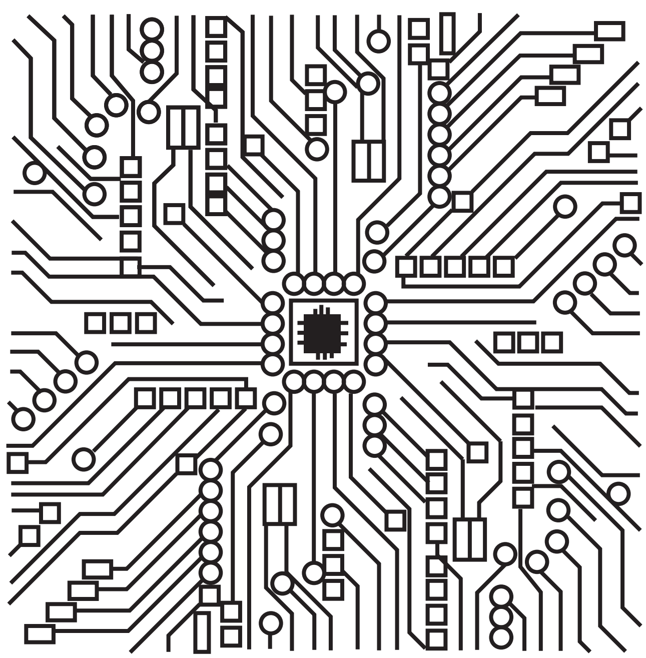
GRANDE

THE GRANDE HOLDINGS LIMITED

(In Liquidation in Hong Kong)



ANNUAL REPORT 2015

(Stock code no. 186)

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CORPORATE INFORMATION

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Mr. Roderick John Sutton
Mr. Fok Hei Yu

FOUNDING CHAIRMAN

Dr. Stanley Ho

EXECUTIVE DIRECTORS

Mr. Tang Hoi Nam
(appointed on 19 February 2016)
Mr. Eduard William Rudolf Helmuth Will
(appointed on 19 February 2016)
Mr. Christopher W. Ho
(resigned on 19 February 2016)

INDEPENDENT AUDITOR

Crowe Horwath (HK) CPA Limited

COMPANY SECRETARY

Mr. Francis Yick Lok Hui

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

COMPANY'S WEBSITE

http://www.grandeholdings.com

OFFICE OF THE PROVISIONAL LIQUIDATORS

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CORPORATE OFFICE IN SINGAPORE

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REGISTERED OFFICE

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45 Reid Street,
Hamilton HM 12, Bermuda

SHARE REGISTRAR

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

The Provisional Liquidators of The Grande Holdings Limited (in Liquidation) (the "Company") are pleased to present the report of the Provisional Liquidators and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION, GROUP RESTRUCTURING AND REMOVAL SUMMONSES

Details of the Group's suspension of trading of the Company shares, appointment of the joint and several provisional liquidators, winding-up petition, group restructuring and removal summonses are set out in note 2 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of distribution of household appliances and consumer electronic products and licensing of trademarks. 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, can be found in the Business Review and Prospects set out on pages 7 and 8 of this annual report. This discussion forms part of this report of the Provisional Liquidators.

SEGMENTED INFORMATION

Details of revenue and segmented information are set out in notes 11 and 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 14 to 80.

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

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 December				
	2015 HK$ million	2014 HK$ million (Restated)	2013 HK$ million (Restated)	2012 HK$ million (Restated)	2011 HK$ million (Restated)
CONTINUING OPERATIONS – REVENUE	**444**	663	741	1,115	1,484
LOSS BEFORE TAX	**(235)**	(44)	(214)	(690)	(1,120)
Tax	**(16)**	(37)	(10)	(40)	(82)
LOSS BEFORE NON-CONTROLLING INTERESTS	**(251)**	(81)	(224)	(730)	(1,202)
Non-controlling interests	**88**	(12)	5	21	(32)
	(163)	(93)	(219)	(709)	(1,234)
DISCONTINUED OPERATIONS	**–**	–	–	–	(116)
LOSS ATTRIBUTABLE TO SHAREHOLDERS	**(163)**	(93)	(219)	(709)	(1,350)

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS AND LIABILITIES

	31 December				
	2015	2014	2013	2012	2011
	HK$ million	HK$ million (Restated)	HK$ million (Restated)	HK$ million (Restated)	HK$ million (Restated)
NON-CURRENT ASSETS	**462**	693	786	817	1,254
CURRENT ASSETS	**572**	666	699	706	740
TOTAL ASSETS	**1,034**	1,359	1,485	1,523	1,994
CURRENT LIABILITIES	**3,887**	3,961	3,952	3,784	3,526
NON-CURRENT LIABILITIES	**–**	–	–	–	10
TOTAL LIABILITIES	**3,887**	3,961	3,952	3,784	3,536
NET LIABILITIES	**(2,853)**	(2,602)	(2,467)	(2,261)	(1,542)
SHARE CAPITAL AND RESERVES	**(3,165)**	(3,002)	(2,906)	(2,683)	(1,970)
NON-CONTROLLING INTERESTS	**312**	400	439	422	428
TOTAL DEFICIENCY OF EQUITY	**(2,853)**	(2,602)	(2,467)	(2,261)	(1,542)

PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 19 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

Details of the Company's share capital and share premium are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company did not maintain any reserve available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 44% and 76% respectively, of the Group's total revenue for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 50% and 99% respectively, of the Group's total purchases for the year.

None of the executive directors, their associates or any shareholders (which to the knowledge of the Provisional Liquidators owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

DIRECTORS' EMOLUMENTS

Details of the directors' emoluments are set out in note 13 to the consolidated financial statements.

DIRECTORS

The executive directors of the Company during the year and up to the date of this report were as follows:

Mr. Tang Hoi Nam (appointed with effect from 19 February 2016)

Mr. Eduard William Rudolf Helmuth Will (appointed with effect from 19 February 2016)

Mr. Christopher W. Ho (resigned with effect from 19 February 2016)

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the reporting date or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's director, his spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2015, the interests of the director and chief executives of the Company in the shares and underlying shares of the Company, subsidiaries and other associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares:

Name of director	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho	Beneficiary of a discretionary trust	328,497,822*	71.38%

* *Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the following persons (other than the director or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% 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 member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Ms. Rosy L. S. Yu	Interest as Mr. Ho's spouse	328,497,822*	71.38%
Barrican Investments Corporation	Beneficial owner	328,497,822#	71.38%
Accolade (PTC) Inc	Trustee	328,497,822#	71.38%

* *Ms. Rosy L. S. Yu is deemed to have interests in these shares by virtue of being the spouse to Mr. Christopher W. Ho.*

\# *Accolade (PTC) Inc is deemed to have interests in these shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at 31 December 2015, none of the Provisional Liquidators knew of any person (other than the director or chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% 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 member of the Group or had any option in respect of such capital.

BIOGRAPHICAL DETAILS IN RESPECT OF EXECUTIVE DIRECTORS

Mr. Tang Hoi Nam ("Mr. Tang"), aged 56, a member of each of the remuneration committee and nomination committee of the Company. Mr. Tang holds a Bachelor of Accounting degree and a Master of Business Administration degree from the University of Wales, Aberystwyth in the United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants. Mr. Tang is currently serving various manufacturing, sales and distribution companies in the People's Republic of China ("PRC") as executive director or consultant. He was a director of ZS Kawa Electronics (Group) Co. Ltd., a manufacturer of consumer electronics products in the PRC, during 2005 to 2012. Mr. Tang has over 20 years of experience in treasury, financial management and accounting. Mr. Tang did not hold any other positions with the Company or other members of the Group and did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Eduard William Rudolf Helmuth ("Mr. Will"), aged 74, holds degrees from the Gymnasium St. Georg, Hamburg and the University of Hamburg. Presently, Mr. Will is serving as an independent non-executive director of Lafe Corporation Limited whose shares are listed on the Singapore Exchange Securities Trading Limited, and had been acting as a senior adviser to Ricco Capital (Holdings) Ltd. He also served as a non-executive director of South East Group Limited (stock code: 726), a company listed on the Stock Exchange, from January 2008 to December 2013; and a director of Emerson Radio Corp., a company incorporated in Delaware, the US and a 56% owned subsidiary of the Company whose shares are listed on the NYSE Alternext US, from July 2006 to November 2013. Mr. Will has more than 40 years of experience as merchant banker, senior advisor and director of various public and private companies.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2015 (the "current year"), the revenue of the Group was HK$444 million as compared to HK663 million for 2014 (the "corresponding year"). The Group recorded a net loss attributable to shareholders of the Company of HK$163 million for the current year, as compared to a loss of HK$93 million for the corresponding year.

The Group comprises the Emerson operations and Licensing operations for Akai, Sansui and Nakamichi brands.

(a) Emerson

The trade name "Emerson" dates back to 1912 and is one of the oldest and most well respected brand in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson's revenue for the current year was HK$400 million as compared to HK$608 million for the corresponding year. It recorded an operating loss of HK$8 million for the current year as compared to an operating profit of HK$40 million for the corresponding year. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

BUSINESS REVIEW AND PROSPECTS (continued)

(b) Licensing

This segment has the responsibility of managing the global licensing operations of Akai, Sansui and Nakamichi brands. The Group's strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the respective markets.

