China Ocean Industry Group Limited
中海重工集團有限公司

(Formerly known as China Ocean Shipbuilding Industry Group Limited 中海船舶重工集團有限公司)
(Incorporated in Bermuda with limited liability)

Stock Code: 00651

ANNUAL REPORT 2015

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors:

Mr. Li Ming *(Chairman)*
Mr. Zhang Shi Hong *(Chief Executive Officer)*
Mr. Wang San Long
Dr. Tse Kwing Chuen
(appointed on 11 August 2014 and
resigned on 23 March 2015)
Mr. Chen Hong
(appointed on 11 August 2014 and
resigned on 17 March 2015)
Mr. Liu Jin (appointed on 22 September 2015)

Non-executive director:

Mr. Chau On Ta Yuen *(Honorary Chairman)*

Independent non-executive directors:

Mr. Hu Bai He
Ms. Xiang Siying
Ms. Xiang Ying

COMPANY SECRETARY

Ms. Cheung Tin Shu

AUDITOR

ZHONGLEI (HK) CPA Company Limited
Suites 313-317
3/F., Shui On Centre
6-8 Harbour Road, Wan Chai
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank Co. Ltd.
Bank of Communications Co. Ltd.
Chiyu Banking Corporation Ltd.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Units 1702-03,17/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

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

BRANCH REGISTRAR IN HONG KONG

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

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the annual report of China Ocean Industry Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

The Group recorded an audited consolidated revenue and loss for the year attributable to owners of the Company amounting to approximately HK$157.64 million and HK$500.81 million respectively for the year ended 31 December 2015, representing an increase of 50.31% and a decrease of 20.91% respectively with compared to last year.

In 2015, the Group's shipbuilding business was still under pressure due to the continual declining shipping market resulted from slow global economic recovery and declining domestic economy. However, through improving its management, controlling costs and expanding the market, the Group has significantly increased the new orders of its shipbuilding business thus improved its revenue and gross profits during this year. Following penetrating into finance lease business in 2014, our business scope has expanded into manufacturing and sales of intelligent car parks, investment and operation of car parks and electronic automotive device business during 2015 which we believe will generate strong momentum for the development of the Group.

Looking forward into 2016, we expect that the entire shipbuilding industry in the PRC remained severe. The Group will further optimise the allocation of resources, improve the operation efficiency and keep its advantage in segment market of heavy lift vessels and chemical tankers, so as to sustain the operation of the shipbuilding business. Financial services business made better progress during the year and will bring long-term sustainable profitability to the Group through further integration with our shipbuilding and car park investment projects. In light of the encouraging policies and measures on car parks construction successively issued by the national and local governments of the PRC, car park and "Internet of Vehicles" business will see rapid development in the near term and also help to diverse the risks of the Group's shipbuilding business by efficiently taking up its surplus capacity.

In closing, I would like to express my heartfelt appreciation to our shareholders, investors and partners for their strong support. I would also like to express my gratitude to our Directors and all Group employees for their diligence and valuable contributions.

Yours faithfully,

LI Ming
Chairman

31 March 2016

OVERVIEW

China Ocean Industry Group Limited is engaged in the production and operation of shipbuilding, securities trading, and providing financial services business and intelligent car-parking and automotive device business.

In 2015, the Group's shipbuilding business still faced severe challenges. The domestic shipbuilding industry came under intense pressure due to the slow recovery of international economy, continuing downturn of the marine market as well as the rising downward pressure on the Chinese economy. To cope with the challenges, the management of our Group has been seeking support from the local government and financial institutions actively, and devoted greater efforts to expand the market in order to secure a basic amount of newly obtained orders, and introduced an experienced and talented management team to optimise the shipbuilding business. In addition, the management of our Group has proactively seeked transformation of the Company's business by taking advantage of our existing resource and competitive edge. Following tapping into finance lease business, our business scope has expanded into manufacturing and sales of intelligent car park, investment and operation of car parks and electronic automotive device business during this year.

For the year ended 31 December 2015, the Group recorded revenue of HK$157.64 million (2014: HK$104.88 million), representing an increase of approximately 50.31% as compared to 2014. This increase was mainly due to the revenue of new shipbuilding orders commenced last year being recognised during the year. However, the Group recorded gross loss of HK$157.86 million in 2015 (2014: loss of HK$156.47 million) due to increased cost of sales brought by new orders.

In 2015, whilst we continued to maintain operation of shipbuilding business, our diversification strategy has shown positive results. China Ocean Shipbuilding (Shenzhen) Financial Leasing Company, an wholly-owned subsidiary of the Group established in 2014 in Qianhai, Shenzhen, recorded revenue of HK$3.44 million, representing an increase of approximately 330% as compared to HK$0.80 million in 2014. A well-established financial leasing company in Zhejiang province which is owned as to 20% by the Group has contributed profit of HK$8.79 million (2014: HK$1.59 million) this year, representing an increase of approximately 453% as compared to 2014. In December 2015, the Group completed the acquisition of Shandong Dereton and successfully expanded to the intelligent car-parking system business. Although no material contribution was booked from this business in 2015, it is expected to be a growth point in the Company's future business development.

For the year ended 31 December 2015, the Group recorded HK$4.64 million (2014: HK$6.73 million) in other income and HK$3.16 million (2014: HK$2.41 million) for selling and distribution expenses. These items did not record a significant change compared with last year.

During the year, the significant loss of approximately HK$15.56 million (2014: gain of HK$1.14 million) incurred in other gain and losses was mainly due to foreign exchange gain/loss has changed from gain of HK$3.13 million to loss of HK$14.97 million as a result of the depreciation of RMB. Administrative expenses of HK$88.92 million (2014: HK$111.45 million) recorded a significant decrease which was primarily due to the management improvement and payroll cost reduction of Jiangxi Union Shipbuilding Co., Ltd ("Jiangxi Shipbuilding"). In 2015, the administrative expenses of Jiangxi Shipbuilding were HK$44.53 million (2014: HK$75.99 million), HK$31.46 million less as compared to 2014.

During the year, the Group placed great effort in encouraging early conversion of convertible bonds and debt restructuring to improve financial position and reduce financial cost. Convertible bond of HK$948 million issued in 2014 and convertible bonds of HK$60 million issued in March 2015 have been converted into ordinary shares in full. In addition, in November 2015, the debts of Jiangxi Shipbuilding of HK$139.82 million (2014: Nil) were converted into ordinary shares after negotiation with its debtors. The financial cost of the Group in this year was HK$201.85 million (2014: HK$247.94 million), representing a decrease of 18.59% as compared to last year.

In conclusion, the Group recorded loss attributable to shareholders of the Company of HK$500.81 million (2014: loss of HK$633.18 million) for the year ended 31 December 2015. The loss decreased by approximately 20.91% as compared to last year.

SHIPBUILDING BUSINESS

The lack of growth momentum in the world economy and the downturn in the domestic economy deteriorated the situation of entire shipbuilding industry. Though the newly obtained orders has been increased, the Group's shipbuilding business still faced great pressure due to low prices of new ships, tightened credit facilities to shipbuilding companies by financial institutions and rising labor cost. Nevertheless, the Group has successfully increased the new orders, revenue and gross profits of its shipbuilding business through improving its management, cutting staff and enhancing its efficiency as well as expanding the market.

During the year ended 31 December 2015, the revenue of the shipbuilding segment amounted to HK$143.19 million (2014: HK$104.08 million), representing an increase of 37.58% as compared with last year and the gross loss was HK$350.65 million (2014: HK$465.94 million), representing a reduction of 24.74% as compared with last year. In July 2015, the Group reached an agreement with a ship buyer and received final settlement of trade receivable of HK$75.99 million, which was the deferral final receivable by installments over 5.5 years. The accumulated impairment loss of HK$92.34 million had been fully provided in prior years.

TRADING BUSINESS

The trading business recorded insignificant losses in both 2015 and 2014.

FINANCIAL SERVICES BUSINESS

In 2014, the Group established China Ocean Shipbuilding (Shenzhen) Financial Leasing Limited, a wholly owned subsidiary in Qianhai, Shenzhen. We have made progress in ship financial leasing which supported our shipbuilding business to go through the sluggish period. Besides, Zhejiang Ocean Leasing Company Limited which the Group holds equity has expanded its business and created synergies with the Group's other businesses. Financial service segment of the Group will continue play a more important role in supporting the business transformation of the Group and is expected to be a new profit growth point to the Group.

During the year ended 31 December 2015, the external sales of financial services segment contributed revenue of HK$3.44 million (2014: HK$0.80 million) and the entire financial leasing segment recorded a profit of HK$3.11 million (2014: loss HK$1.82 million). In addition, the Group also shared profits of HK$8.79 million (2014: HK$1.59 million) from the financial leasing company in Zhejiang province.

INTELLIGENT CAR-PARKING SYSTEM BUSINESS

The intelligent car-parking system business mainly includes the manufacturing and sales of car-parking equipment, investment, operation and management of car parks and electronic automotive device business. During the year, this segment has yet to make contribution to the Group as its acquisition was just completed in December 2015. This business is crucial for the business transformation of the Group, also will be the key business of the Group in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$151.71 million (31 December 2014: HK$127.09 million) of which HK$81.53 million (31 December 2014: HK$113.15 million) was pledged; short-term borrowings of HK$953.15 million (31 December 2014: HK$711.25 million); long-term borrowings of HK$253.99 million (31 December 2014: HK$219.24 million); convertible bonds payable amounted to approximately HK$293.73 million (31 December 2014: HK$572.94 million) represented the principal amount of HK$252 million (31 December 2014: HK$718 million). The gearing ratio defined as non-current liabilities and short-term borrowing divided by total shareholders' equity was (4.35) as at 31 December 2015 (31 December 2014: (2.05)).

FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS

During the year ended 31 December 2015, 300,000,000 shares and 3,330,000,000 shares of HK$0.05 each were issued pursuant to the exercise of conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.20 per share. 537,761,685 shares of HK$0.05 each were issued pursuant to the conditional Subscription Agreement of the Company at subscription price of HK$0.26 per share.

On 16 February 2015, the Company entered into the Subscription Agreements with each of the subscribers, namely Jiang Liqun, Ma Xingqiao and Wan Zhangqing, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible bonds in the aggregate principal amount of HK$60 million. The convertible bonds have an initial conversion price of HK$0.20 per share, which equal to the closing price of HK$0.20 per share as quoted on the Stock Exchange on 16 February 2015, and bear interest at 7.5% per annum on the principal amount of the convertible bonds outstanding. Upon full conversion of the convertible bonds, a total of 300,000,000 shares would be issued. The gross proceeds from the subscriptions were HK$60.00 million and the net proceeds were approximately HK$59.9 million. The subscriptions have been completed on 6 March 2015 and the convertible bonds were fully converted into 300,000,000 shares on 29 May 2015. As at the date of this announcement, approximately HK$31.1 million of the net proceeds has been used as capital contribution to Zhejiang Ocean Leasing Company Limited which is engaged in financial leasing business in the PRC; and approximately HK$28.8 million of the net proceeds used for general working capital purposes (including repayment of debts).

