note 36(a)(ii))	1,473,640	126,143,584	–	–	127,617,224
Transaction costs attributable to placing of ordinary shares	–	(3,345,835)	–	–	(3,345,835)
Share-based payments	–	–	19,584,403	–	19,584,403
Exercise of share options (Note 36(a)(iii))	440,000	18,811,000	(3,411,000)	–	15,840,000
As at 31 December 2015	**9,281,849**	**477,037,709**	**16,173,403**	**(30,760,391)**	**471,732,570**

44. CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group did not have any significant contingent liabilities.

45. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, the additions of property, plant and equipment were partly settled by the deposits paid for acquisition of property, plant and equipment of HK$726,874 (2014: HK$8,090,594), none of the construction in progress were settled by the deposits paid (2014: HK$12,751,854) and the purchase of available-for-sale investments were partly settled by the prepayment of HK$14,000,000 (2014: HK$ nil).

46. EVENTS AFTER THE REPORTING PERIOD

In November 2015, the Company entered into three joint venture agreements between (1) Pine Mega Limited, an indirect wholly-owned subsidiary of the Company and Kunshan Qidi Science Park Development Company Limited (昆山啟迪科技園發展有限公司); (2) Marvel Rise Limited, an indirect wholly-owned subsidiary of the Company and Suzhou Ziguang Innovative Education Development Company Limited (蘇州紫光創新教育發展有限公司); and (3) Shine Venture Limited, an indirect wholly-owned subsidiary of the Company and Nanjing Qidi Science Park Asset Management Company Limited (南京啟迪科技園資產管理有限公司), pursuant to which the joint ventures will be established in Kunshan, Suzhou and Nanjing, the PRC. Pine Mega Limited, Marvel Rise Limited and Shine Venture Limited will have 50% equity interest in each joint venture respectively. As at 8 January 2016, the Group held an extraordinary general meeting, the three joint venture agreements were approved, confirmed and ratified by the shareholders.

On 22 January 2016, the board of directors of the Company resolved to cancel a total of 37,120,000 existing share options and to grant a total of 39,520,000 new share options, part of them are conditionally granted upon the approval of the independent shareholders of the Company and served as replacement share options to the cancelled existing share options to certain directors, consultant and employees of the Company. Details of which are set out in the announcement of the Company dated 22 January 2016. As mentioned in the announcement, the Company proposed to convene an extraordinary general meeting to consider and approve, among others, the grant of new share options to the relevant grantees within 3 months from 22 January 2016. As more time will be required to prepare the relevant circular, the board of directors proposes to put forward such resolution(s) for consideration and approval at the forthcoming annual general meeting ("AGM") of the Company, which is tentatively scheduled to be held in June 2016.

On 28 January 2016, the English name of the Company has officially been changed from "Jinheng Automotive Safety Technology Holdings Limited" to "TUS International Limited" and the dual foreign name of the Company in Chinese has been changed from "錦恒汽車安全技術控股有限公司" to "啟迪國際有限公司". Following the change of Company name (the "Change of Company Name"), the stock short name of the Company for trading in the shares of the Company on the Stock Exchange has been changed from "JH AUTO SAFETY" to "TUS INTL" in English and from "錦恒汽車安全" to "啟迪國際" in Chinese with effect from 9:00 a.m. on 25 February 2016. The stock code of the Company remains unchanged. The website of the Company has been changed to http://www.tus-i.com with effect from 22 February 2016 to reflect the Change of Company Name. Details of which are set out in the announcement of the Company dated 22 February 2016.

On 1 March 2016, the Company had entered into an agreement with an independent third party to dispose the entire issued share capital of Smooth Ever Limited, which is a direct wholly-owned subsidiary of the Company and is principally engaged in production and sales of automotive components in the PRC through its subsidiaries, at a consideration of HK$34.0 million. Details of which are set out in the announcement of the Company dated 1 March 2016.

Saved as disclosed above, as far as know to the Directors, there are no subsequent events occurred after 31 December 2015, which may have a significant effect, on the assets and liabilities of future operations of the Group.

47. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2016.

FIVE YEARS SUMMARY

For the year ended 31 December 2015

	2011 HK$	2012 HK$	2013 HK$	2014 HK$	**2015** **HK$**
OPERATING RESULTS					
Revenue	290,767,562	261,047,793	199,820,947	184,878,802	**194,606,323**
Profit/(loss) before taxation	15,805,430	(5,422,924)	(101,619,683)	(136,299,564)	**(199,461,182)**
Taxation	(4,353,806)	(33,856,646)	1,152,753	1,186,020	**(1,851,358)**
Profit/(loss) for the year	11,451,624	(39,279,570)	(100,466,930)	(135,113,544)	**(201,312,540)**
Attributable to:					
Owners of the Company	8,169,030	(33,571,296)	(62,824,918)	(96,080,590)	**(144,698,559)**
Non-controlling interests	3,282,594	(5,708,274)	(37,642,012)	(39,032,954)	**(56,613,981)**
Profit/(loss) for the year	11,451,624	(39,279,570)	(100,466,930)	(135,113,544)	**(201,312,540)**
Earnings/(loss) per share					
– Basic	1.59 cents	(6.53) cents	(12.26) cents	(16.35) cents	**(17.18) cents**
– Diluted	1.59 cents	(6.53) cents	(12.26) cents	(16.35) cents	**(17.18) cents**
Assets and liabilities					
Non-current assets	211,480,703	343,701,997	375,476,818	132,166,912	**152,883,908**
Net current assets	537,103,069	346,331,958	221,238,879	381,354,415	**379,284,814**
Total assets less current liabilities	748,583,772	690,033,955	596,715,697	513,521,327	**532,168,722**
Non-current liabilities	(20,965,558)	(21,657,738)	(20,124,266)	(16,538,705)	**(14,541,595)**
NET ASSETS	727,618,214	668,376,217	576,591,431	496,982,622	**517,627,127**
Capital and reserves					
Share capital	5,138,489	5,138,489	5,117,189	7,368,209	**9,281,849**
Reserves	670,030,895	627,507,330	549,017,433	521,420,638	**531,707,336**
Total equity attributable to owners of the Company	675,169,384	632,645,819	554,134,622	528,788,847	**540,989,185**
Non-controlling interests	52,448,830	35,730,398	22,456,809	(31,806,225)	**(23,362,058)**
TOTAL EQUITY	727,618,214	668,376,217	576,591,431	496,982,622	**517,627,127**