The revenue of this segment was HK$44 million for the current year as compared to HK$55 million for the corresponding year. The operating profit for the current year was HK$25 million which comprised mainly the net licensing income received from the licensees, as compared to an operating profit of HK$39 million for the corresponding year.

Notwithstanding the net loss attributable to shareholders of the Company of HK$163 million recorded by the Group during the current year (as compared to a net loss of HK$93 million for the corresponding year), the Provisional Liquidators are of the view that the loss does not affect the Group's existing business and its normal operation. The Group continues to operate its branded distribution business as usual.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had a current ratio of approximately 0.15 as compared to that of approximately 0.17 at 31 December 2014.

As at 31 December 2015, the Group had HK$474 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of approximately HK$36 million as at 31 December 2015, representing an increase of HK$1 million as compared to the previous year.

All the interest bearing borrowings of the Company have been accounted for as non-interest bearing borrowings with effect from 12 September 2013, the date of the winding-up order. As a result, the Group's gearing ratio as at 31 December 2015 was 0% which is calculated based on the Group's net borrowings of HK$nil (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total deficiency of equity of HK$2,853 million.

As at 31 December 2015, the Group had net current liabilities of HK$3,315 million as compared to HK$3,295 million at 31 December 2014.

CHARGES ON GROUP ASSETS

As at 31 December 2015, certain of the Group's assets with a total carrying value of approximately HK$23 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 34 to the consolidated financial statements.

TREASURY POLICIES

The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2015 was approximately 50. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in Sansui Electric Co. Ltd. ("SEC"), a company incorporated in Japan and was formerly listed on the First Section of the Tokyo Stock Exchange, from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. There were no movement in the Group's shareholding interests in SEC during the year 2011. However, SEC had been reclassified and accounted for as an associate instead since 1 October 2011 as the Group had lost its control over SEC's financial and operating policies in consequence of the Group's inability to provide continuing financial support to SEC from that time.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as of 31 December 2015 and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

There were no significant related party transactions entered by the Group during the year ended 31 December 2015, which constituted connected transactions under the Listing Rules.

AUDIT COMMITTEE

Following the resignation of the Company's sole independent non-executive director on 12 March 2013, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the consolidated financial statements of the Group for the current year ended 31 December 2015 have not been reviewed by an audit committee.

REPORT OF THE PROVISIONAL LIQUIDATORS

CORPORATE GOVERNANCE

As the Company has been under the control of the Provisional Liquidators and a full board of directors has not been constituted, the current directors of the Company are therefore unable to comply with the Code on Corporate Governance Practices (the "CG Code").

However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY SOLE DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the sole director of the Company. Given that the Company is in liquidation and the trading of the Company's shares were suspended since 30 May 2011, the Company is not aware of any non-compliance with the required standards as set out in the Model Code during the year ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Provisional Liquidators up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 38 to the consolidated financial statements.

INDEPENDENT AUDITOR

Jonten Hopkins CPA Limited has resigned as auditor of the Company with effect from 19 January 2016 and the Provisional Liquidators have then appointed Crowe Horwath (HK) CPA Limited as auditor of the Company with effect from 21 January 2016 to fill the causal vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

FOR AND ON BEHALF OF
THE GRANDE HOLDINGS LIMITED
(IN LIQUIDATION)

Roderick John Sutton and Fok Hei Yu
Joint and Several Provisional Liquidators
acting as agents without personal liability

Hong Kong
22 April 2016

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

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Independent Auditor's Report
to the Shareholders of
The Grande Holdings Limited (In Liquidation)
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of The Grande Holdings Limited (In Liquidation) (the "Company") and its subsidiaries set out on pages 14 to 80, 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.

PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Opening balances and corresponding figures

The consolidated financial statements for the year ended 31 December 2014 were audited by another auditor who expressed a disclaimer of opinion as a result of the limitation of scope encountered in respect of their audit of (1) amounts due to former related companies, (2) amounts due to former associates and (3) accounts and bills payables.

BASIS FOR DISCLAIMER OF OPINION (continued)

Opening balances and corresponding figures (continued)

The predecessor auditors also disclaimed their opinion on the consolidated financial statements for the year ended 31 December 2013 as a result of the limitation of scope encountered in respect of their audit of (1) amounts due to former related companies, (2) amounts due to former associates, (3) accounts and bills payables and (4) tax liabilities. Moreover, as the audit of several subsidiaries for the years ended 31 December 2011 and 2012 was not completed by the component auditors, the carrying amount of the balances of these subsidiaries as at 31 December 2013 was derived by aggregating the opening balances as at 1 January 2013 and the net movement resulting from the transactions during the year ended 31 December 2013, including, there was also no satisfactory audit evidence to assess the recoverability of the amount due from a subsidiary on the company level. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the consolidated financial statements for the year ended 31 December 2013 and the relevant notes.

Our opinion on the current year's consolidated financial statements is modified because of the possible effect of these matters on the current year's figures and corresponding figures.

Scope limitation – amounts due to former related companies

Included in the accrued liabilities and other payables of approximately HK$3,337 million in the consolidated statement of financial position as at 31 December 2015 was amounts due to former related companies of approximately HK$13 million which was represented the current account with the former related companies.

No direct confirmation has been received or sufficient evidence is available to verify the existence, completeness and accuracy of the amounts due to these former related companies as at 31 December 2015. There were no other alternative audit procedures that we could adopt to verify that these amounts were fairly stated in the financial statements as at 31 December 2015.

Scope limitation – amounts due to former associates

Included in the accrued liabilities and other payables of approximately HK$3,337 million in the consolidated statement of financial position as at 31 December 2015 were amounts due to former associates, Sansui Electric Co., Ltd ("SEC") and Sansui Sales Pte. Limited ("SSPL") of HK$44 million and HK$522 million respectively.

SEC has been put into the Civil Rehabilition Procedures ("CRP") in Japan with effect from 15 May 2012. On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC and on 9 July 2014, SEC was put into bankruptcy and bankruptcy trustee had been appointed. Confirmation has been received from the bankruptcy trustee. However, due to the lack of evidence, the bankruptcy trustee failed to confirm whether the outstanding balance is correct.

No direct confirmation has been received or sufficient evidence is available for the amount due to SSPL.

In the absence of the above, we were unable to verify the existence, completeness and accuracy of the amounts due to former associates as at 31 December 2015. There were no other alternative audit procedures that we could adopt to verify that these amounts were fairly stated in the financial statements as at 31 December 2015.

BASIS FOR DISCLAIMER OF OPINION (continued)

Scope limitation – accrued liabilities and other payables

Included in the accrued liabilities and other payables of approximately HK$3,337 million in the consolidated statement of financial position as at 31 December 2015 was accounts payable of approximately HK$5 million which was long outstanding for many years.

No direct confirmation has been received or sufficient evidence is available to verify the existence, completeness and accuracy of the accounts payable as at 31 December 2015. There were no other alternative audit procedures that we could adopt to verify that these amounts were fairly stated in the financial statements as at 31 December 2015.

Material uncertainty related to going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") was submitted to The Stock Exchange of Hong Kong Limited on 9 July 2014. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis of preparation of these financial statements.

Any adjustments that might have been found to be necessary in respect of the above matters would have a significant effect on the Group's accumulated deficit as at 1 January 2014, 31 December 2014 and 31 December 2015 and of its financial performance and cash flows for the years ended 31 December 2014 and 2015, the Group's financial position as at 1 January 2014, 31 December 2014 and 31 December 2015 and the related disclosures in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 22 April 2016

Alvin Yeung Sik Hung
Practising certificate number P05206

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015 HK$ million**	2014 HK$ million (Restated)
REVENUE	11	**444**	663
Cost of sales		**(321)**	(471)
Gross profit		**123**	192
Other income		**3**	5
Distribution costs		**(10)**	(14)
Administrative expenses		**(98)**	(118)
Allowance for doubtful debts		**(4)**	(1)
Goodwill written off	22	**(13)**	–
Impairment loss recognised in respect of brands and trademarks	22	**(213)**	(75)
Other expenses		**(23)**	(33)
Finance costs		**–**	–
LOSS BEFORE TAXATION	12	**(235)**	(44)
Income tax	15	**(16)**	(37)
LOSS FOR THE YEAR		**(251)**	(81)
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**–**	10
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(251)**	(71)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**(163)**	(93)
Non-controlling interests		**(88)**	12
		(251)	(81)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**(163)**	(96)
Non-controlling interests		**(88)**	25
		(251)	(71)
LOSS PER SHARE	17	**HK$**	HK$
Basic		**(0.35)**	(0.20)
Diluted		**(0.35)**	(0.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**At 31 December 2015 HK$ million**	At 31 December 2014 HK$ million (Restated)	At 1 January 2014 HK$ million (Restated)
NON-CURRENT ASSETS				
Plant and equipment	18	**1**	1	2
Investment properties	19	**1**	1	1
Available-for-sale investments	20	**–**	–	–
Deferred tax assets	21(i)	**9**	14	31
Brands and trademarks	22	**450**	663	738
Other assets	23	**1**	1	1
Goodwill	22	**–**	13	13
		462	693	786
CURRENT ASSETS				
Inventories	25	**36**	35	44
Accounts and bills receivable	26	**37**	109	94
Prepayments, deposits and other receivables	27	**21**	37	38
Tax recoverable		**–**	9	3
Pledged deposits with banks		**4**	4	–
Cash and bank balances	28	**474**	472	520
		572	666	699
CURRENT LIABILITIES				
Bank overdraft		**2**	2	2
Accounts and bills payable	29	**8**	16	12
Accrued liabilities and other payables	30	**3,337**	3,408	3,404
Tax liabilities		**88**	83	82
Provision for legal claims	31	**452**	452	452
		3,887	3,961	3,952
NET LIABILITIES		**(2,853)**	(2,602)	(2,467)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**At 31 December 2015 HK$ million**	At 31 December 2014 HK$ million (Restated)	At 1 January 2014 HK$ million (Restated)
CAPITAL AND RESERVES				
Share capital	32	**46**	46	46
Share premium	32	**1,173**	1,173	1,173
Reserves		**(4,384)**	(4,221)	(4,125)
DEFICIENCY OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**(3,165)**	(3,002)	(2,906)
NON-CONTROLLING INTERESTS		**312**	400	439
TOTAL DEFICIENCY OF EQUITY		**(2,853)**	(2,602)	(2,467)