On 2 June 2015, the Company, Mr. Li Ming ("Mr. Li") and Prosper Talent Limited ("Prosper") which is indirectly and wholly-owned by CCB International (Holdings) Limited, entered into the subscription agreement. Pursuant to the subscription agreement, Prosper has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible bonds in the aggregate principal amount of HK$200 million. The convertible bonds have an initial conversion price of HK$0.2481 per share, representing a discount of 19.97% to the closing price of HK$0.31 per share as quoted on the Stock Exchange on 2 June 2015, and bear interest at 7.5% per annum on the principal amount of the convertible bonds outstanding. Upon full conversion of the convertible bonds, a total of 806,126,561 shares would be issued. The gross proceeds from the issue of the Convertible Notes was HK$200 million. The net proceeds from the issue of the Convertible Notes amounted to approximately HK$198.4 million. As at the date of this report, approximately HK$126 million of the net proceeds has been used to pay up the capital contribution to China Ocean Shipbuilding (Shenzhen) Financial Leasing Company Limited which is engaged in financial leasing business in the PRC; and approximately HK$48.8 million of the net proceeds used for general working capital purposes (including repayment of debts).

On 25 September 2015, the Company, Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. (Jiangxi Shipbuilding), an wholly-owned subsidiary of the Company and the creditors of Jiangxi Shipbuilding (including 54 former employee creditors, 255 employee creditors and 32 contractors and suppliers) entered into the conditional subscription agreement pursuant to which the creditors have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 537,761,685 subscription shares at the subscription price of HK$0.26 per share, representing a premium of 15.56% to the closing price as quoted on the Stock Exchange on the last trading day immediately prior to the date of the announcement. As consideration, the creditors agreed to waive the debts in an aggregate amount of approximately RMB114.94 million (equivalent to about HK$139.82 million) due from Jiangxi Shipbuilding together with all the rights and benefits attaching thereto and accruing thereon. On 13 November 2015, all conditions precedent to the subscription agreement had been fulfilled or waived and an aggregate of 537,761,685 shares were issued to the creditors in full.

SEGMENT INFORMATION

The segment information for the Group for the year ended 31 December 2015 is set out in Note 8 to the consolidated financial statements from pages 82 to 90.

CHARGES ON GROUP ASSETS

As at 31 December 2015, HK$81.53 million (31 December 2014: HK$113.15 million) of deposits, HK$309.65 million (31 December 2014: HK$377.56 million) of property, plant and equipment and HK$308.84 million (31 December 2014: HK$320.53 million) of prepaid lease payments were pledged to banks or other parties to secure borrowings, bills payable and facilities granted to the Group. The pledge on the bank deposits will be released upon the settlement of relevant bills payables and borrowings.

As at 31 December 2015, the Company pledged the entire equity interest of a wholly-owned subsidiary of the Company, Jiangxi Jiangzhou Union Shipbuilding Ltd., to secure an bank borrowing amounting to RMB107 million (31 December 2014: RMB107 million).

As at 31 December 2015, as security to the issue of HK$200 million convertible bond, the Company had pledged its shares in China Ocean Shipbuilding Holdings Limited, its wholly-owned subsidiary in BVI, to Prosper Talent Limited; and China Ocean Shipbuilding Holdings Limited also pledged its shares in its Hong Kong subsidiary, China Ocean Shipbuilding (Hong Kong) Limited, to Prosper Talent Limited. For details please refer to the announcement of the Company dated 3 June 2015.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in Renminbi, Hong Kong Dollars and United States Dollars. As at 31 December 2015, the Group did not hedge its exposure to foreign exchange risk profile as the Group could not find a suitable instrument to manage this exposure. The Board will continue to consider the appropriate hedging measures.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

In December 2015, with the authorization of the Special General Meeting, the Group conditionally acquired the entire issued share capital of Success Capture Limited, which is engaged in manufacturing and sales of car-park equipment, investment, operation and management of car parks and electronic automotive device business in PRC. (For details refer to the announcement of the Company dated 15 October 2015 and 4 December 2015 and the circular of the Company dated 12 November 2015.)

Save as disclosed above, there was no new business, material acquisitions and disposals of subsidiaries and associated companies during the year under review.

SUBSEQUENT EVENTS

Significant events after the end of the reporting period are set out in Note 47 to the financial statements on page 151.

LITIGATION

As at 31 December 2015, details of the pending litigations of the Group are set out as follows:

(i) In November 2015, a supplier filed its writ to Jiujiang Arbitration Commission（九江仲裁委員會）against Jiangzhou Union Shipbuilding Co., Ltd. ("Jiangxi Shipbuilding"), a wholly-owned subsidiary of the Company claiming that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,164,000 and the relevant overdue interests for providing gas services to Jiangxi Shipbuilding. At the end of the reporting period, the principal payments and the relevant interests accrued up to 31 December 2015 of approximately RMB4,289,000 in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statement of financial position.

(ii) In November 2015, a contractor filed its writ to Shanghai Jinshan District People's Court（上海市金山區人民法院）against Jiangxi Shipbuilding claiming that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB1,372,000 and the relevant overdue interests to the plaintiff for the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payments and the relevant interests accrued up to 31 December 2015 of approximately RMB1,772,000 in aggregate, were recorded under "Trade, bills and other payables" in the consolidated statement of financial position.

(iii) In December 2014, a contractor filed its writ to Wuhan Maritime Court（武漢海事法院）against Jiangxi Shipbuilding claiming that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,220,000 and the relevant overdue interests to the plaintiff for the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, this litigation is still pending for judgment. The principal payments and the relevant interests accrued up to 31 December 2015 of approximately RMB4,220,000 in aggregate were recorded as "Trade, bills and other payables" in the consolidated statement of financial position.

(iv) In December 2014, a supplier filed its writ to China International Economic and Trade Arbitration Commission（中國國際經濟貿易仲裁委員會）against Jiangxi Shipbuilding claimed that Jiangxi Shipbuilding had failed to pay RMB3,812,000 for purchase of paint and delivery charges. The principal payments and the relevant interests accrued of approximately RMB3,812,000 in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statement of financial position as at 31 December 2014. Since the litigation was settled, the payments were fully repaid in 2015.

Other than disclosed above, the members of the Group has no other material litigation as of 31 December 2015 and 31 December 2014.

HUMAN RESOURCES

The Group had around 1,200 employees as at 31 December 2015. It has been the Group's policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees in Hong Kong. Shares options may also be granted to eligible persons of the Group.

RELATED PARTY TRANSACTIONS

Significant balances with related parties and related party transactions entered into by the Group during the year ended 31 December 2015 are disclosed in Note 44 to the financial statements on pages 142 and 143.

RETIREMENT SCHEME

The Group's employees in Hong Kong participate in a mandatory provident fund scheme. Particulars of this retirement scheme are set out in Note 41 to the financial statements on page 139.

CONTINGENT LIABILITIES

(a) At 31 December 2015, the Group has not paid the social security fund for and on behalf of its employees which expose the Group to the risk of being imposed penalty by the relevant government authority. The social security fund accrued up to 31 December 2015 of approximately HK$39,681,000 (equivalent to RMB33,628,000) in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statements of financial position (2014: approximately HK$40,683,000 (equivalent to RMB32,546,000)).

A repayment agreement was signed between Jiangxi Shipbuilding and the relevant government authority on 26 January 2015 in respect of the settlement of the unpaid social security fund. Pursuant to the agreement, all outstanding amounts should be repaid before December 2019. The Directors considered that if the Group could settle the unpaid social security fund according to the repayment agreement, no penalty would be imposed by the relevant government authority.

(b) At 31 December 2015, the Group has not paid the housing provident fund contributions for and on behalf of its employees which expose the Group to the risk of being imposed penalty by the relevant government authority. The housing provident fund contributions accrued up to 31 December 2015 of approximately HK$6,798,000 (equivalent to RMB5,761,000) in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statement of financial position (2014: approximately HK$7,210,000 (equivalent to RMB5,768,000)).

The Directors are of the opinion that the possibility to the risk of being imposed the penalty by the relevant government authority is remote.

(c) On 3 December 2015, Merge and other shareholders of Zhejiang Ocean as counter guarantors (collectively referred to the "Counter Guarantor") entered into the counter guarantee agreement with Zhoushan Marine Comprehensive Development and Investment Co., Ltd*（舟山海洋綜合開發投資有限公司）("Guarantor"), pursuant to which the Counter Guarantors shall, in proportion to their respective shareholding in Zhejiang Ocean and upon demand of the Guarantor, indemnify the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under any guarantee given or to be given by the Guarantor in favour of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020 in respect of loan agreements and asset securitization agreements entered into by Zhejiang Ocean ("Guarantee"), up to an aggregate amount of RMB900,000,000 (equivalent to approximately HK$1,107,000,000), together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee. Accordingly, the maximum amount which Merge shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000 (equivalent to approximately HK$221,400,000).

Details of the counter-guarantee are disclosed in the Company's announcement dated 3 December 2015.

Other than disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities as at 31 December 2015 and 31 December 2014.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group has capital commitments of approximately HK$77.5 million (31 December 2014: Nil) for its associate, Zhejiang Ocean Leasing Company Limited and total capital commitments of HK$161.90 million (31 December 2014: HK$125 million) for its subsidiaries which was unpaid registered capital contracted but not provided in the consolidated financial statements. Details of capital commitments as of 31 December 2015 are set out in Note 38 to the consolidated financial statements on page 133.

PROSPECTS

In 2015, the entire shipbuilding industry in the PRC remained severe. Multiple large shipbuilding companies declared bankruptcy and has been undertaking reorganisation, the shipbuilding industry is still at high-risk stage. We expect that the new shipbuilding prices will stay low in the coming year as the sluggish world economy has not achieved a turnaround although there has been some progress in cutting excessive industrial capacity. To stand against this severe situation, the Group will further adjust its shipbuilding business structure, optimise the allocation of resources, improve the operation efficiency and keep its advantage in segment market of heavy lift vessels and chemical tankers, so as to sustain the operation of the shipbuilding business.

The National Development and Reform Commission together with eight authorities including the Ministry of Finance jointly issued the "Guidance Opinions on Strengthening the Construction of Urban Parking Facilities" (the "Guidance") on 3 August 2015, which aims to encourage private capital to participate in the construction and operation of public car parks by introducing relevant incentives. The Ministry of Housing and Urban-Rural Development of the PRC issued Guidance on Urban Parking Facilities Planning on 1 September 2015, which gives specific guidance to promote the construction of urban parking facilities. Local governments in the PRC have also implemented relevant measures to encourage the construction of car park successively. It is expected that the market of car park construction will develop rapidly in coming years.

The Group believes that the acquisition of intelligent car-park and "Internet of Vehicles" and the resources integration of the investment and operation of car park in 2015 will provide strong support to the future business of our Group. Meanwhile, the manufacturing of intelligent car-park can utilise the superfluous capacity, enhance synergy and diverse risk of the shipbuilding business.

In respect of financial leasing business, the Group remains optimistic about its near-term prospects. This segment will take actions to raise funds to provide more support to shipbuilding and car-park investment business and make revenue contribution to the Group.

Looking forward, the Group will continue to reinforce its overall financial position in order to prepare for any possible changes in the industry, as well as take advantage of all viable and profitable investment opportunities to achieve our goal of business diversification.

The Group has recognized the importance of transparency and accountability, and the Board believes that shareholders can be benefited from good corporate governance. The Company aims to achieve good standard of corporate governance. The Company has complied with the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate the Company's long-term corporate strategy, to oversee the management and to evaluate the performance of the Group.