Roderick John Sutton
and
Fok Hei Yu
Joint and Several Provisional Liquidators
acting as agents without personal liability

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Share capital HK$ million	Share premium HK$ million	Contributed reserve HK$ million (Note)	Exchange fluctuation reserve HK$ million	Other deficits HK$ million	Accu-mulated deficits HK$ million	Deficiency of equity attributable to the shareholders of the Company HK$ million	Non-controlling interests HK$ million	Total deficiency of equity HK$ million
At 1 January 2014 (as originally stated)	46	1,173	193	(156)	(7)	(4,062)	(2,813)	441	(2,372)
Restatement of prior years' figures *(note 6)*	–	–	–	–	–	(93)	(93)	(2)	(95)
At 1 January 2014 (restated)	46	1,173	193	(156)	(7)	(4,155)	(2,906)	439	(2,467)
(Loss)/profit for the year	–	–	–	–	–	(93)	(93)	12	(81)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(3)	–	–	(3)	13	10
Total comprehensive (loss)/ income for the year	–	–	–	(3)	–	(93)	(96)	25	(71)
Dividend to non-controlling interests	–	–	–	–	–	–	–	(64)	(64)
At 31 December 2014 (restated)	46	1,173	193	(159)	(7)	(4,248)	(3,002)	400	(2,602)
At 1 January 2015 (as originally stated)	46	1,173	193	(159)	(7)	(4,113)	(2,867)	402	(2,465)
Restatement of prior years' figure (note 6)	–	–	–	–	–	(135)	(135)	(2)	(137)
At 1 January 2015 (restated)	46	1,173	193	(159)	(7)	(4,248)	(3,002)	400	(2,602)
Loss for the year	–	–	–	–	–	(163)	(163)	(88)	(251)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	(163)	(163)	(88)	(251)
At 31 December 2015	**46**	**1,173**	**193**	**(159)**	**(7)**	**(4,411)**	**(3,165)**	**312**	**(2,853)**

Note:

The contributed reserve represents the credit amount arising from capital reduction in November 2001 and the amounts in the contributed reserve account of the Company can be applied in the future for distribution to the shareholders of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	**2015 HK$ million**	2014 HK$ million (Restated)
OPERATING ACTIVITIES			
Loss before tax		**(235)**	(44)
Adjustments for:			
Interest income		**(2)**	(3)
Depreciation		**–**	1
Allowance for doubtful debts		**4**	1
Goodwill written off	22	**13**	–
Impairment loss recognised in respect of brands and trademarks	22	**213**	75
Operating cash flows before working capital changes		**(7)**	30
(Increase)/decrease in inventories		**(1)**	9
Decrease/(increase) in accounts and bills receivable		**72**	(15)
Decrease in prepayments, deposits and other receivables		**13**	1
(Decrease)/increase in accounts and bills payable		**(8)**	4
Decrease in accrued liabilities and other payables		**(71)**	14
Cash generated from operations		**(2)**	43
Overseas profits tax refund/(paid)		**3**	(25)
Net cash generated from operating activities		**1**	18
INVESTING ACTIVITIES			
(Increase)/decrease in bank certificates of deposit	28	**(39)**	172
Increase in pledged deposits with banks		**–**	(4)
Interest received		**1**	2
Net cash (used in)/generated from investing activities		**(38)**	170

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	**2015 HK$ million**	2014 HK$ million (Restated)
FINANCING ACTIVITIES			
Dividend paid to non-controlling interests		**–**	(64)
Net cash used in financing activities		**–**	(64)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(37)**	124
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**353**	229
CASH AND CASH EQUIVALENTS AT END OF YEAR		**316**	353
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash	28	**1**	1
Bank balances	28	**196**	264
Deposits with maturing date within three months	28	**121**	90
Bank overdraft		**(2)**	(2)
		316	353

1. GENERAL

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended from trading since 30 May 2011.

The Company's immediate holding company is Barrican Investments Corporation, a company incorporated in the British Virgin Islands. In the opinion of the Provisional Liquidators, the ultimate holding company is Accolade (PTC) Inc ("Accolade"), a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 37.

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

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information on page 2 of the annual report.

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION, GROUP RESTRUCTURING AND REMOVAL SUMMONSES

Trading in the shares of the Company has been suspended from trading on the Stock Exchange since 30 May 2011.

On 31 May 2011, pursuant to an order of the High Court of the Hong Kong Special Administrative Region (the "High Court"), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited ("FTI Consulting") were appointed as the provisional liquidator to the Company (the "Provisional Liquidators") as a result of the winding up petition made by Sino Bright Enterprises Co., Ltd. ("Sino Bright"), one of the creditors, against the Company. Upon the appointment of the Provisional Liquidators, the power of the directors were suspended with regard to the affairs and business of the Company.

On 26 July 2011, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators on behalf of the Company, FTI Consulting (the "Escrow Agent") and Sunny Faith Investments Limited (the "Investor") (the "Escrow Agreement"). Pursuant to the Escrow Agreement, the Provisional Liquidators have granted the Investor an exclusivity period up to nine months to negotiate a legally binding agreement for the implementation of a viable restructuring proposal. The Provisional Liquidators have also appointed Emperor Capital Limited as the financial adviser to the Company regarding the restructuring of the Group.

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION, GROUP RESTRUCTURING AND REMOVAL SUMMONSES (continued)

On 8 September 2011, the Company was placed in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules on the Stock Exchange. On 31 May 2012, the Company submitted a resumption proposal, which was prepared by the Investor and accepted by the Provisional Liquidators, to the Stock Exchange to address the following:

(i) that the Company had a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules; and

(ii) that the Company had adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

The Stock Exchange was not satisfied with the Company's resumption proposal submitted on 31 May 2012, and by a letter dated 5 July 2012, the Stock Exchange informed the Company its decision to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from that date.

On 4 October 2012, the Provisional Liquidators announced that after a review hearing held by Listing Committee on 25 September 2012, the Listing Committee decided to uphold the Listing Division's decision to place the Company in the second stage of delisting. Accordingly, the Listing Committee further decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from 25 September 2012.

On 30 January 2013, the Provisional Liquidators announced that the exclusivity and the Escrow Agreement has lapsed. The Provisional Liquidators and the Investor have discussed and agreed to submit a revised resumption proposal to the Stock Exchange prior to the expiry of the second stage of delisting.

On 13 March 2013, a revised resumption proposal was submitted to the Stock Exchange.

On 21 June 2013, the Company provided further information to the Stock Exchange.

By a letter dated 28 June 2013 (the "Letter"), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION, GROUP RESTRUCTURING AND REMOVAL SUMMONSES (continued)

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

(i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;

(ii) publish outstanding financial results and address any audit qualifications;

(iii) demonstrate sufficient working capital for at least twelve months from resumption date; and

(iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon several applications by the Provisional Liquidators, the High Court has consecutively adjourned the hearing of winding-up petition against the Company to a further date. The hearing of the petition was finally rescheduled to 3 September 2013 and a winding-up order was granted against the Company by the High Court on 12 September 2013.

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013.

On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the restructuring agreement (the “Restructuring Agreement”) to implement the restructuring proposal. Under the terms of the Restructuring Agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to the Akai, Sansui and Nakamichi trademarks, will be retained.

On 11 June 2014, the Company received a summons issued by Sino Bright which seeks an order for the removal of the Provisional Liquidators of the Company. A summons seeking equivalent orders has also been served by another creditor of the Company on 17 June 2014 (collectively, the “Removal Summonses”).

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION, GROUP RESTRUCTURING AND REMOVAL SUMMONSES (continued)

The court hearing for the Removal Summonses scheduled to be heard on 16 November 2015 has been vacated.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the "Updated Resumption Proposal") to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors' schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the resumption proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the Restructuring Agreement as amended from time to time in implementing the restructuring proposal.

By a letter dated 29 May 2015, the Stock Exchange has decided to allow the Company to proceed with the Updated Resumption Proposal subject to satisfying the following conditions (the "Resumption Conditions") by 21 December 2015:

(i) completion of all transactions contemplated under the Updated Resumption Proposal, including the open offer, the creditors' schemes of arrangements and the appointment of compliance officer; and

(ii) inclusion in the Shareholders' Circular:

   (a) the Group's profit forecast for the year ending 31 December 2015 together with reports from the auditor and the financial adviser under paragraph 29(2) of Appendix 1b; and

   (b) an audited balance sheet of the Group as at 31 December 2014 adjusted to reflect the effects of completion of the Updated Resumption Proposal and a comfort letter from its auditor under Rule 4.29.