The Board meets regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. For the year ended 31 December 2015, the Company has held 36 board meetings in total. The individual attendance of each Director is set out below:

Name	Number of board meetings attended
Executive directors:	
Mr. Li Ming *(Chairman)*	36/36
Mr. Zhang Shi Hong *(Chief Executive Officer)*	36/36
Mr. Wang San Long	35/36
Dr. Tse Kwing Chuen (appointed on 11 August 2014 and resigned on 23 March 2015)	4/5
Mr. Chen Hong (appointed on 11 August 2014 and resigned on 17 March 2015)	4/4
Mr. Liu Jin (appointed on 22 September 2015)	9/9
Non-executive director	
Mr. Chau On Ta Yuen (Honorary Chairman)	36/36
Independent non-executive directors:	
Mr. Hu Bai He	15/36
Ms. Xiang Si Ying	28/36
Ms. Xiang Ying	14/36

When the Board considers any material transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction will be present at such board meeting. At the meeting, the Director who has an interest in the transaction is required to abstain from voting.

Every Director shall ensure that he/she can contribute sufficient time and effort to the corporate affairs of the Company once he/she accepts the appointment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 23 June 2015, Mr. Li Ming was re-designated from deputy Chairman to Chairman and he is responsible for the leadership and effective running of the Board to achieve its primary responsibilities. With the support of the executive directors, the Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings and that all directors receive adequate and reliable information on a timely manner. The Chairman also encourages Directors to be fully engaged in the Board's affair and make contribution in performing the Board's functions. Mr. Zhang Shi Hong, who was appointed as Chief Executive Officer on 22 September 2015, is vested with executive responsibilities over the business directions and operational decisions of the management and performance of the Group.

BOARD COMPOSITION

The Board comprises four executive directors, one non-executive director and three independent non-executive directors as at the date of this report. The independent non-executive directors constitute over one-third of the Board. In addition, one of the independent non-executive directors possesses appropriate accounting qualifications and financial management expertise. The Directors are considered to have a balance of knowledge and experience appropriate for the requirements of the business of the Group. The independent non-executive directors also serve the important function of ensuring and monitoring the basis of an effective corporate governance framework. The Board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independent criteria as required by the Listing Rules.

DIVERSIFICATION OF THE BOARD

In determining the composition of the Board, the Company seeks to achieve board diversity through the consideration of a number of factors and measurable criteria, such as age, education background, industry experience, geographical location and duration of service. The Nomination Committee has reviewed the composition of the Board in accordance with the Listing Rules and concluded that the composition of the Board is in compliance with the diversification requirements of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the requirement of the Rule 3.13 of the Listing Rules, the Board confirmed that the Company has received written confirmation from each of all three independent non-executive directors of their independence and considers them to be independent throughout the year.

TERMS OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for an initial term of not more than two years commencing from his/her date of appointment and is renewable successively for a term of two years until termination. He/She is subject to retirement by rotation and re-election by shareholders at annual general meeting in accordance with the Bye-laws.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rule regarding Directors' securities transactions. Based on specific enquiry of all the Directors of the Company, the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2015.

NOMINATION COMMITTEE

The Company has set up a Nomination Committee to ensure that there are fair and transparent procedures for the appointment, re-election and removal of directors to the Board. The Nomination Committee comprises the Chairman of the Board and three independent non-executive directors, namely, Mr. Li Ming, Mr. Hu Bai He, Ms. Xiang Si Ying and Ms. Xiang Ying. The Chairman of the Nomination Committee is Ms. Xiang Ying. The terms of reference of the Nomination Committee are consistent with the terms set out in the Code. The nomination of directors should take into consideration of the nominee's qualification, experience, ability and potential contributions to the Company. The revised terms of reference of the Nomination Committee were adopted by the Board on 20 December 2013 and were consistent with the terms set out in the Code.

Two meetings were held during the year ended 31 December 2015. All members attended the meetings. The members of the Nomination Committee reviewed the details of proposed directors' and made recommendation to the Board for the appointment of directors during the year.

REMUNERATION COMMITTEE

The Company has set up the Remuneration Committee to ensure that there are formal and transparent procedures for setting up policies on the remuneration of the Directors and senior management. The terms of reference of the Remuneration Committee were consistent with the terms set out in the Code. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Hu Bai He, Ms. Xiang Si Ying and Ms. Xiang Ying and one executive director, namely Mr. Zhang Shi Hong. The Chairman of the Remuneration Committee is Ms. Xiang Ying.

Two meetings were held during the year ended 31 December 2015. All members attended the meetings. They made recommendation to the Board regarding the Company's remuneration policy and the remuneration package of all directors (excluding his own remunerations) of the Company. No Director was involved in deciding his own remuneration during the year under review.

AUDIT COMMITTEE

The Company established an Audit Committee with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee were consistent with the terms set up in the Code.

The Audit Committee comprises three independent non-executive directors, and the chairman of the Audit Committee, Mr. Hu Bai He, possesses a professional accountancy qualification and has substantial experience in accounting and financial matters.

The principal duties of the Audit Committee include to review and supervise the Group's financial reporting system, financial statements and internal control procedures.

Three meetings were held by the Audit Committee during the year ended 31 December 2015. The individual attendance of each member is set out below:

Name of member	Number of committee meetings attended
Mr. Hu Bai He	3/3
Ms. Xiang Si Ying	3/3
Ms. Xiang Ying	3/3

The Group's interim report for the six months ended 30 June 2015 and the annual report for the year ended 31 December 2015 had been reviewed by the Audit Committee and recommendation was provided to the Board for approval.

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the auditors of the Company received approximately HK$1,555,000 for audit services and HK$923,000 for other services (including HK$333,000 for interim results review and HK$590,000 for financial review of acquisition transactions).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE FUNCTION

In order to achieve enhanced corporate governance of the Company, the Board has undertaken constant review of the policies for corporate governance of the Company, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements. During this year, the Board performed the duties relating to corporate governance matters such as appointed external professionals to carry out internal control review.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Directors are continually updated on the latest development and changes in the Listing Rules, the Code and other regulatory requirements in order to ensure the compliance with the same by the Directors. Directors are also encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Directors namely Li Ming, Zhang Shi Hong, Wang San Long, Liu Jin, Chau On Ta Yuen, Hu Bai He, Xiang Si Ying and Xiang Ying had provided a record of training they received during the year to the Company. According to the training records provided by the Directors, the training attended by them during the reporting period was related to Corporate Governance, regulatory development and training on other relevant topics.

INTERNAL CONTROL

The Board is responsible for managing business and operational risks and maintaining a proper and effective system of internal control to safeguard the shareholders' investment and the Group's assets. During the year, the directors appointed external professional to conduct an annual review of the effectiveness of the Group's system of internal control covering financial, operational and compliance controls.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHT

The Company recognizes the importance of good communications with all shareholders and investors. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. All shareholders of the Company are given at least 21 days' notice for the date and venue of such annual general meeting. Shareholders are encouraged to attend general meetings. The Chairman and/or the Directors are available to answer questions on the Group's businesses at the meetings. The Company provides information relating to the Company and its business in its annual and half-year report and also disseminates such information electronically through its website at "www.irasia.com/listco/hk/chinaoceanindustry/" and the website of the Stock Exchange.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each material matters, including the election of individual Directors, for shareholder to consider and vote. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF THE COMPANY

During the reporting period, no amendment had been made to the Memorandum of Association and Bye-Laws of the Company.

On behalf of the Board

Li Ming
Chairman
31 March 2016

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 46 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 30 of the annual report.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group during the year are set out on page 34 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

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

BORROWINGS

Particulars of the Group's borrowings as at 31 December 2015 are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company did not have any reserves available for distribution (2014: Nil).

Under the Companies Act 1981 of Bermuda (as amended), the balances in a company's contributed surplus and share premium accounts are available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus and share premium accounts if:

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

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 152 of the annual report.

DIRECTORS

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

Executive directors:

Mr. Li Ming – *Chairman*
Mr. Zhang Shi Hong – *Chief Executive Officer*
Mr. Wang San Long
Dr. Tse Kwing Chuen (appointed on 11 August 2014 and resigned on 23 March 2015)
Mr. Chen Hong (appointed on 11 August 2014 and resigned on 17 March 2015)
Mr. Liu Jin (appointed on 22 September 2015)

Non-executive director

Mr. Chau On Ta Yuen – *Honorary Chairman*

Independent non-executive directors:

Mr. Hu Bai He
Ms. Xiang Siying
Ms. Xiang Ying

In accordance with Clause 87 of the Company's Bye-laws, Mr. Zhang Shi Hong, Ms. Xiang Siying and Mr. Hu Bai He will retire by rotation and are eligible for re-election at the forthcoming annual general meeting. Furthermore, under bye-law 86(2) of the Company's Bye-laws, any Director appointed during the year to fill a casual vacancy or as an addition to the existing board should retire at the first general meeting after his appointment. Accordingly, Mr. Liu Jin will also retire at the forthcoming annual general meeting and being eligible, offer himself for re-election.

All of the remaining directors will continue in office.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors as at the date of this report are set out below:

Executive Directors

Mr. Li Ming, aged 53, was appointed as a Director in February 2009 and is the Chairman of the Group. Mr. Li graduated from Jiangxi Finance Institute (now known as Jiangxi University of Finance and Economics) majoring in planning statistics. Prior to joining the Company, Mr. Li held senior positions in a number of well-known companies in the People's Republic of China and had extensive experience in management and business planning. Mr. Li had been an executive director of Shenzhen Microgate Technology Co. Ltd. from May 2012 to October 2013, the shares of which are listed on the Shenzhen Stock Exchange. Save as disclosed above, Mr. Li did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas over the last three years.

Mr. Zhang Shi Hong, aged 47, was appointed as a Director in December 2007 and is the Chief Executive Officer of the Group. Mr. Zhang has over 16 years of experience in finance, credit management and investment management. He has worked for the head office of the Bank of China for around nine years, mainly responsible for credit management. He also pursued investment management in various institutions in the People's Republic of China. Mr. Zhang holds a Master's degree in Economics.

Mr. Wang San Long, aged 65, was appointed as a Director in May 2008. Mr. Wang has more than thirty years of experience in the ship-building industry. He is a senior engineer and was graduated from ship-building department of Huazhong Institute of Science and Technology (now known as Huazhong University of Science and Technology). Mr. Wang is a member of Changjiang Committee in China Classification Society. He is also a member of Teaching Guidance Committee of Ship Engineering Department in Jiujiang Vocational and Technical College. Mr. Wang is currently the chairman of one of the subsidiary of the Company, namely Jiangxi Jiangzhou Union Shipbuilding Co., Ltd.

Mr. Liu Jin, aged 47, was appointed as a Director in September 2015. Mr. Liu obtained a Diploma in Business Administration from Singapore Institute of Management and a Master Degree of Business Administration from Hong Kong Baptist University. Mr. Liu is also a Certified Dealmaker endorsed by the China Mergers & Acquisition Association. Mr. Liu has nearly 20 years' experience in the investment industry. He held senior positions in brokerage firm, investment companies and private equity management companies and has extensive experience in corporate finance matters, such as corporate management, risks management, mergers and acquisitions, corporate advisory and initial public offering in the People's Republic of China.

Non-executive Director

Mr. Chau On Ta Yuen, aged 68, was appointed as a Director in September 2007 and was re-designated as the non-executive Director and Honorary Chairman of the Group in June 2015. Mr. Chau graduated from Xiamen University majoring in Chinese language and literature. Mr. Chau has been an executive director of ELL Environmental Holdings Limited and an independent non-executive director of Good Fellow Resources Limited, Come Sure Group (Holdings) Limited, Leyou Technologies Holdings Limited and Redco Properties Group Limited, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Save as disclosed above, Mr. Chau did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas over the last three years. Mr. Chau is currently a member of the Chinese People Political Consultative Conference of the People's Republic of China and holds the office of its deputy officer of the Social and Legal Affairs Committee. He is also the vice chairman of Hong Kong Federation of Fujian Associations. Mr. Chau was awarded the Bronze Bauhinia Star by the Hong Kong Government of Special Administration Region in 2010.