The Listing Committee may modify the Resumption Conditions as set out above if the Company's situation changes.

On 14 December 2015, the Company, the Provisional Liquidators, Sino Bright and McVitie Group Holdings Limited entered into an amended and restated restructuring agreement to amend and formalise certain terms of the Restructuring Agreement, pursuant to which, the parties agree to, *inter alia*, (i) set the number of creditor shares to 4,142,045,880 shares (assuming no creditor accept the cash alternative offered by the Company) to be allocated to the scheme creditors in proportionate to their respective admitted claims; (ii) formalise the terms of the open offer of new shares on the basis of five (5) offer shares for every two shares held on the open offer record date by the qualifying shareholders; and (iii) formalise the arrangement in relation to the related restructuring costs and expenses.

In addition, the Company made an extension application to the Stock Exchange on 14 December 2015 to seek an additional six months for the Company to fully satisfy the Resumption Conditions. By a letter dated 22 December 2015, the Stock Exchange agreed to extend the deadline for the Company to fully satisfy the Resumption Conditions to 11 May 2016.

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION, GROUP RESTRUCTURING AND REMOVAL SUMMONSES (continued)

On 4 March 2016, the Company and Sino Bright entered into an underwriting agreement. Pursuant to which Sino Bright conditionally undertakes to the Company, among other things, to underwrite the offer shares to be offered by the Company not subscribed by the qualifying shareholders on a fully underwritten basis, being not more than 1,150,568,300 offer shares.

On 9 March 2016, the shareholders' circular of describing (i) the proposed restructuring of the Company and the creditors' schemes arrangement; (ii) open offer underwriting arrangement; (iii) election and re-election of directors; (iv) the adoption of new bye-laws; and (v) notice of special general meeting was despatched to the shareholders.

On 14 March 2016, both the Hong Kong Scheme and Bermuda Scheme were approved in the creditors' scheme meetings.

On 1 April 2016, the resolutions to approve (i) capital reorganisation; (ii) adoption of new Bye-laws; (iii) creditor schemes of arrangement; (iv) open offer; and (v) election and re-election of directors were all passed in the special general meeting.

The creditors' schemes of arrangement became effective on 15 April 2016.

The capital reorganisation to (i) cancel the existing authorised but unissued share capital of the Company in the amount of HK$53,977,268; (ii) reduce the par value of each of the issued shares of HK$0.10 each to HK$0.01 each; (iii) reduce the share premium account of the Company by the amount of HK$1,173,000,000; and (iv) subject to and immediately following the event (ii) and (iii), increase the Company's authorised share capital from HK$4,602,273.20 to HK$200,000,000; became effective on 17 April 2016.

According to the revised timetable as announced on 7 April 2016, it is expected that if all the Resumption Conditions can be completed on 11 May 2016, then the shares of the Company will be resumed trading on 13 May 2016.

3. GOING CONCERN BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015, the Group had net current liabilities of approximately HK$3,315 million (2014: HK$3,295 million) and net liabilities of approximately HK$2,853 million (2014: HK$2,602 million). Despite the significant deficiency of equity attributable to the shareholders of the Company, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

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

Except as described below, the application of the amendments to HKFRSs in the current year has 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.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures had been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HKD"), rounded to the nearest million except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 7.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investment in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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) 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) 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.

(iii) Licensing income is recognised on a straight line basis in accordance with the substance of the relevant agreement.

(e) (i) Business combinations

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) (i) Business combinations (continued)

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

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 HKFRS.

Where 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) (i) Business combinations (continued)

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 *Financial Instruments: Recognition and Measurement*, with the corresponding gain or loss being recognised in profit or loss.

(e) (ii) 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 cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

(f) Segment reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses, if any.

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease *(see note 5(i))*, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 5(i).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease *(see note 5(h))*; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 5(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 5(q). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(j) Financial instruments

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

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

(i) Financial assets –

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(i) 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 accounts and bills receivable and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

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

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

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 are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

(ii) 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.

Financial liabilities
Financial liabilities (including accounts, bills and other payables and amounts due to directors) are subsequently measured at amortised cost, using the effective interest method.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

Derecognition

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

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

(k) Brands and trademarks

Brands and trademarks with indefinite useful lives are carried at cost less accumulated impairment losses.

Any conclusion that the useful life of brands and trademarks is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises all costs of purchase, costs 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 the estimated 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) Accounts, bills and other receivables

Accounts, bills and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, 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 (see note 5(q)).

(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.

(o) Accounts, bills and other payables

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

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For accounts, bills and other current receivables and other financial assets carried at amortised cost, 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 financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of assets (continued)

(i) Impairment of receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts receivables included within accounts and bill receivable and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives , the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in 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 shareholders of the Company are reclassified to profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits

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

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

(ii) Termination benefits

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

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Provision and contingent liabilities

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income Tax

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, respectively.

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 differences 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.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income Tax (continued)

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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties

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

(a) the party is a person or a close member of that person's family and that person –

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

(ii) has significant influence over the Group;

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

or

(b) the party is an entity where any of the following conditions applies –

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(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); and

(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 parent of the Group.

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

6. RESTATEMENT OF PRIOR YEARS' FIGURES

During the course of preparing the Group's financial statements for the year ended 31 December 2015, and the development on the Company's application to the Stock Exchange for the approval of the resumption of trading of the Company's shares, it has come to the attention of the Provisional Liquidators of the Company that the prior years' financial statements of the Group and of the Company understated certain expenses and liabilities. At the time 2014 annual results were approved, the Stock Exchange had not approved the resumption of trading of the Company's share. Therefore, certain amount of these expenses were not included in the prior years' financial statements as the status of the restructuring was uncertain and the costs are subject to taxation. Following approval of the restructuring by the Hong Kong Stock Exchange on 29 May 2015 and taxation of costs by the High Court of Hong Kong, these expenses and liabilities were reported in the Company's interim results for the six months ended 30 June 2015. The Provisional Liquidators revisited the adjustments and considered it appropriate to adjust these expenses and liabilities to the period in respect of which the services giving rise to the expenses and liabilities were performed.

The following tables disclose the adjustments that have been made in order to reconcile adjustments to each of the line items in the consolidated statement of profit of loss and other comprehensive income and the consolidated statement of financial position as previously reported for the year ended 31 December 2014, and the consolidated statement of financial position at 1 January 2014.

Effect of the above restatement on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014

	2014 (as originally stated) HK$ million	Adjustments HK$ million	2014 (restated) HK$ million
Other expenses	–	33	33
Administrative expenses	109	9	118
Loss for the year	39	42	81
	HK$	HK$	HK$
Loss per share			
Basis	(0.11)	(0.09)	(0.20)
Diluted	(0.11)	(0.09)	(0.20)

Effects of the above restatement on the consolidated statement of financial position of the Group as at 1 January 2014 and 31 December 2014

	As at 1 January 2014 (as originally stated) HK$ million	Adjustments HK$ million	As at 1 January 2014 (restated) HK$ million	As at 31 December 2014 (as originally stated) HK$ million	Adjustments HK$ million	As at 31 December 2014 (restated) HK$ million
Prepayments, deposits and other receivables	38	–	38	40	(3)	37
Accrued liabilities and other payables	(3,309)	(95)	(3,404)	(3,274)	(134)	(3,408)
Accumulated deficit	(4,062)	(93)	(4,155)	(4,113)	(135)	(4,248)
Non-controlling interests	441	(2)	439	402	(2)	400
Total deficiency of equity	(2,372)	(95)	(2,467)	(2,465)	(137)	(2,602)

7. ACCOUNTING JUDGEMENTS AND ESTIMATES

a) Key sources of estimation uncertainty

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

(i) Going concern:

On 31 May 2011, an Order was granted by the High Court to appoint Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited, to act as provisional liquidators to the Company (the "Provisional Liquidators"). The Provisional Liquidators have been assessing the operations of the Company and its subsidiaries in consultation with the management, creditors, regulatory authorities and other relevant parties in order to determine the optimal strategy to maximise the return to stakeholders. Notwithstanding that the Group had net current liabilities of HK$3,315 million as at 31 December 2015, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company would be successfully completed. Based on the assessment of the information available at this time, the Provisional Liquidators are of the view that the proposed restructuring of the Company would likely be successfully completed barring any unforeseen circumstances. Based further on the assumption that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future and, accordingly, the Group continues to adopt the going concern basis in preparing these consolidated financial statements.

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

Determining whether there is an impairment requires an estimation of recoverable amounts of the plant and equipment, intangible assets or the respective CGU in which plant and equipment and intangible assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets of CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise.

7. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

a) Key sources of estimation uncertainty (continued)

(iii) Useful lives and residual values and plant and equipment

Management determines the estimated useful lives and residual values for the Group's plant and equipment in accordance with accounting policy stated in note 5(g). The Group will revise the depreciation charge where useful lives and residual values are different from the previous estimates, or will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Write down of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future sales and management judgment. Based on this review, write down of inventories will be made when the carrying amount of inventories declines below the estimated net realisable value. However, actual sales may be different from estimation and profit or loss could be affected by differences in this estimation.

(v) Estimation of impairment of receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivable is HK$ 37 million (net of allowance for doubtful debts of HK$ 58 million) (2014: carrying amount of HK$ 109 million, net of allowance for doubtful debts of HK$58 million).

7. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

b) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Taxation and deferred taxation

The Group is subject to income tax in Hong Kong and various taxes in other jurisdictions. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax charge in the periods in which such estimate is changed.

As at 31 December 2015, deferred tax assets of HK$9 million in relation to decelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

8. FINANCIAL INSTRUMENTS BY CATEGORIES

	2015 HK$ million	2014 HK$ million (Restated)
Financial assets –		
Available-for-sale investments	**–**	–
Loans and receivables (including cash and bank balances)	**522**	596
Financial liabilities –		
At amortised cost	**3,799**	3,878

9. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group has exposure to currency risk, credit risk, liquidity risk and interest rate risk arising from financial instruments. 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.

(a) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Great British Pound, Renminbi Yuan and New Taiwan Dollar.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	United States Dollar HK$ million	Great British Pound HK$ million	Renminbi Yuan HK$ million	New Taiwan Dollar HK$ million
As at 31 December 2015				
Prepayments, deposits and other receivables	1	–	–	–
Cash and bank balances and pledged deposits	14	–	1	3
Bank overdraft	(2)	–	–	–
Provision for legal claims	(452)	–	–	–
Accrued liabilities and other payables	(627)	(2)	(9)	–
	(1,066)	(2)	(8)	3

9. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Currency risk (continued)

(i) Exposure to currency risk (continued)

	United States Dollar HK$ million	Great British Pound HK$ million	Renminbi Yuan HK$ million	New Taiwan Dollar HK$ million
As at 31 December 2014 (Restated)				
Prepayments, deposits and other receivables	6	–	1	–
Cash and bank balances and pledged deposits	59	–	1	3
Bank overdraft	(2)	–	–	–
Provision for legal claims	(452)	–	–	–
Accrued liabilities and other payables	(634)	(2)	(9)	–
	(1,023)	(2)	(7)	3

(ii) Sensitivity analysis:

The Group's major financial assets and liabilities are denominated in United States Dollar. It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The Provisional Liquidators of the Company considered that the Group's exposure to currency risk is not significant and accordingly, no sensitivity analysis has been presented.

(b) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

9. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

(ii) The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Provisional Liquidators consider that the Group's credit risk is significantly reduced.

(iii) In respect of other receivables, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and taking into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Normally, the Group does not require collateral in respect of its financial assets.

(iv) The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(v) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 26.

(c) 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 the parent company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities 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 the Group can be required to pay.

9. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

	Payable less than 1 year HK$ million	Payable between 1 to 5 years HK$ million	Total contractual undiscounted cash flows HK$ million	Carrying amount HK$ million
As at 31 December 2015				
Bank overdraft	**2**	**–**	**2**	**2**
Accounts and bills payable	**8**	**–**	**8**	**8**
Accrued liabilities and other payables	**3,337**	**–**	**3,337**	**3,337**
Provision for legal claims	**452**	**–**	**452**	**452**
	3,799	**–**	**3,799**	**3,799**
As at 31 December 2014 (Restated)				
Bank overdraft	2	–	2	2
Accounts and bills payable	16	–	16	16
Accrued liabilities and other payables	3,408	–	3,408	3,408
Provision for legal claims	452	–	452	452
	3,878	–	3,878	3,878

(d) Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Provisional Liquidators of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period. Accordingly, no sensitivity analysis on short-term bank deposits is presented.

As at 31 December 2015, it is estimated that a general increase or decrease of one percentage point in interest rates, with all other variables held constant, would decrease or increase the Group's loss after tax by approximately HK$3 million (2014: HK$3 million) and HK2 million (2014: HK$2 million) respectively.

(e) Fair value of financial assets and liabilities carried at other than fair value

The Provisional Liquidators consider that the carrying amounts of financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2015 and 2014 respectively.

10. MATERIAL RELATED PARTY TRANSACTIONS

(a) There was no significant related party transactions entered by the Group during the years ended 31 December 2015 and 2014.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's director as disclosed in note 13 and certain of the highest paid employee as disclosed in note 14, is as follows:

	2015 HK$ million	2014 HK$ million
Short-term employee benefits	**12**	12

11. REVENUE

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, and licensing income from the Group's brands and trademarks, but excludes intra-group transactions.

An analysis of the Group's revenue by principal activities for the year is as follows:

	2015 HK$ million	2014 HK$ million
By principal activities:		
Sales of goods	**361**	540
Licensing income	**83**	123
	444	663

12. LOSS BEFORE TAXATION

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

		2015 HK$ million	2014 HK$ million (Restated)
(a)	**Staff costs**		
	Directors' and chief executive officer's emoluments *(note 13)*	**–**	–
	Other staff costs		
	– Salaries and other benefits	**37**	37
	– Retirement benefits costs	**5**	5
		42	42

		2015 HK$ million	2014 HK$ million (Restated)
(b)	**Other items**		
	Depreciation of owned plant and equipment	**–**	1
	Operating lease rentals in respect of land and buildings	**9**	7
	Auditors' remuneration:		
	– Current year	**12**	7
	Carrying amount of inventories sold	**310**	456
	Write down of inventories *(note 25)*	**11**	15
	Liquidators' fee/Professional fees		
	– Charge to the Company and included in other expenses	**7**	16
	– Charge to the subsidiaries and included in administrative expenses	**3**	5
		10	21
	Restructuring costs	**13**	17
	Interest income	**(2)**	(3)

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive officer's emoluments are as follows:

	Fees HK$ million	**Basic salaries, housing allowances and other benefits** HK$ million	**Discretionary bonuses** HK$ million	**Total emoluments** HK$ million
2015				
Mr. Christopher W. Ho (resigned on 19 February 2016)	**–**	**–**	**–**	**–**
2014				
Mr. Christopher W. Ho	–	–	–	–

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (continued)

No emoluments were paid by the Group to the director and chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office during the year. None of the directors and chief executive officer has waived any emoluments during the years ended 31 December 2015 and 2014.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals include no (2014: no) director, details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals were as follows:

	2015 HK$ million	2014 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**12**	12
Bonuses paid and payable	**–**	–
	12	12

The number of non-director whose remuneration fell within the bands set out below is as follows:

HK$	**2015 Number of non-director**	2014 Number of non-director
Nil – 1,000,000	**2**	2
2,000,001 – 2,500,000	**2**	2
5,500,001 – 6,000,000	**1**	–
6,500,001 – 7,000,000	**–**	1

Staff are entitled to receive a basic salary according to their contracts which are reviewed annually by the Group. In addition, staff are entitled to receive a discretionary bonus which is decided by the Group at its absolute discretion having regard to his/her performance.

15. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVES INCOME

	2015 HK$ million	2014 HK$ million
Current tax		
Overseas	**(2)**	34
Under/(over) provision in prior year		
Overseas	**13**	(14)
Deferred tax *(note 21(i))*		
Overseas	**5**	17
	16	37

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

Reconciliation between tax expenses and accounting loss at applicable tax rates is as follows:

	2015 HK$ million	2014 HK$ million (Restated)
Loss before tax	**(235)**	(44)
Notional tax calculated at Hong Kong profits tax rate of 16.5%	**(39)**	(7)
Effect of different tax rates in overseas jurisdictions	**(1)**	13
Income and expenses not subject to tax	**38**	28
Under/(over) provision in prior year	**13**	(14)
Others	**5**	17
	16	37

16. DIVIDEND

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

17. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the following data:

	2015 HK$ million	2014 HK$ million (Restated)
Loss:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation	**(163)**	(93)

	2015 Number of ordinary shares million	2014 Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**460.2**	460.2

(b) Diluted loss per share:

Diluted loss per share equals basic loss per share as the Company has no dilutive potential ordinary shares in existence during both years ended 31 December 2015 and 2014.

18. PLANT AND EQUIPMENT

	2015 HK$ million	2014 HK$ million
Cost:		
At 1 January	**113**	117
Foreign currency adjustment	**(1)**	(1)
Disposals	**(1)**	(3)
At 31 December	**111**	113
Accumulated depreciation and impairment		
At 1 January	**112**	115
Foreign currency adjustment	**(1)**	(1)
Additions	**–**	1
Disposals	**(1)**	(3)
At 31 December	**110**	112
Carrying values at 31 December	**1**	1

The above plant and equipment are depreciated on a straight-line basis at the rates from 14.3% to 33.3% (2014: 14.3% to 33.3%) per annum.

19. INVESTMENT PROPERTIES

	2015 HK$ million	2014 HK$ million
At fair value		
At 31 December	**1**	1

19. INVESTMENT PROPERTIES (continued)

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2015 categorised into		
	Fair value at 31 December 2015 HK$ million	**Level 1 HK$ million**	**Level 2 HK$ million**	**Level 3 HK$ million**
Recurring fair value measurements				
Investment properties:				
– Commercial – HK	**1**	**–**	**1**	**–**

		Fair value measurements as at 31 December 2014 categorised into		
	Fair value at 31 December 2014 HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Recurring fair value measurements				
Investment properties:				
– Commercial – HK	1	–	1	–

19. INVESTMENT PROPERTIES (continued)

Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were valued by an independent qualified professional valuer as at 31 December 2015.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment properties located in Hong Kong is determined using market comparison approach by reference to market evidence of transaction prices for similar properties which is publicly available.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$ million	2014 HK$ million
Unlisted investments outside Hong Kong:		
Interests in available-for-sale investments	**9**	9
Impairment loss recognised	**(9)**	(9)
At 31 December	**–**	–

The available-for-sale investments represent the Group's 40% shareholding interests in Sansui Electric Co., Ltd. ("SEC"), a company incorporated in Japan and was formerly listed on the First Section of the Tokyo Stock Exchange.