Independent Non-Executive Directors

Mr. Hu Bai He, aged 53, appointed as an independent non-executive Director in May 2008. Mr. Hu was graduated from Jiangxi University of Finance and Economics. He is a senior accountant, certified public accountant, certified public valuer and certified tax agent in the People's Republic of China (the "PRC"). He has extensive experience in finance and accounting field. Mr. Hu is currently the general manager of Peking Certified Public Accountants. Before he joined Peking Certified Public Accountants in 1993, he has had over seven years working experience with Ministry of Finance of the PRC.

Ms. Xiang Si Ying, aged 53, was appointed as an independent non-executive Director in May 2008. Ms. Xiang holds an MBA degree from the London Business School. She has extensive experience in all sectors of corporate finance, restructuring and merge and acquisitions practice. Ms. Xiang currently is an executive director of CDH Investments, a leading private equity firm in China. Prior to joining CDH, she had worked for China International Capital Corporation Limited since returning to China in early 2004. Before that Ms. Xiang had long career with International Finance Corporation, the private investment arm of the World Bank Group, in Washington, United States of America. Ms. Xiang is currently an independent non-executive director of Titan Petrochemicals Group Limited, the shares of which are listed on the Stock Exchange of Hong Kong Limited. Save as disclosed above, Ms. Xiang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Xiang Ying, aged 61, was appointed as an independent non-executive Director in August 2009. Ms. Xiang was graduated and obtained her Bachelor's degree in economics from Zhongnan University of Economics and Law. Ms. Xiang is a qualified lawyer and a certified public accountant in the People's Republic of China. She also holds qualifications to act as a senior lecturer in Economic Law. Ms. Xiang has significant experience in the fields of mergers and acquisitions, financial services and risk management. During the period from 31 August 2011 to 25 November 2012, she was appointed as an independent director of Anxin Trust & Investment Co. Ltd., the shares of which are listed on Shanghai Stock Exchange. Ms. Xiang is currently an independent director of Guangdong Sky Dragon Ink Group Co. Ltd, the shares of which are listed on Shenzhen Stock Exchange. Save as disclosed above, Ms. Xiang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests of the directors in the share capital of the Company or its associated corporations, as defined in Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interest in ordinary shares of the company

Name	Long/Short position	Capacity	Number of ordinary shares held	Approximate percentage of the issued shares held
Li Ming (Note 1)	Long position	Beneficial owner	359,817,500	3.01%
	Long position	Interest of controlled corporation (Note 2)	299,340,000	2.50%
	Long position	Beneficial owner and Interest of controlled corporation	659,157,500	5.51%
Zhang Shi Hong (Note 3)	Long position	Beneficial owner	31,140,000	0.26%

Note 1: Mr. Li Ming is an executive director of the Company.

Note 2: These shares are held by Lead Dragon Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr. Li Ming.

Note 3: Mr. Zhang Shi Hong is an executive director of the Company.

(ii) Rights to acquire shares in the Company

As at 31 December 2015, the directors of the Company had interests in share options to subscribe for shares in the Company granted as follows:

Name of Director	Company/ Name of associated corporation	Nature of interest	Number of ordinary shares	Exercise price
Chau On Ta Yuen	Company	Personal interest (Note 1)	4,743,000	HK$5.693
	Company	Personal interest (Note 3)	45,000,000	HK$0.211
Zhang Shi Hong	Company	Personal interest (Note 1)	1,581,000	HK$5.693
	Company	Personal interest (Note 3)	16,000,000	HK$0.211
	Company	Personal interest (Note 4)	90,000,000	HK$0.28
Wang San Long	Company	Personal interest (Note 2)	4,110,600	HK$4.523
	Company	Personal interest (Note 3)	16,000,000	HK$0.211
Li Ming	Company	Personal interest (Note 3)	40,000,000	HK$0.211
	Company	Personal interest (Note 4)	70,000,000	HK$0.28
Liu Jin	Company	Personal interest (Note 4)	110,000,000	HK$0.28
Hu Bai He	Company	Personal interest (Note 3)	1,000,000	HK$0.211
Xiang Siying	Company	Personal interest (Note 3)	1,000,000	HK$0.211
Xiang Ying	Company	Personal interest (Note 3)	1,000,000	HK$0.211

Notes:

1. Such number of Shares represents the underlying shares of the options granted on 5 March 2008 under the share option scheme of the Company adopted on 27 May 2002.

2. Such number of Shares represents the underlying shares of the options granted on 7 May 2008 under the 2002 Scheme.

3. Such number of Shares represents the underlying shares of the options granted on 7 May 2014 under the share option scheme of the Company adopted on 27 June 2012.

4. Such number of Shares represents the underlying shares of the options granted on 4 November 2015 under the share option scheme of the Company adopted on 27 June 2012.

Save as disclosed in this report, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme adopted on 27 May 2002 (the "2002 Scheme") are set out in Note 40 to the consolidated financial statements. The term of 2002 Scheme is ten years from its date of adoption. It has expired on 26 May 2012. As at 31 December 2015, options to subscribe for 46,449,780 shares were granted but not yet exercised under the 2002 Scheme. These options shall remain exercisable pursuant to the 2002 Scheme. At the Company' annual general meeting held on 27 June 2012, an ordinary resolution was proposed to approve the adoption of a new share option scheme (the "2012 Scheme"), which has taken effect after the resolution was passed and the Company obtained the listing approval granted by the Stock Exchange of Hong Kong Limited. As at 31 December 2015, options to subscribe for 916,000,000 shares were granted but not yet exercised under the 2012 Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the information disclosed in Note 44 to the consolidated financial statements, no contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company for re-election at the forthcoming annual general meeting has service contract with the Company or any of its subsidiaries, which is not determinable by the employer within one year without payment of compensation, other than statutory compensations.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, save as disclosed below, no persons, not being a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register (the "Register") maintained by the Company pursuant to Section 336 of the SFO. Other than as disclosed below, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company as at 31 December 2015.

Name	Long/Short position	Nature of Interests	Number of underlying share held	Approximate percentage of the issued shares held at 31 December 2015
Central Huijin Investment Ltd. (Note 1)	Long	Interest of controlled corporation	806,126,561	6.74%
	Short	Interest of controlled corporation	1,491,334,138	12.47%
China Construction Bank Corporation (Note 1)	Long	Interest of controlled corporation	806,126,561	6.74%
	Short	Interest of controlled corporation	1,491,334,138	12.47%
CCB International Group Holdings Limited (Note 1)	Long	Interest of controlled corporation	806,126,561	6.74%
	Short	Interest of controlled corporation	1,491,334,138	12.47%
CCB Financial Holdings Limited (Note 1)	Long	Interest of controlled corporation	806,126,561	6.74%
	Short	Interest of controlled corporation	1,491,334,138	12.47%
CCB International (Holdings) Limited (Note 1)	Long	Interest of controlled corporation	806,126,561	6.74%
	Short	Interest of controlled corporation	1,491,334,138	12.47%
CCBI Investments Limited (Note 1)	Long	Interest of controlled corporation	806,126,561	6.74%
	Short	Interest of controlled corporation	1,491,334,138	12.47%
Prosper Talent Limited (Note 1)	Long	Beneficial owner	806,126,561	6.74%
	Short	Beneficial owner	1,491,334,138	12.47%

Note 1: Prosper Talent Limited is wholly and beneficially owned by CCBI Investments Limited, which in turn is wholly and beneficially owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is wholly and beneficially owned by CCB International Group Holdings Limited, which is wholly and beneficially owned by China Construction Bank Corporation, which in turn is owned as to approximately 57.26% by Central Huijin Investment Ltd. Therefore, the aforesaid companies were deemed to be interested in the same 806,126,561 shares and 1,491,334,138 short position in shares of the Company directly held by Prosper Talent Limited pursuant to Part XV of the SFO.

EMOLUMENT POLICY

The emolument policy of the employee of the Company is set up by the executive directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Board of Directors, having regard to their responsibility to the Company, their qualifications, experiences and past remuneration, the Company's performance and current market conditions. The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme is set out in Note 40 to the consolidated financial statements.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchase attributable to the Group's largest supplier and five largest suppliers taken together accounted for 30% and 58%, respectively, of the Group's total purchase for the year.

The aggregate amount of turnover attributable to the Group's largest customer and five largest customers taken together accounted for 26% and 93%, respectively of the Group's total turnover for the year.

None of the directors, their associates or shareholders of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) has an interest in any of the Group's largest supplier and customer.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Group has recognized the importance of transparency and accountability, and the Board believes that shareholders can be benefited from good corporate governance. The Company aims to achieve good standard of corporate governance. The Company has complied with the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Further information on the Company's corporate governance practice is set out in the Corporate Governance Report on pages 12 to 16.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors was interested in any business apart from the Group's business, which competed or was likely to compete either directly or indirectly with business of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

ZHONGLEI (HK) CPA Company Limited was appointed as the auditor of the Company on 17 January 2012. The financial statements had been audited by ZHONGLEI (HK) CPA Company Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Messrs. ZHONGLEI (HK) CPA Company Limited as auditors of the Company.

On behalf of the Board

LI Ming
Chairman
Hong Kong
31 March 2016

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS OF
CHINA OCEAN INDUSTRY GROUP LIMITED
(FORMERLY KNOWN AS CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED)
中海重工集團有限公司
（前稱中海船舶重工集團有限公司）
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Ocean Industry Group Limited (formerly known as China Ocean Shipbuilding Industry Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 151, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 as described in the Basis for Disclaimer of Opinion paragraphs, 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.

However, because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

(a) Limitation of scope on prior year's scope limitation affecting opening balances, comparative figures and related disclosures

As explained in our report dated 30 March 2015 on the Group's consolidated financial statements for the year ended 31 December 2014, we were not provided with sufficient evidence to enable us to assess as to the trade receivables would be recovered in full or to determine the amount of impairment, if any. We qualified our opinion on the Group's consolidated financial statements for the year ended 31 December 2014 in respect of this scope limitation accordingly.

Any adjustments found to be necessary to the opening balances as at 1 January 2015 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2015. The comparative figures for the year ended 31 December 2014 shown in these consolidated financial statement may not be comparable with the figures for the current year.

(b) Material fundamental uncertainties relating to going concern basis

As set out in the consolidated statement of profit or loss and other comprehensive income, the Group incurred a loss for the year attributable to owners of the Company of approximately HK$500,799,000 for the year ended 31 December 2015. Besides, as set out in Note 2 to the consolidated financial statements, the Group's current liabilities exceeded its current assets by approximately HK$1,293,813,000 and the Group had net liabilities of approximately HK$386,772,000 as at 31 December 2015. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As set out in Note 2 to the consolidated financial statements, the Directors have been implementing various operating and financing measures to improve the Group's operating and financial position. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of those operating and financing measures being implemented by the Directors. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

However, we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due, and we consider that due to the potential interaction of the above material uncertainties and their possible cumulative effect on the consolidated financial statements is extreme, we have disclaimed our opinion.