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. SEC had subsequently been reclassified as an associate as a result of the Group's loss of its control over SEC's financial and operating policies with effect from 1 October 2011.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

The full impairment loss of HK$9 million was made during the financial year 2012.

21. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(i) Deferred tax assets recognised:

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

	Decelerated tax depreciation HK$ million	Tax losses HK$ million	Total HK$ million
At 1 January 2014	10	21	31
Charged to profit or loss	(1)	(16)	(17)
At 31 December 2014 and 1 January 2015	9	5	14
Charged to profit or loss	(1)	(4)	(5)
At 31 December 2015	8	1	9

(ii) Deferred tax assets not recognised:

The deferred tax assets have not been recognised in respect of the following items:

	2015 HK$ million	2014 HK$ million
Tax losses carried forward	**543**	547
Decelerated depreciation allowances	**41**	43
	584	590

The above tax losses are available indefinitely for offsetting against future taxable profits of the subsidiaries.

In accordance with the accounting policy set out in note 5, the Group has not recognised deferred tax assets of approximately HK$98 million (2014: HK$99 million) in respect of total cumulative tax losses and decelerated depreciation allowances of HK$584 million (2014: HK$590 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The above tax losses and decelerated depreciation allowances do not expire under current tax legislation.

22. BRANDS AND TRADEMARKS, GOODWILL

	Brands and trademarks		Goodwill	
	2015	2014	**2015**	2014
	HK$ million	HK$ million	**HK$ million**	HK$ million
Gross amount				
At 1 January	**2,015**	2,015	**13**	13
Foreign currency adjustment	**(1)**	–	**–**	–
At 31 December	**2,014**	2,015	**13**	13
Accumulated amortisation and impairment				
At 1 January	**1,352**	1,277	**–**	–
Foreign currency adjustment	**(1)**	–	**–**	–
Impairment loss recognised	**213**	75	**13**	–
At 31 December	**1,564**	1,352	**13**	–
Carrying amount at 31 December	**450**	663	**–**	13

Prior to 1 January 2005, brands and trademarks were amortised over their estimated useful lives but not more than 20 years and stated at their cost less accumulated amortisation and impairment losses. On 1 January 2005, the Group reassessed the useful lives of the brands and trademarks and concluded that all brands and trademarks have indefinite useful lives.

The various brands and trademarks held by the Group have been legally registered in the worldwide countries for certain years and the trademarks registration is renewable at minimal cost. The management of the Company is of the opinion that the Group will renew these trademarks continuously and has the ability to do so. Various assessments including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supports that the brands and trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the brands and trademarks are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 24.

22. BRANDS AND TRADEMARKS, GOODWILL (continued)

The Group recorded a non-cash impairment charge of HK$12 million (2014: HK$34 million) associated with the partial provision of its Akai trademark as at 31 December 2015 with reference to the valuation report prepared by an independent professional valuer on the basis of the value in use under income approach.

The Group recorded a non-cash impairment charge of HK$19 million (2014: HK$41 million) associated with the partial provision of its Nakamichi trademark as at 31 December 2015 with reference to the valuation report prepared by an independent professional valuer on the basis of the value in use under income approach.

The Group recorded a non-cash impairment charge of HK$182 million (2014: Nil) associated with the partial provision of its Emerson trademark as at 31 December 2015 with reference to the valuation prepared by the management on the basis of the value in use under income approach. The goodwill associated with Emerson was, therefore, also impaired as at 31 December 2015.

23. OTHER ASSETS

	2015 HK$ million	2014 HK$ million
Other deferred assets:		
Gross amount	**11**	11
Accumulated amortisation and impairment	**(11)**	(11)
Carrying amount of other deferred assets at beginning and end of year	**–**	–
Other receivables	**1**	1
Total other assets at end of year	**1**	1

24. IMPAIRMENT TESTING ON BRANDS AND TRADEMARKS, GOODWILL

Brands and trademarks, goodwill are allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	Brands and trademarks		Goodwill	
	2015	2014	**2015**	2014
	HK$ million	HK$ million	**HK$ million**	HK$ million
Emerson	**281**	463	**–**	13
Licensing	**169**	200	**–**	–
	450	663	**–**	13

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections are used in these calculations, which are based on financial projections approved by management. The brands and trademarks are considered by management as having indefinite useful lives. The licensing operation will command a long-term commitment over a time horizon of more than five years in building, nurturing and growing the brand recognition and establishing and expanding the distribution network in any geographical region. A ten-year financial budget, based on management's approved long-term plans of product development and business expansion, is therefore used for testing the impairment of these brands and trademarks.

	2015				2014			
	Emerson	**Akai**	**Nakamichi**	**Sansui**	Emerson	Akai	Nakamichi	Sansui
Pre-tax discount rate	**12.50%**	**10.05% – 20%**	**10.05% – 16%**	**13% – 16%**	10%	10% – 18.5%	10.5% – 16%	13% – 16%
Growth rate	**5%**	**3%**	**3%**	**3%**	5%	3%	3%	3%

The pre tax discount rate use for value-in-use calculations is based on the data and factors relevant to the economy of the regions for the use of trademark and the weighted average cost of capital. The growth rate used are consistent with the management projection in the forecast, and based on the management past experience and its expectation of market development.

For the year ended 31 December 2015, goodwill relating to the Emerson segment suffered an impairment loss of HK$13 million and brands and trademarks suffered an impairment loss of HK$182 million primarily as a result of the downturn of the global economy, and the decreased of the major customers in US.

For the year ended 31 December 2015, brands and trademarks relating to the Akai and Nakamichi suffered an impairment loss of HK$12 and HK$19 million respectively as a result of the decreased of the royalty income and the downturn of the global economy.

25. INVENTORIES

The inventories represent finished goods stated at lower of cost and net realisable values.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2015 HK$ million	2014 HK$ million
Carrying amount of inventories sold	**310**	456
Write down of inventories	**11**	15
	321	471

26. ACCOUNTS AND BILLS RECEIVABLE

The Group allows an average credit period of 30 to 60 days to its trade customers.

	2015 HK$ million	2014 HK$ million
Gross amount	**95**	167
Less: allowance for doubtful debts	**(58)**	(58)
Net amount	**37**	109

The Provisional Liquidators considered that the carrying amounts of accounts and bills receivable approximate to their fair values.

The movement of allowance for doubtful debts is as follows:

	2015 HK$ million	2014 HK$ million
At beginning of year	**58**	61
Foreign currency adjustment	**–**	(1)
Written off	**(1)**	(3)
Impairment loss recognised	**1**	1
At end of year	**58**	58

Included in the above allowance for doubtful debts is a provision for individually impaired accounts and bills receivable of HK$58 million (2014: HK$58 million). The individually impaired accounts and bills receivable in respect of receivables were due from customers with financial difficulties.

26. ACCOUNTS AND BILLS RECEIVABLE (continued)

The aged analysis of accounts and bills receivable (net of allowance for doubtful debts) presented based on the invoice dates:

	2015 HK$ million	2014 HK$ million
0 – 3 months	**37**	109

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

In addition, some of the unimpaired accounts and bills receivable are past due as at the end of the reporting period. The aged analysis of accounts and bills receivable past due but not impaired is as follows:

	2015 HK$ million	2014 HK$ million
0 – 3 months	**4**	4

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above past due but not impaired accounts and bills receivable are still considered to be fully recoverable.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$ million	2014 HK$ million (Restated)
Prepayments	**14**	25
Deposits	**1**	2
Other receivables	**6**	10
	21	37

28. CASH AND BANK BALANCES

	2015 HK$ million	2014 HK$ million
Cash	**1**	1
Bank balances	**196**	264
Money market deposit with maturing date within three months	**121**	90
Bank certificates of deposit with maturing date more than three months	**156**	117
	474	472

The interest rate on the cash at bank and deposits with banks ranged from 0% to 0.25% (2014: 0% to 0.25%) per annum.

29. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable presented based on invoice dates:

	2015 HK$ million	2014 HK$ million
0 – 3 months	**3**	10
3 – 6 months	**–**	1
Over 6 months	**5**	5
	8	16

30. ACCRUED LIABILITIES AND OTHER PAYABLES

	2015 HK$ million	2014 HK$ million (Restated)
Accrued expenses	**98**	110
Amounts due to former associates *(Note (i))*	**566**	566
Amounts due to former related companies *(Note (ii))*	**2,306**	2,306
Other payables (*Note (iii))*	**367**	426
	3,337	3,408

30. ACCRUED LIABILITIES AND OTHER PAYABLES (continued)

Note (i)

The amounts due to former associates in aggregate of HK$566 million (2014: HK$566 million) are secured, non-interest bearing and have no fixed terms of repayment.

On 9 January 2014, the Provisional Liquidators caused the subsidiaries of the Company to commence legal proceedings against (1) Sansui Electric Co., Ltd. ("SEC"), a company incorporated in Japan and was formerly listed on the First Section of the Tokyo Stock Exchange; and (2) Sansui Sales Pte. Limited ("SSPL"). Both SEC and SSPL were former associates of the Group.

The legal proceedings are to set aside or rescind a deed of share pledge between Sansui Electric Co. Limited, registered in the BVI ("Sansui BVI"), a wholly owned subsidiary of the Group, and SEC dated 3 March 2009 (the "Share Pledge") which purports to pledge to SEC all of the shares of Sansui Acoustics Research Corporation, registered in the BVI ("SARC"), a wholly owned subsidiary of the Group. SARC owns worldwide rights to the Sansui trademarks. Based on the material currently available, the Provisional Liquidators are of the view that the deposits and debts that the Share Pledge purports to secure are not genuine and bona fide and therefore the Share Pledge should be rescinded or declared void. Accordingly, the Provisional Liquidators have obtained an injunction order prohibiting SEC and SSPL from dealing with or exercising any right in the shares of SARC, whether under the Share Pledge or otherwise. The injunction order will remain in place until further order of the Court.

On 9 January 2014, the Provisional Liquidators took out a summons under section 221 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) against former members of the management and accounting functions of the Company and its subsidiaries to obtain information and documents relating to the Share Pledge (the "Section 221 Summons"). The respondents opposed the action as set out in the Section 221 Summons. On 2 July 2014, the Court adjourned the Section 221 Summons sine die pending determination of the Removal Summons, which had been scheduled to be heard on 16 November 2015 but was vacated.

A Concurrent Writ of Summons is being served on SEC and has been served on SSPL. The statement of claims was filed with the High Court on 13 August 2014. Both SEC and SSPL had issued their Summons on 9 December 2014 contesting the jurisdiction of the Hong Kong Court to try these proceedings.

Note (ii)

All the interest bearing borrowings of the Company have been accounted for as non-interest bearing borrowings with effect from 12 September 2013, the date of the winding-up order.

The amounts due to former related companies in aggregate of HK$2,306 million (2014: HK$2,306 million) are unsecured, non-interest bearing and repayable on demand.

Note (iii)

Included in the other payables are amounts in aggregate of HK$261 million (2014: HK$262 million) which have been overdue for payment since 2010. Such balances are non-interest bearing, in which HK$88 million (2014: HK$88 million) are secured by the Group's available-for-sale investments.

Certain claims and liabilities would be subject to the determination of the Court in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies (Winding Up) Rules.

31. PROVISION FOR LEGAL CLAIMS

	2015 HK$ million	2014 HK$ million
At 1 January and 31 December	**452**	452

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US$37 million in the United States of America. In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US$48 million with interest at the rate of 10% per annum.

The amount was sold to another party, by way of an assignment dated 10 January 2014, who then filed their claim against the Company in place of the aforesaid creditor.

32. SHARE CAPITAL AND SHARE PREMIUM

	2015 HK$ million	2014 HK$ million
Authorised share capital:		
1,000,000,000 ordinary shares of HK$0.10 each	**100**	100
Issued and fully paid share capital:		
460,227,320 ordinary shares of HK$0.10 each	**46**	46
Share premium	**1,173**	1,173

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 provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Further details regarding the Group's ability to continue as a going concern are disclosed in note 3.

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

33. OPERATING LEASE COMMITMENTS

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

	2015 HK$ million	2014 HK$ million
Not later than one year	**2**	1
Later than one year and not later than five years	**1**	–
	3	1

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years (2014: 2 years) and rentals are fixed for an average of 2 years (2014: 2 years). None of the leases includes contingent rentals.

34. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

		2015 HK$ million	2014 HK$ million
(a)	Pledge of unlisted shares of a subsidiary	**19**	19
(b)	Pledge of bank deposits	**4**	4
		23	23

35. PROVIDENT FUND SCHEMES

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 and not previously covered by the defined benefit retirement plan. 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 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The staff in United States of America who wish to participate in the plan may contribute up to the legal limits, to which a specified percentage is matched by the subsidiaries in accordance with their plans.

The Group also operates various retirement benefit schemes for qualifying employees of its overseas subsidiaries in Singapore. The assets of the retirement benefit schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the schemes, which contribution is matched by employees.

36. SEGMENT REPORTING

The Group currently organises its operations into the following reportable operating segments.

Operating segments	**Principal activities**
Emerson	Distribution of audio and video products and licensing business – Comprising a group listed on the NYSE Alternext US
Licensing	Licensing business – Comprising the brands and trademarks, namely of, Akai, Sansui and Nakamichi

(a) Segment results, assets and liabilities

The Group manages its businesses by divisions, which are organised by business lines (products and services) and geography.

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of, available-for-sale investments, deferred tax assets and other corporate assets. Segment liabilities include provisions, accounts, bill and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments. Unallocated liabilities mainly included amounts due to former associates and related companies and provision for legal claims.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for assessing the performance of the operating segments is on a measure of adjusted operating results. This measurement basis includes results of the operating segments before corporate administrative expenses, interest income and tax, but excludes material gain or loss which is capital in nature or non-recurring nature such as impairment.

36. SEGMENT REPORTING (continued)

(b) Segment Information

	Emerson HK$ million	Licensing HK$ million	Total HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Consolidated HK$ million
2015						
Revenue:						
Sales of goods to external customers	361	–	361	–	–	361
Licensing income from external customers	39	44	83	–	–	83
Segment revenue and revenue from external customers	400	44	444	–	–	444
Results:						
Segment results	(8)	25	17	–		17
Reconciliation:						
Unallocated corporate expenses					(4)	(4)
Goodwill written off					(13)	(13)
Impairment loss recognised in respect of brands and trademarks	(182)	(31)	(213)		–	(213)
Allowance for doubtful debts					(4)	(4)
Liquidators' fee					(7)	(7)
Restructuring costs					(13)	(13)
Interest income					2	2
Finance costs					–	–
Loss for before taxation						(235)
Assets:						
Segment assets	927	2,696	3,623	(2,623)	34	1,034
Liabilities:						
Segment liabilities	590	3,421	4,011	(3,586)	3,462	3,887
Other information:						
Revenue from:						
– the first largest customer	194	–	194	–	–	194
– the second largest customer	96	–	96	–	–	96
Depreciation	–	–	–	–	–	–
Capital expenditure	–	–	–	–	–	–

36. SEGMENT REPORTING (continued)

(b) Segment Information (continued)

	Emerson HK$ million	Licensing HK$ million	Total HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Consolidated HK$ million
2014 (Restated)						
Revenue:						
Sales of goods to external customers	540	–	540	–	–	540
Licensing income from external customers	68	55	123	–	–	123
Segment revenue and revenue from external customers	608	55	663	–	–	663
Results:						
Segment results	40	39	79	–		79
Reconciliation:						
Unallocated corporate expenses					(17)	(17)
Impairment loss recognised in respect of brands and trademarks	–	(75)	(75)		–	(75)
Allowance for doubtful debts					(1)	(1)
Liquidators' fee					(16)	(16)
Restructuring costs					(17)	(17)
Interest income					3	3
Finance costs					–	–
Loss before taxation						(44)
Assets:						
Segment assets	1,128	2,706	3,834	(2,584)	109	1,359
Liabilities:						
Segment liabilities	606	3,448	4,054	(3,602)	3,509	3,961
Other information:						
Revenue from:						
– the first largest customer	293	–	293	–	–	293
– the second largest customer	180	–	180	–	–	180
Depreciation	1	–	1	–	–	1
Capital expenditure	–	–	–	–	–	–

36. SEGMENT REPORTING (continued)

(c) Geographical Information

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue		Carrying amount of non-current assets	
	2015 HK$ million	2014 HK$ million	**2015 HK$ million**	2014 HK$ million
Asia	**34**	41	**1**	1
North America	**404**	611	**11**	29
Europe	**6**	11	**–**	–
Unallocated	**–**	–	**450**	663
	444	663	**462**	693

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2015	2014	Principal activities/ place of operation
Directly held by the Company:					
The Grande (Nominees) Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Grande N.A.K.S. Ltd	British Virgin Islands	US$10,000	**100%**	100%	Investment holding/ Hong Kong
Unijoy Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Indirectly held by the Company:					
Innovative Capital Ltd	British Virgin Islands	US$100	**100%**	100%	Corporate finance and investment holding/ Hong Kong
Tomei Kawa Electronics International Limited	British Virgin Islands	US$1	**100%**	100%	Trademarks licensing/ Hong Kong
Sansui Enterprises Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Nakamichi Enterprises Limited	British Virgin Islands	US$10,001	**100%**	100%	Investment holding/ Hong Kong

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2015	2014	Principal activities/ place of operation
Indirectly held by the Company: (continued)					
TWD Industrial Company Limited	British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding and licensing/ Hong Kong
Hi-Tech Precision Products Ltd	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Sansui Acoustics Research Corporation	British Virgin Islands	US$1,000	**100%**	100%	Brands and trademarks holding and licensing/ Hong Kong
Capetronic Display Devices Holdings Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding/ Hong Kong
Akai Electric Co., Ltd.	Japan	JPY10,000,000	**88%**	88%	Investment holding/Japan
Phenomenon Agents Limited	British Virgin Islands	US$50,000	**88%**	88%	Brands and trademarks holding and licensing/ Hong Kong
S&T International Distribution Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Emerson Radio Corp. #	United States of America	US$529,000	**56%**	56%	Distribution of household appliances and products/ United States of America

\# Listed on the NYSE Alternext US.