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 for the year ended 31 December 2015. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Chan Mei Mei
Practising Certificate Number: P05256

Suites 313-316, 3/F., Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

31 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	8	**157,635**	104,880
Cost of sales		**(315,493)**	(261,353)
Gross loss		**(157,858)**	(156,473)
Other income	9	**4,643**	6,729
Other gains and losses	10	**(15,564)**	1,136
Change in fair value of contingent consideration payable	36	**25,478**	–
Change in fair value of investments held for trading		**(1,684)**	2,750
Change in fair value of convertible bonds payable	33	**(35,990)**	2,110
Gain on early redemption of promissory notes payable		**–**	2,927
Loss on settlement of loan by issuance of shares	32(d)	**(10,755)**	–
Loss on modification of convertible bonds payable	33	**–**	(26,591)
Impairment loss recognised in respect of property, plant and equipment	17	**–**	(65,706)
Selling and distribution expenses		**(3,163)**	(2,412)
Administrative expenses		**(88,923)**	(111,454)
Share-based payments expenses	40	**(49,194)**	(42,163)
Finance costs	11	**(201,847)**	(247,943)
Share of profit of associates	21	**8,791**	1,586
Share of (loss) profit of joint ventures	22	**(1,054)**	1,206
Loss before tax		**(527,120)**	(634,298)
Income tax credit	12	**26,307**	1,121
Loss for the year	13	**(500,813)**	(633,177)
Other comprehensive income (expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**46,961**	14,230
Share of translation reserve of associates		**(5,998)**	(13)
Share of statutory reserve of associates		**980**	–
Share of translation reserve of joint ventures		**(30,291)**	(10)
Other comprehensive income for the year, net of income tax		**11,652**	14,207
Total comprehensive expenses for the year		**(489,161)**	(618,970)

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Loss for the year attributable to:			
– Owners of the Company		**(500,799)**	(633,177)
– Non-controlling interests		**(14)**	–
		(500,813)	(633,177)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(489,131)**	(618,970)
– Non-controlling interests		**(30)**	–
		(489,161)	(618,970)
Loss per share			
– Basic and diluted	16	**(HK$0.05)**	(HK$0.12)

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**315,611**	417,500
Prepaid lease payments – non-current portion	18	**301,610**	313,171
Goodwill	19	**188,057**	–
Intangible assets	20	**245,680**	–
Interests in associates	21	**93,410**	58,621
Interests in joint ventures	22	**472,118**	503,463
Trade receivables – non-current portion	24	**622**	35,843
Finance lease receivables – non-current portion	26	**13,028**	26,123
Pledged bank deposits – non-current portion	27	**6,962**	–
		1,637,098	1,354,721
CURRENT ASSETS			
Inventories	23	**101,571**	49,671
Trade receivables	24	**38,157**	40,142
Other receivables	24	**200,743**	192,730
Prepayment for purchase of raw materials	24	**174,930**	73,118
Prepaid lease payments	18	**7,231**	7,358
Investments held for trading	25	**1,952**	3,636
Finance lease receivables	26	**15,390**	11,280
Pledged bank deposits	27	**74,571**	113,154
Bank balances and cash	27	**70,181**	13,934
		684,726	505,023
CURRENT LIABILITIES			
Trade, bills and other payables	28	**499,258**	672,339
Amounts due to customers for contract work	29	**272,647**	341,881
Amounts due to related parties	44	**4,163**	26,287
Amounts due to directors	44	**597**	2,754
Borrowings	30	**953,153**	711,254
Provision for warranty	31	**–**	142
Convertible bonds payable	33	**248,609**	–
Promissory notes payable	34	**–**	–
Tax liabilities		**112**	–
		1,978,539	1,754,657
NET CURRENT LIABILITIES		**(1,293,813)**	(1,249,634)
TOTAL ASSETS LESS CURRENT LIABILITIES		**343,285**	105,087

Consolidated Statement of Financial Position (Continued)

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CAPITAL AND RESERVES			
Share capital	32	**597,899**	376,536
Reserves		**(985,315)**	(1,154,814)
Equity attributable to owners of the Company		**(387,416)**	(778,278)
Non-controlling interests		**644**	–
TOTAL DEFICITS		**(386,772)**	(778,278)
NON-CURRENT LIABILITIES			
Borrowings – non-current portion	30	**253,986**	219,238
Convertible bonds payable – non-current portion	33	**45,123**	572,935
Contingent consideration payable	36	**315,740**	–
Deferred tax liabilities	35	**115,208**	91,192
		730,057	883,365
		343,285	105,087

The consolidated financial statements on pages 30 to 151 were approved and authorised for issue by the board of directors on 31 March 2016 and are signed on its behalf by:

LI Ming
Director

ZHANG Shi Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 32)	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Translation reserve HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000 (Note 33)	Accumulated losses HK$'000	Total HK$000	Non-controlling interests HK$000	Total HK$'000
At 1 January 2014	198,593	351,212	3,368,411	34,824	83,931	43,693	22,970	(5,140,836)	(1,037,202)	–	(1,037,202)
Loss for the year	–	–	–	–	–	–	–	(633,177)	(633,177)	–	(633,177)
Other comprehensive income (expenses):											
Items that may be reclassified subsequently to profit or loss:											
Exchange differences arising on translating foreign operations	–	–	–	–	14,230	–	–	–	14,230	–	14,230
Share of translation reserve of an associate	–	–	–	–	(13)	–	–	–	(13)	–	(13)
Share of translation reserve of joint ventures	–	–	–	–	(10)	–	–	–	(10)	–	(10)
Other comprehensive income for the year, net of income tax	–	–	–	–	14,207	–	–	–	14,207	–	14,207
Total comprehensive income (expenses) for the year	–	–	–	–	14,207	–	–	(633,177)	(618,970)	–	(618,970)
Recognition of equity component of convertible bonds payable (Note 33)	–	–	–	–	–	–	218,135	–	218,135	–	218,135
Issuance of shares upon conversion of CBV	51,136	204,900	–	–	–	–	–	–	256,036	–	256,036
Issuance of shares upon conversion of CBIV	29,807	73,249	–	–	–	–	(22,970)	–	80,086	–	80,086
Issuance of shares upon conversion of CBVI	70,500	215,887	–	–	–	–	(61,514)	–	224,873	–	224,873
Subscription of shares	26,500	30,210	–	–	–	–	–	–	56,710	–	56,710
Transaction costs attributable to issuance of shares	–	(109)	–	–	–	–	–	–	(109)	–	(109)
Recognition of equity-settled share-based payments (Note 40)	–	–	–	–	–	42,163	–	–	42,163	–	42,163
At 31 December 2014	376,536	875,349	3,368,411	34,824	98,138	85,856	156,621	(5,774,013)	(778,278)	–	(778,278)
Loss for the year	–	–	–	–	–	–	–	(500,799)	(500,799)	(14)	(500,813)
Other comprehensive income (expenses):											
Items that may be reclassified subsequently to profit or loss:											
Exchange differences arising on translating foreign operations	–	–	–	–	46,977	–	–	–	46,977	(16)	46,961
Share of translation reserve of associates	–	–	–	–	(5,998)	–	–	–	(5,998)	–	(5,998)
Share of statutory reserve of associates	–	–	–	980	–	–	–	–	980	–	980
Share of translation reserve of joint ventures	–	–	–	–	(30,291)	–	–	–	(30,291)	–	(30,291)
Other comprehensive income for the year, net of income tax	–	–	–	980	10,688	–	–	–	11,668	(16)	11,652
Total comprehensive income (expenses) for the year	–	–	–	980	10,688	–	–	(500,799)	(489,131)	(30)	(489,161)
Recognition of equity component of convertible bonds payable (Note 33)	–	–	–	–	–	–	20,518	–	20,518	–	20,518
Issuance of shares upon conversion of CBVI	166,500	530,707	–	–	–	–	(145,278)	–	551,929	–	551,929
Issuance of shares upon conversion of CBVII	15,000	47,124	–	–	–	–	(20,518)	–	41,606	–	41,606
Issuance of shares for the acquisition of subsidiaries	12,975	53,198	–	–	–	–	–	–	66,173	674	66,847
Issuance of shares for settlement of loans	26,888	123,685	–	–	–	–	–	–	150,573	–	150,573
Recognition of equity-settled share-based payments (Note 40)	–	–	–	–	–	49,194	–	–	49,194	–	49,194
Transfer	–	–	–	96	–	–	–	(96)	–	–	–
At 31 December 2015	**597,899**	**1,630,063**	**3,368,411**	**35,900**	**108,826**	**135,050**	**11,343**	**(6,274,908)**	**(387,416)**	**644**	**(386,772)**

For the year ended 31 December 2015

Notes:

(a) There were a group reorganisation in 2001 and share consolidation in 2005 and 2006, the aggregate amount of approximately HK$3,368,411,000 was recorded in contributed surplus.

(b) According to the relevant laws in the People's Republic of China (the "PRC"), the companies established in the PRC are required to transfer 10% of their net profit before taxation, as determined under the relevant accounting principles and financial regulations, to statutory reserve until the statutory reserve balance reaches 50% of their registered capital. The transfer to this statutory reserve must be made before the distribution of dividend to equity owners. Statutory reserve can be used to offset previous years' losses, if any, and is non-distributable other than upon liquidation. The companies established in PRC are also required to maintain a staff welfare and incentive bonus fund, while the amount and allocation basis are decided by the enterprise.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(527,120)**	(634,298)
Adjustments for:		
Share of profit of associates	**(8,791)**	(1,586)
Share of loss (profit) of joint ventures	**1,054**	(1,206)
Depreciation of property, plant and equipment	**58,209**	60,195
Change in fair value of investments held for trading	**1,684**	(2,750)
Change in fair value of contingent consideration payable	**(25,478)**	–
Gain on early redemption of promissory notes payable	**–**	(2,927)
Loss on settlement of loan by issuance of shares	**10,755**	–
Loss on modification of convertible bonds payable	**–**	26,591
Share-based payments expenses	**49,194**	42,163
Gain on disposal of property, plant and equipment	**(1,743)**	(4)
Gain on disposal of investments held for trading	**–**	(541)
Change in fair value of convertible bonds payable	**35,990**	(2,110)
Written-off of inventories	**–**	124
Written-off of property, plant and equipment	**9**	117
Interest income	**(2,007)**	(5,008)
Finance costs	**201,847**	247,943
Amortisation of prepaid lease payments	**7,231**	7,358
Amortisation of intangible assets	**3,320**	–
Impairment loss recognised in respect of property, plant and equipment	**–**	65,706
Impairment loss recognised in respect of finance lease receivables	**–**	378
Reversal of impairment loss recognised in respect of finance lease receivables	**(70)**	–
Impairment loss recognised in respect of trade receivables	**–**	8,245
Impairment loss recognised in respect of other receivables	**–**	320
Operating cash flows before movements in working capital	**(195,916)**	(191,290)
(Increase) decrease in inventories	**(45,588)**	32,590
Decrease in trade receivables	**41,796**	710
Decrease (increase) in other receivables	**73,681**	(9,990)
Increase (decrease) in prepayment for purchase of raw materials	**(91,951)**	29,607
Decrease (increase) of finance lease receivables	**6,960**	(37,781)
Decrease in amounts due to related parties	**(20,652)**	(47,530)
(Decrease) increase in amounts due to directors	**(2,003)**	1,738
Decrease in trade, bills and other payables	**(96,059)**	(176,724)
Decrease in provision for warranty	**(134)**	(7,744)
Decrease in amounts due to customers for contract work	**(50,089)**	(59,703)

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash used in operations	(379,955)	(466,117)
Tax paid	(283)	–
Interest received	2,007	5,008
NET CASH USED IN OPERATING ACTIVITIES	(378,231)	(461,109)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,998)	(16,327)
Proceeds from disposal of investments held for trading	–	996
Decrease in pledged bank deposits	33,565	190,930
Net cash outflow on acquisition of associates	(31,016)	(57,048)
Net cash outflow on acquisition of joint ventures	–	(502,267)
Proceeds from disposal of property, plant and equipment	1,921	128
Net cash inflow on acquisition of subsidiaries	17,343	27
NET CASH FROM (USED IN) INVESTING ACTIVITIES	15,815	(383,561)
FINANCING ACTIVITIES		
Borrowings raised	921,078	885,572
Repayment of borrowings	(609,057)	(924,144)
Interest paid	(162,987)	(118,490)
Issuance of shares, net of issuance cost	–	56,601
Cash settlement for promissory notes payable	–	(85,040)
Proceeds from issue of convertible bonds	260,000	985,000
NET CASH FROM FINANCING ACTIVITIES	409,034	799,499
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,618	(45,171)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	13,934	13,549
Effect of foreign exchange rate changes	9,629	45,556
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	70,181	13,934

1. GENERAL

China Ocean Industry Group Limited (formerly known as China Ocean Shipbuilding Industry Group Limited) (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to this annual report.

Pursuant to the special resolution passed at the special general meeting of the Company on 23 February 2016, the Company's name has been changed from "China Ocean Shipbuilding Industry Group Limited 中海船舶重工集團有限公司" to "China Ocean Industry Group Limited 中海重工集團有限公司".

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 46 to the consolidated financial statements.

The functional currency of the Company and its subsidiaries (hereinafter collectively known as the "Group") is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders as the Company's shares are listed in Hong Kong.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the director of the Company (the "Directors") have given consideration to the future liquidity of the Group.

The Group incurred a loss for the year attributable to owners of the Company of approximately HK$500,799,000 for the year ended 31 December 2015 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$1,293,813,000 and HK$386,772,000 respectively.

In order to improve the Group's operating and financial position, the Directors have been implementing various operating and financing measures as follows:

(a) the Group has been actively pursuing new customers so as to enlarge its customer base and new sales orders. At the same time, the Group has improved its production efficiency and tightened cost control so as to reduce unnecessary expenditure;

(b) the Group is in negotiation with banks to allow revolving of loans upon their due dates when the same renewal conditions entitling the past renewal are met;

(c) the Group is in negotiation with financial institutions such as finance leasing company to obtain new borrowings;

(d) the Group is seeking assistance from local government;

(e) the Group is in negotiation with its creditors to extend payment due date.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Directors are of the opinion that, taking into account the measures as above, the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from this consolidated financial statements were authorised to issue.

Accordingly, the consolidated financial statements have been prepared on a going concern basis. However, the eventual outcome is uncertain, should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

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

Application of new and revised HKFRSs

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

Amendments to Hong Kong Accounting Standard ("HKAS") 19 (2011)	Defined Benefits Plans: Employee Contributions
Annual Improvements Project	Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements Project	Annual Improvements to HKFRSs 2011-2013 Cycle

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

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

New and revised HKFRSs in issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

HKFRS 9 Financial Instruments

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

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

New and revised HKFRSs in issued but not yet effective (Continued)

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9:

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

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

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

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

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

New and revised HKFRSs in issued but not yet effective (Continued)

HKFRS 9 Financial Instruments *(Continued)*

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 1 Disclosure Initiative

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

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

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

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

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors anticipate that the application of these amendments to HKAS 16 and HKAS 38 will not have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost;
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investment in Associates and Joint Ventures*.

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

New and revised HKFRSs issued but not yet effective (Continued)

***Amendments to HKAS 27 Equity Method in Separate Financial Statements** (Continued)*

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements and to* HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards.*

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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

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

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 11 until the Group performs a detailed review.

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

New and revised HKFRSs issued but not yet effective (Continued)

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

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

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 10 and HKAS 28 until the Group performs a detailed review.

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

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

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

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

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

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

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

Except as described above, the Directors do not anticipate that the application of the new and revised HKFRSs will have significant impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of preparation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Business combinations

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

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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.

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

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, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains controls), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit 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 amount of profit or loss on disposal.

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

Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint ventures exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

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

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

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.

The Group's policy for the recognition of revenue from shipbuilding construction services is described in the accounting policy for construction contracts below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

– servicing fees are recognised by reference to the proportion of the total cost of providing the service; and

– revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Revenue from the sales of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

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

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

– the amount of revenue can be measured reliably;

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

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

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.

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

The Group's accounting policy for recognition of revenue from operating lease is described in the accounting policy for leasing below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at costs less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised accumulated impairment loss. Costs include professional fees. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write-off the cost of assets other than construction in progress 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.

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

Leasehold land and building

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

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

Provisions

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Construction contracts

When the outcome of a construction contract for shipbuilding can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as determined by reference to the standard hours incurred up to the end of the reporting period as a percentage of total estimated standard hours for each contract. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "change in fair value of investments held for trading" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 7(c) to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Loans and receivables

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

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

Impairment of financial assets

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

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

– significant financial difficulty of the issuer or counterparty; or

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

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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 at FVTPL

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

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

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

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

4. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments *(Continued)*
Financial liabilities at FVTPL (Continued)

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "change in fair value of convertible bonds payable" and "change in fair value of contingent consideration payable" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 7(c) to the consolidated financial statements.

Other financial liabilities
Other financial liabilities including trade, bills and other payables, borrowings, amounts due to related parties 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.

Convertible bonds
Convertible bonds contains liability and equity components
The component parts of convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instruments maturity date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Convertible bonds (Continued)

Convertible bonds contains liability and equity components (Continued)

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

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

Convertible bonds contains liability component and conversion option derivative

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classifies as a conversion option derivative.

At the date of issue, both the liability and conversion option components are recognised at fair value. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative and other embedded derivatives are measured at fair value with changes in fair value and recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Convertible bonds designated as fair value through profit or loss

Convertible bonds issued by the Group are designated as financial liabilities at fair value through profit or loss on initial recognition. At each reporting dates subsequent to initial recognition, the entire convertible bonds is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expired, 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 allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax is recognised into profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

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

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

Inventories

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

Retirement benefits costs

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

Short-term employee benefits

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

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

Share-based payment arrangements

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 40 to the consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

Share options granted to consultants

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Going concern and liquidity

As explained in Note 2 to the consolidated financial statements, the financial position and financial performance of the Group indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 2 to the consolidated financial statements.

Classification of Zhoushan China Ocean Investment Fund ("Zhoushan Investment Fund") and its subsidiary (collectively known as the "Zhoushan Investment Fund Group") as joint ventures

Zhoushan Investment Fund is a limited liability company incorporated in the PRC whose legal form confers separation between the parties to the joint arrangements and the parties themselves. There are no contractual arrangements or any other facts and circumstances indicate that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Furthermore, under the joint venture agreement, the significant investment of Zhoushan Investment Fund requires the consent and approval from all joint venturers. Accordingly, Zhoushan Investment Fund Group are classified as joint ventures of the Group. Details of the interests in Zhoushan Investment Fund Group are disclosed in Note 22 to the consolidated financial statements.

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

A subsidiary controlled by the Group through contractual arrangement

Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. ("Jiangxi Shipbuilding"), an indirectly wholly-owned subsidiary of the Company, entered into the contractual arrangements with Jiujiang Jianglian Shipbuilding Heavy Industry Co., Ltd. ("Jiujiang Jianglian"), which enable Jiangxi Shipbuilding to:

- exercise effective financial and operational control over Jiujiang Jianglian;
- irrevocably exercise equity holders' voting rights of Jiujiang Jianglian;
- receive substantially all of the economic returns generated by Jiujiang Jianglian by way of business support, technical and consulting services provided by Jiangxi Shipbuilding; and
- obtain an irrevocable and exclusive right to purchase the entire equity interest in Jiujiang Jianglian from the respective equity holders.

Even though the Group does not have any equity interest in Jiujiang Jianglian, however through a series of the contractual arrangements, the Group has rights to the variable returns from its involvement in Jiujiang Jianglian and has the ability to affect those returns through its power over Jiujiang Jianglian, and is considered to control Jiujiang Jianglian. Consequently, the Company regards Jiujiang Jianglian as the indirectly wholly-owned subsidiary of the Company. The Group has included the financial position, results and cash flows of Jiujiang Jianglian in the consolidated financial statements.

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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts

The Group recognises contract revenue and profit or loss on each shipbuilding contract according to management's estimation of the outcome of the contract as well as the percentage of completion of shipbuilding works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the shipbuilding contracts according to the contract progress, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised. The Group also revisits and revises the estimate of contract profit or loss according to the contract progress based on the information available in the market. Foreseeable losses are provided when identified. During the current year, due to unforeseen circumstances in certain shipbuilding contracts, the Group recognised foreseeable losses of approximately HK$25,373,000 (2014: HK$96,274,000) in respect of certain shipbuilding contracts.

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

Key sources of estimation uncertainty (Continued)

Profit recognition for construction contracts

The Group commences recognition of profit for each shipbuilding construction contract when the percentage of completion exceeds 10% for that vessel, assuming that the outcome of the contract can be reasonably ascertained, as management considers that after this stage, the total contract costs attributable to the contracts can be measured reliably.

Allowance for inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method. The Group reviews its inventory levels in order to identify slow-moving and obsolete items. When the Group identifies items of inventories which have a net realisable value lower than its carrying amount, the Group estimates the amount of written-off of inventories to net realisable value is recognised as an expense in the period the written-off occur. During the year ended 31 December 2015, the Group has not written off any inventories (2014: written-off of approximately HK$124,000) and at 31 December 2015, the carrying amount of inventories amounted to approximately HK$101,571,000 (2014: HK$49,671,000).

If the net realisable value of inventories of the Group become lower than its carrying amount subsequently, an additional allowance may be required.

Estimated impairment of property, plant and equipment

The carrying amount of property, plant and equipment is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The value-in-use calculation requires the Group to determine the recoverable amount of the assets based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2015, the Group has not recognised any impairment loss (2014: impairment loss of approximately HK$65,706,000) in respect of property, plant and equipment. Details of the calculation on the recoverable amount for property, plant and equipment are disclosed in Note 17 to the consolidated financial statements.

Estimated impairment of prepaid lease payments

The carrying amount of prepaid lease payments is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determined the recoverable amounts of the assets based on the comparison approach assuming sale with the benefit of vacant possession and by making reference to comparable sales evidences as available in the relevant market. Where the recoverable amount is less than the carrying value, an impairment loss may arise. The Group has not recognised any impairment loss in respect of prepaid lease payment for the years ended 31 December 2015 and 2014. Details of the calculation on the recoverable amount for prepaid lease payments are disclosed in Note 18 to the consolidated financial statements.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of trade receivables

When there is objective evidence indicate that the trade receivables may not be recovered, the Group estimates the future cash flows to determine the impairment loss. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness, the past collection history of each customer and the customer's operation as a going concern. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may required. During the year ended 31 December 2015, the Group has not recognised any impairment loss (2014: impairment loss of approximately HK$8,245,000) in respect of trade receivable and at 31 December 2015, the carrying amount of trade receivables is HK$38,779,000 (2014: HK$75,985,000, net of allowance for doubtful debts of approximately HK$92,344,000).

Provision for warranty

The Group estimated the cost of warranties granted on shipbuilding products and undertakings to repair or replace items that do not perform satisfactorily at the time revenues for the related items are recognised. The shipbuilding products are covered by warranty for one year from the date of delivery. While the Group has put in place product quality programs and processes, warranty obligations are affected by actual product failure rates and by material usage and service delivery costs incurred in correcting a product failure. The warranty provision is established based upon the best estimates at the amounts necessary to settle future and existing claims on products sold as at the end of the reporting period. While management believes that the Group's warranty provisions are adequate and that the judgements applied are appropriate, the ultimate cost of product warranty could differ materially from the estimates. When the actual cost of quality of the products is lower than management originally anticipated, the Group releases an appropriate proportion of the provision, and if the cost of quality is higher than anticipated, the Group increases the provision.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 7(c) to the consolidated financial statements provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2015, no impairment loss was recognised in respect of goodwill (2014: Nil). Details of the value in use calculation are disclosed in Note 19 to the consolidated financial statements.