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

Name of subsidiaries	Place of incorporation/ registration and operations	Proportion of ownership interests and voting rights held by non-controlling interests 2015	2014	Profit/(Loss) attributable to non-controlling interests 2015 HK$ million	2014 HK$ million	Other comprehensive Income attributable to non-controlling interests 2015 HK$ million	2014 HK$ million	Accumulated non-controlling interests 2015 HK$ million	2014 HK$ million (Restated)
Akai Electric Co. Ltd	Japan	**12%**	12%	**–**	(3)	**–**	13	**(6)**	(6)
Emerson Radio Corp.	United States of America	**44%**	44%	**(88)**	15	**–**	–	**318**	406
				(88)	12	**–**	13	**312**	400

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(b) Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before inter-company eliminations.

	Akai Electric Co., Ltd		Emerson Radio Corp.	
	2015	2014	**2015**	2014
	HK$	HK$	**HK$**	HK$
	million	million	**million**	million
Non-current assets	**109**	122	**291**	479
Current assets	**673**	549	**460**	484
Current liabilities	**(1,182)**	(1,066)	**(23)**	(35)
Net (liabilities)/assets	**(400)**	(395)	**728**	928
Revenue	**17**	21	**400**	608
Expenses	**(22)**	(44)	**(585)**	(565)
Tax	**–**	–	**(15)**	(8)
(Loss)/profit for the year	**(5)**	(23)	**(200)**	35
Total comprehensive (loss)/ income for the year	**(5)**	76	**(200)**	35
Net cash inflow from operating activities	**11**	13	**65**	18
Net cash (outflow)/inflow from investing activities	**–**	–	**(38)**	170
Net cash outflow from financing activities	**–**	–	**–**	(147)
Net cash inflow	**11**	13	**27**	41

38. EVENTS AFTER THE REPORTING PERIOD

By a letter dated 28 June 2013 (the "Letter"), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

(i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;

(ii) publish outstanding financial results and address any audit qualifications;

(iii) demonstrate sufficient working capital for at least twelve months from resumption date; and

(iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

38. EVENTS AFTER THE REPORTING PERIOD (continued)

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon several applications by the Provisional Liquidators, the High Court has consecutively adjourned the hearing of winding-up petition against the Company to a further date. The hearing of the petition was finally rescheduled to 3 September 2013 and a winding-up order was granted against the Company by the High Court on 12 September 2013.

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013.

On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the restructuring agreement (the "Restructuring Agreement") to implement the restructuring proposal. Under the terms of the Restructuring Agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to Akai, Sansui and Nakamichi trademarks, will be retained.

On 11 June 2014, the Company received a summons issued by Sino Bright which seeks an order for the removal of the Provisional Liquidators of the Company. A summons seeking equivalent orders has also been served by another creditor of the Company on 17 June 2014 (collectively, the "Removal Summonses").

The court hearing for the Removal Summonses scheduled to be heard on 16 November 2015 has been vacated.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the "Updated Resumption Proposal") to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors' schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the resumption proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the Restructuring Agreement as amended from time to time in implementing the restructuring proposal.

By a letter dated 29 May 2015, the Stock Exchange has decided to allow the Company to proceed with the Updated Resumption Proposal subject to satisfying the following conditions (the "Resumption Conditions") by 21 December 2015:

(i) completion of all transactions contemplated under the Updated Resumption Proposal, including the open offer, the creditors' schemes of arrangements and the appointment of compliance officer; and

38. EVENTS AFTER THE REPORTING PERIOD (continued)

(ii) inclusion in the shareholders' circular:

(a) the Group's profit forecast for the year ending 31 December 2015 together with reports from the auditor and the financial adviser under paragraph 29(2) of Appendix 1b; and

(b) an audited balance sheet of the Group as at 31 December 2014 adjusted to reflect the effects of completion of the Updated Resumption Proposal and a comfort letter from its auditor under Rule 4.29.

The Listing Committee may modify the Resumption Conditions as set out above if the Company's situation changes.

On 14 December 2015, the Company, the Provisional Liquidators, Sino Bright and McVitie Group Holdings Limited entered into an amended and restated restructuring agreement to amend and formalise certain terms of the Restructuring Agreement, pursuant to which, the parties agree to, *inter alia*, (i) set the number of creditor shares to 4,142,045,880 shares (assuming no creditor accept the cash alternative offered by the Company) to be allocated to the scheme creditors in proportionate to their respective admitted claims; (ii) formalise the terms of the open offer of new shares on the basis of five (5) offer shares for every two shares held on the open offer record date by the qualifying shareholders; and (iii) formalise the arrangement in relation to the related restructuring costs and expenses.

In addition, the Company made an extension application to the Stock Exchange on 14 December 2015 to seek an additional six months for the Company to fully satisfy the Resumption Conditions. By a letter dated 22 December 2015, the Stock Exchange agreed to extend the deadline for the Company to fully satisfy the Resumption Conditions to 11 May 2016.

On 19 January 2016, Jonten Hopkins CPA Limited has resigned as auditor of the Group due to the level of audit fee. Crowe Horwath (HK) CPA Limited has been appointed as the new auditor of the Group with effect from 21 January 2016 to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

On 19 February 2016, Mr. Christopher Ho resigned as an executive director of the Company, Messrs. Tang Hoi Nam and Eduard William Rudolf Helmuth Will were appointed as executive directors of the Company.

On 4 March 2016, the Company and Sino Bright entered into an underwriting agreement. Pursuant to which Sino Bright conditionally undertakes to the Company, among other things, to underwrite the offer shares to be offered by the Company not subscribed by the qualifying shareholders on a fully underwritten basis, being not more than 1,150,568,300 offer shares.

On 9 March 2016, the shareholders' circular describing (i) the proposed restructuring of the Company and the creditors' schemes arrangement; (ii) open offer underwriting arrangement; (iii) election and re-election of directors; (iv) the adoption of new bye-laws; and (v) notice of special general meeting was despatched to the shareholders.

On 14 March 2016, both the Hong Kong Scheme and Bermuda Scheme were approved in the creditors' scheme meetings.

On 1 April 2016, the resolutions to approve (i) capital reorganisation; (ii) adoption of new Bye-laws; (iii) creditor schemes of arrangement; (iv) open offer; and (v) election and re-election of directors were all passed in the special general meeting.

The creditors' schemes of arrangement became effective on 15 April 2016.

The capital reorganisation to (i) cancel the existing authorised but unissued share capital of the Company in the amount of HK$53,977,268; (ii) reduce the par value of each of the issued shares of HK$0.10 each to HK$0.01 each; (iii) reduce the share premium account of the Company by the amount of HK$1,173,000,000; and (iv) subject to and immediately following the event (ii) and (iii), increase the Company's authorised share capital from HK$4,602,273.20 to HK$200,000,000; became effective on 17 April 2016.

38. EVENTS AFTER THE REPORTING PERIOD (continued)

According to the revised timetable as announced on 7 April 2016, it is expected that if all the Resumption Conditions can be completed on 11 May 2016, then the shares of the Company will be resumed trading on 13 May 2016.

39. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT

	At 31 December 2015 HK$ million	At 31 December 2014 HK$ million (Restated)	At 1 January 2014 HK$ million (Restated)
NON-CURRENT ASSETS			
Amount due from a subsidiary	**1,260**	1,260	1,260
CURRENT ASSETS			
Prepayments, deposits and other receivables	**6**	8	16
Cash and bank balances	**–**	1	3
	6	9	19
CURRENT LIABILITIES			
Amounts due to subsidiaries	**266**	187	183
Amounts to former related companies	**2,293**	2,293	2,293
Accrued liabilities and other payables	**264**	317	281
Provision for legal claims	**452**	452	452
	3,275	3,249	3,209
NET LIABILITIES	**(2,009)**	(1,980)	(1,930)
CAPITAL AND RESERVES			
Share capital	**46**	46	46
Share premium	**1,173**	1,173	1,173
Reserves *(Note)*	**(3,228)**	(3,199)	(3,149)
DEFICIENCY OF EQUITY	**(2,009)**	(1,980)	(1,930)

Roderick John Sutton
and
Fok Hei Yu
Joint and Several Provisional Liquidators
acting as agents without personal liability

39. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT (continued)

Note:

Reserve movement of the Company:

	Contributed reserve HK$ million	Accumulated deficits HK$ million	Total HK$ million
At 1 January 2014 (as originally stated)	193	(3,286)	(3,093)
Restatement of prior years' figures	–	(56)	(56)
At 1 January 2014 (restated)	193	(3,342)	(3,149)
Loss for the year	–	(50)	(50)
At 31 December 2014 (restated)	193	(3,392)	(3,199)
At 1 January 2015 (as originally stated)	193	(3,292)	(3,099)
Restatement of prior years' figures	–	(100)	(100)
At 1 January 2015 (restated)	193	(3,392)	(3,199)
Loss for the year	–	(29)	(29)
At 31 December 2015	193	(3,421)	(3,228)

40. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

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

40. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for annual periods beginning on or after 1 January 2016*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *Effective for annual periods beginning on or after 1 January 2016 retrospectively*

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

41. COMPARATIVE FIGURES

As a result of the restatement of prior years' figures, certain comparative figures have been adjusted to conform to current year's presentation. Further details of these restatements are disclosed in note 6.

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Provisional Liquidators on 22 April 2016.