6. CAPITAL RISK MANAGEMENT

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

The Group also monitors the current and expected liquidity requirements regularly to ensure that sufficient working capital and adequate committed lines of funding are maintained to meet its liquidity requirements. Upon the discovery of any default, the Group would negotiate immediately with the relevant lenders for proper arrangement in order to maintain sufficient working capital. Upon the expectation of any cash insufficiency, the Company would seek new source of funding so as to maintain sufficient working capital.

The capital structure of the Group consists of net debts, which include borrowings, convertible bonds payable, contingent consideration payable, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Fair value through profit or loss		
– Investments held for trading	**1,952**	3,636
Loans and receivables (including bank balances and cash)	**257,887**	280,848
	259,839	284,484
Financial liabilities		
Fair value through profit or loss		
– Contingent consideration payable	**315,740**	–
– Convertible bonds payable	**55,018**	–
Other financial liabilities measured at amortised cost	**1,711,157**	1,631,872
Convertible bonds payable	**238,714**	572,935
	2,320,629	2,204,807

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, finance lease receivables, investments held for trading, pledged bank deposits, bank balances and cash, trade, bills and other payables, amounts due to related parties, amounts due to directors, borrowings, convertible bonds payable and contingent consideration payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Company and its major operating subsidiary use RMB as its functional currency and are mainly exposed to currency in respect of United States dollars ("USD"), Euro ("EUR"), Great British Pound ("GBP") and HK$, arising from foreign currency denominated, bank balances and cash, trade receivables, other receivables, trade and other payables, convertible bonds payable and contingent consideration payable. The Group's other operating subsidiaries established in Hong Kong whose functional currencies are HK$ and do not have significant foreign currency exposure.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Liabilities		Assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**–**	–	**36,332**	83,133
EUR	**–**	–	**3,013**	125
HK$	**631,314**	616,664	**7,035**	5,970
GBP	**–**	15,701	**–**	–

Sensitivity analysis

The Group is mainly exposed to the foreign currency risk of USD, EUR, HK$ and GBP.

7. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

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

	2015	2014
	HK$'000	HK$'000
Decrease (increase) in loss		
– USD Impact	**(1,817)**	(4,157)
– EUR Impact	**(151)**	(6)
– HK$ Impact	**31,214**	30,535
– GBP Impact	**–**	785

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings, and exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables, pledged bank deposits, amounts due to related parties, amounts due to directors, fixed-rate borrowings, the liability component of convertible bonds payable.

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

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

7. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances and borrowings at the end of the reporting period. The analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 5 and 50 basis points (2014: 5 and 50 basis points) increase or decrease in interest rate for bank balances and borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower for borrowings and all other variables were held constant, the post-tax loss for the year ended 31 December 2015 would increase/decrease by approximately HK$1,631,000 (2014: HK$2,712,000).

If interest rate had been 5 basis points (2014: 5 basis points) higher/lower for bank balances, and all other variables were held constant, the post-tax loss for the year ended 31 December 2015 would decrease/increase by approximately HK$35,000 (2014: HK$7,000).

(iii) Price risk

Price risk on investment held for trading

The Group is exposed to equity price risk through its investments held for trading. The Group's equity price risk is mainly concentrated on listed equity securities quoted in the Stock Exchange. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of investments held for trading at the end of the reporting period.

If the prices of the respective equity instruments had been 5% higher/lower and all other variables were held constant, post-tax loss for the year ended 31 December 2015 would decrease/increase by approximately HK$98,000 (2014: HK$182,000) as a result of the change in fair value of investments held for trading.

7. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

(iii) Price risk (Continued)

Price risk on contingent consideration payable

The Group is exposed to the Company's share price risk through contingent consideration payable.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the Company's share price and risk free rate price risks of contingent consideration payable at the end of reporting period.

If the Company's share prices of the respective contingent consideration payable had been 5% higher/lower and all other variables were held constant, post-tax loss for the year ended 31 December 2015 would be increase/decrease by approximately HK$16,000,000 and HK$16,000,000, respectively (2014: Nil) as a result of the change in fair value of contingent consideration payable.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has 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 receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk on receivables is significantly reduced.

The Group has concentration of credit risk as 73.64% (2014: 100%) of the total trade receivables was due from the Group's one customer from factoring services (2014: one customer from shipbuilding business).

The Group has concentration of credit risk as 100% (2014: 100%) of the outstanding finance lease receivables was due form one debtor from finance leasing business at 31 December 2015. The Directors consider that the risks will be mitigated by exploring new debtors in the PRC in future.

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

7. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Operational risk

During the year ended 31 December 2014, the Group's exposure to operational risk is primarily attributable to heavy reliance on W. Bockstiegel GmbH & Co. Reederei KG ("W. Bockstiegel"), the major customer of the Group in Germany. The revenue contributed by the shipbuilding service to W. Bockstiegel amounted to approximately HK$100,758,000 which accounted for approximately 96.1% of the Group's total revenue for the year ended 31 December 2014.

The Group had improved the operational risk as more new customers in the shipbuilding services were added to minimise the effects of over reliance on one customer during the year ended 31 December 2015.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group was exposed to liquidity risk at 31 December 2015 as the Group had net current liabilities and net liabilities of approximately HK$1,293,813,000 and HK$386,772,000, respectively. In order to improve the Group's liquidity position, the Directors have been implementing various operating and financing measures, details of which are set out in Note 2 to the consolidated financial statements.

The Group relied on borrowings as significant sources of liquidity, details of which are set out in Note 30 to the consolidated financial statements.

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

7. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk *(Continued)*

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

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	Over 1 month but less than 3 months HK$'000	Over 3 months but less than 1 year HK$'000	Over 1 year but less than 2 years HK$'000	Over 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2015 HK$'000
2015								
Non-derivative financial liabilities								
Trade and other payables	–	278,928	21,092	57,638	–	–	357,658	357,658
Bills payables	–	–	–	141,600	–	–	141,600	141,600
Amounts due to related parties	–	4,163	–	–	–	–	4,163	4,163
Amounts due to directors	–	597	–	–	–	–	597	597
Convertible bonds payable (Note)	7.5	–	–	197,491	47,073	–	244,564	238,714
Borrowings								
– fixed rates	8.72	363,818	7,710	371,229	149,760	21,473	913,990	880,944
– variable rates	6.13	105,003	820	153,632	19,033	63,720	342,208	326,195
		752,509	29,622	921,590	215,866	85,193	2,004,780	1,949,871

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	Over 1 month but less than 3 months HK$'000	Over 3 months but less than 1 year HK$'000	Over 1 year but less than 2 years HK$'000	Over 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2014 HK$'000
2014								
Non-derivative financial liabilities								
Trade and other payables	–	474,241	2,588	45,510	–	–	522,339	522,339
Bills payables	–	–	–	150,000	–	–	150,000	150,000
Amounts due to related parties	14.47	4,669	638	24,808	–	–	30,115	26,287
Amounts due to directors	15.00	127	–	2,930	–	–	3,057	2,754
Convertible bonds payable (Note)	7.5	–	–	65,334	53,850	771,407	890,591	572,935
Borrowings								
– fixed rates	16.47	188,903	5,256	153,634	75,000	–	422,793	388,162
– variable rates	7.06	265,033	2,127	94,249	184,083	20,163	565,655	542,330
		932,973	10,609	536,465	312,933	791,570	2,584,550	2,204,807

Note: The undiscounted amount represents the coupon interest and redemption amount on maturity on the assumption that there was no conversion prior to maturity.

7. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

At 31 December 2015 and 31 December 2014, there was no principal amount of the Group's bank borrowings with unconditional repayment on demand clause.

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

c. Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2015 HK$'000	Fair value as at 31 December 2014 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
Held-for-trading non-derivative financial assets classified as investments held for trading in the consolidated statement of financial position	**Listed equity securities-approximately 1,952**	Listed equity securities-approximately 3,636	Level 1	Quoted prices in an active market	N/A
Derivative financial liabilities classified as convertible bonds payable in the consolidated statement of financial position	**Liability-approximately 55,018**	Liability-approximately –	Level 2	Binomial Model – volatility, time to maturity, applicable stock price, risk free rate	N/A
Contingent consideration payable in a business combination	**Liability-approximately 315,740**	Liability-approximately –	Level 3	Income approach – the Company's share price, risk free rate	The estimated profit for the year ending 31 December 2016

7. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurement of financial instruments (Continued)

There were no transfers between Level 1, 2 and 3 during the years ended 31 December 2015 and 2014.

	Fair value hierarchy			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2015				
Financial asset				
Investments held for trading	1,952	–	–	1,952
Financial liabilities				
Convertible bonds payable	–	55,018	–	55,018
Contingent consideration payable (Note)	–	–	315,740	315,740
	–	55,018	315,740	370,758

	Fair value hierarchy			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2014				
Financial asset				
Investments held for trading	3,636	–	–	3,636

Note: The fair value of the contingent consideration payable was estimated by applying the income approach. The discount rate applied to discount the forecast consideration is 2.37%. Should the estimated net profit after tax of Success Capture Limited for the year ending 31 December 2016 increase/decrease by 5% and all other variables were held constant, the fair value of contingent consideration payable would be increased/decreased by approximately HK$4,000,000.

7. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurement of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements

	Contingent consideration payable HK$'000
31 December 2015	
Opening balance	–
Addition	341,218
Fair value change	(25,478)
Closing balance	315,740

Of the total gains or losses for the year included in the consolidated statement of profit or loss and other comprehensive income of approximately HK$25,478,000 relates to contingent consideration payable held at the end of the current reporting period.

The fair values of the financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models with the most significant inputs as mentioned above.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their values.

8. REVENUE AND SEGMENT INFORMATION

Information reported to the board of Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2015, "Intelligent car parking and automotive device business" became a new operating activity of the Group and it is separately assessed by the chief operating decision maker. Therefore, it is reported as a new reportable and operating segment.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

a) Shipbuilding business – provision of shipbuilding services under shipbuilding construction contracts and operated in the People's Republic of China (the "PRC").

b) Trading business – provision of trading and operated in Hong Kong.

c) Finance leasing business – provision of direct finance leasing, sale and leaseback, advisory services and provision of factoring services in the PRC.

d) Intelligent car parking and automotive device business – manufacturing and sales of car parking equipment, investment, operation and management of car parks and electronic automotive devices in the PRC.

8. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2015

	Shipbuilding business HK$'000	Trading business HK$'000	Finance leasing business HK$'000	Intelligent car parking and automotive device business HK$000	Elimination HK$'000	Total HK$'000
Segment revenue						
– External sales	143,187	–	3,442	11,006	–	157,635
– Inter-segment sales	–	–	9,315	–	(9,315)	–
Total segment revenue	143,187	–	12,757	11,006	(9,315)	157,635
Segment result	(350,647)	–	3,112	(4,936)		(352,471)
Unallocated other income						2,007
Unallocated other gains and losses						(14,968)
Change in fair value of contingent consideration payable						25,478
Change in fair value of investments held for trading						(1,684)
Change in fair value of convertible bonds payable						(35,990)
Loss on settlement of loan by issuance of shares						(10,755)
Share-based payments expenses						(49,194)
Finance costs						(71,171)
Share of profit of associates						8,791
Share of loss of joint ventures						(1,054)
Unallocated corporate expenses						(26,109)
Loss before tax						(527,120)

8. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2014

	Shipbuilding business HK$'000	Trading business HK$'000	Finance leasing business HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue					
– External sales	104,078	–	802	–	104,880
– Inter-segment sales	–	–	1,605	(1,605)	–
Total segment revenue	104,078	–	2,407	(1,605)	104,880
Segment result	(465,941)	–	(1,824)		(467,765)
Unallocated other income					5,549
Unallocated other gains and losses					3,128
Change in fair value of investments held for trading					2,750
Change in fair value of convertible bonds payable					2,110
Gain on early redemption of promissory notes payable					2,927
Loss on modification of convertible bonds payable					(26,591)
Share-based payments expenses					(42,163)
Finance costs					(99,103)
Share of profit of associates					1,586
Share of profit of joint ventures					1,206
Unallocated corporate expenses					(17,932)
Loss before tax					(634,298)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of certain other income, certain other gains or losses, change in fair value of contingent consideration payable, change in fair value of investments held for trading, change in fair value of convertible bonds payable, gain on early redemption of promissory notes payable, loss on modification of convertible bonds payable, loss on settlement of loan by issuance of shares, share-based payments expenses, certain finance costs, share of profit of associates, share of (loss) profit of joint ventures and certain corporate expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2015 HK$'000	2014 HK$'000
Assets		
Segment assets		
– Shipbuilding business	**1,065,649**	1,127,141
– Trading business	**–**	–
– Finance leasing business	**58,090**	38,552
– Intelligent car parking and automotive device business	**477,145**	–
Total segment assets	**1,600,884**	1,165,693
Pledged bank deposits and bank balances and cash	**151,714**	127,088
Interests in associates	**93,410**	58,621
Interests in joint ventures	**472,118**	503,463
Unallocated corporate assets	**3,698**	4,879
Consolidated assets	**2,321,824**	1,859,744
Liabilities		
Segment liabilities		
– Shipbuilding business	**1,791,072**	1,927,164
– Trading business	**–**	–
– Finance leasing business	**57,547**	3,000
– Intelligent car parking and automotive device business	**101,426**	–
Total segment liabilities	**1,950,045**	1,930,164
Convertible bonds payable	**293,732**	572,935
Contingent consideration payable	**315,740**	–
Deferred tax liabilities	**115,208**	91,192
Unallocated corporate liabilities	**33,871**	43,731
Consolidated liabilities	**2,708,596**	2,638,022

8. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to operating segments other than interests in associates, interests in joint ventures, certain other receivables, pledged bank deposits, bank balances and cash, investments held for trading and certain corporate property, plant and equipment; and

- all liabilities are allocated to operating segments other than convertible bonds payable, contingent consideration payable, deferred tax liabilities, tax liabilities and certain other payables and accruals.

Other segment information

Year ended 31 December 2015

Amounts included in the measure of segment result or segment assets:

	Shipbuilding business HK$'000	Finance leasing business HK$'000	Intelligent car parking and automotive device business HK$000	Unallocated HK$'000	Total HK$'000
Additions to property, plant and equipment	3,616	12	1,663	707	5,998
Goodwill arising through acquisition of subsidiaries	–	–	188,057	–	188,057
Intangible assets arising through acquisition of subsidiaries	–	–	249,000	–	249,000
Depreciation of property, plant and equipment	57,770	115	10	314	58,209
Amortisation of prepaid lease payments	7,231	–	–	–	7,231
Amortisation of intangible assets	–	–	3,320	–	3,320
Loss on written-off of property, plant and equipment	9	–	–	–	9
Gain on disposal of property, plant and equipment	(1,743)	–	–	–	(1,743)
Foreseeable losses recognised in respect of additional estimated costs	25,373	–	–	–	25,373
Finance costs	130,137	–	539	71,171	201,847

8. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment result:

	Shipbuilding business HK$'000	Finance leasing Business HK$'000	Intelligent car parking and automotive device business HK$'000	Unallocated HK$'000	Total HK$'000
Additions to interests in associates	–	–	–	31,016	31,016
Interest income	(1,846)	(137)	(10)	(14)	(2,007)
Foreign exchange loss	1,224	–	197	13,547	14,968
Change in fair value of contingent consideration payable	–	–	–	(25,478)	(25,478)
Change in fair value of investments held for trading	–	–	–	1,684	1,684
Change in fair value of convertible bonds payable	–	–	–	35,990	35,990
Loss on settlement of loan by issuance of shares	–	–	–	10,755	10,755
Share-based payments expenses	–	–	–	49,194	49,194
Share of loss of joint ventures	–	–	–	1,054	1,054
Share of profit of associates	–	–	–	(8,791)	(8,791)

8. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Year ended 31 December 2014

Amounts included in the measure of segment result or segment assets:

	Shipbuilding business HK$'000	Finance leasing business HK$'000	Unallocated HK$'000	Total HK$'000
Additions to property, plant and equipment	14,994	601	732	16,327
Depreciation of property, plant and equipment	59,948	10	237	60,195
Amortisation of prepaid lease payments	7,358	–	–	7,358
Written-off of inventories	124	–	–	124
Loss on written-off of property, plant and equipment	117	–	–	117
Additional provision for warranty	142	–	–	142
Gain on disposal of property, plant and equipment	(4)	–	–	(4)
Foreseeable losses recognised in respect of additional estimated costs	96,274	–	–	96,274
Impairment loss recognised in respect of property, plant and equipment	65,706	–	–	65,706
Impairment loss recognised in respect of trade receivables	8,245	–	–	8,245
Impairment loss recognised in respect of finance lease receivables	–	378	–	378
Impairment loss recognised in respect of other receivables	320	–	–	320
Finance costs	148,840	–	99,103	247,943

8. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment result:

	Shipbuilding business HK$'000	Finance leasing business HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	(2,885)	(37)	(2,086)	(5,008)
Gain on disposal of investments held for trading	–	–	(541)	(541)
Foreign exchange gain	(3,128)	–	–	(3,128)
Change in fair value of investments held for trading	–	–	(2,750)	(2,750)
Change in fair value of convertible bonds payable	–	–	(2,110)	(2,110)
Share-based payments expenses	–	–	42,163	42,163
Share of profit of associates	–	–	(1,586)	(1,586)
Share of profit of joint ventures	–	–	(1,206)	(1,206)
Gain on early redemption of promissory notes payable	–	–	(2,927)	(2,927)
Loss on modification of convertible bonds payable	–	–	26,591	26,591

Geographical information

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

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets (excluded financial instruments) is presented based on the geographical locations of the assets.

	Revenue from external customers Year ended 31 December		Non-current assets at 31 December	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Germany	**143,137**	100,758	**–**	–
The PRC	**14,498**	4,122	**1,615,929**	1,291,943
Hong Kong	**–**	–	**557**	812
	157,635	104,880	**1,616,486**	1,292,755

8. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2015 HK$'000	2014 HK$'000
Customer A[1]	N/A[2]	100,758
Customer B[1]	41,469	N/A[2]
Customer C[1]	55,471	N/A[2]
Customer D[1]	46,197	N/A[2]

1 Revenue from shipbuilding business

2 The corresponding revenue did not contribute over 10% if the total revenue of the Group

9. OTHER INCOME

	2015 HK$'000	2014 HK$'000
Interests on bank deposits	2,007	5,008
Gain on disposal of investments held for trading	–	541
Gain on disposal of property, plant and equipment	1,743	4
Others	893	1,176
	4,643	6,729

10. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Written-off of inventories	–	(124)
Loss on written-off of property, plant and equipment	(9)	(117)
Foreign exchange (loss) gain	(14,968)	3,128
Others	(587)	(1,751)
	(15,564)	1,136

11. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interests on borrowings wholly repayable within five years:		
Convertible bonds payable at effective interest rates (Note 33)	71,171	88,517
Promissory notes payable at effective interest rates (Note 34)	–	10,586
Interests on bank borrowings and bill payables	38,072	54,523
Interests on other borrowings	73,950	66,147
Guarantee fee and fund management fee incurred in connection with borrowings	18,400	27,899
Overdue interests	–	192
Others	254	79
	201,847	247,943

12. INCOME TAX CREDIT

	2015 HK$'000	2014 HK$'000
Current tax		
– Hong Kong Profits Tax	–	–
– PRC tax	395	–
Deferred tax (Note 35)	(26,702)	(1,121)
	(26,307)	(1,121)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made since the Group has no assessable profits for both years.

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

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% PRC Withholding Tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

12. INCOME TAX CREDIT (Continued)

Income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	**(527,120)**	(634,298)
Tax at applicable domestic income tax rate of 25% (2014: 25%)	**(131,780)**	(158,574)
Tax effect of expenses not deductible for tax purpose	**67,112**	70,741
Tax effect of income not taxable for tax purpose	**(8,572)**	(8,429)
Tax effect of tax loss not recognised	**69,908**	85,652
Tax effect of relief of PRC withholding tax	**(25,350)**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**2,375**	9,489
Income tax credit for the year	**(26,307)**	(1,121)

13. LOSS FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments (Note 14)	33,670	21,115
Other staff costs:		
Salaries and other benefits	34,569	40,413
Contributions to retirement benefits scheme	6,444	9,775
Share-based payments expenses – employees	21,247	3,968
Total staff costs	95,930	75,271
Auditor's remuneration		
– Audit service	1,555	1,349
– Non-audit service	923	611
Depreciation of property, plant and equipment	58,209	60,195
Amortisation of prepaid lease payments	7,231	7,358
Amortisation of intangible assets	3,320	–
Minimum lease payments paid under operating leases in respect of rented premises	5,437	2,586
Shipbuilding contract costs recognised as cost of sales	305,432	261,330
Foreseeable losses recognised in respect of additional estimated costs (included in shipbuilding contract cost and recognised as cost of sales)	25,373	96,274
Impairment loss recognised in respect of trade receivables	–	8,245
Impairment loss recognised in respect of other receivables	–	320
Impairment loss recognised in respect of finance lease receivables	–	378
Reversal of impairment loss recognised in respect of finance lease receivables	(70)	–
Share-based payments expenses – consultants	–	22,775

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Year ended 31 December 2015					Year ended 31 December 2014				
	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payments expenses HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payments expenses HK$'000	Total HK$'000
Executive directors:										
Mr. Chau On Ta Yuen *(Honorary Chairman)* (Note a)	–	–	–	–	–	–	1,451	–	5,781	7,232
Mr. Li Ming *(Chairman)* (Note b)	–	1,527	18	7,245	8,790	–	1,409	17	5,140	6,566
Mr. Zhang Shi Hong *(Chief Executive Officer)* (Note c)	–	1,107	18	9,316	10,441	–	1,098	17	2,056	3,171
Mr. Wang San Long	–	621	1	–	622	–	649	2	2,056	2,707
Dr. Tse Kwing Chuen (Note d)	–	215	5	–	220	–	372	4	–	376
Mr. Chen Hong (Note e)	–	199	5	–	204	–	372	4	–	376
Mr. Liu Jin (Note f)	–	260	4	11,386	11,650	–	–	–	–	–
Non-executive director:										
Mr. Chau On Ta Yuen *(Honorary Chairman)* (Note a)	–	1,443	–	–	1,443	–	–	–	–	–
Independent non-executive directors:										
Mr. Hu Bai He	100	–	–	–	100	100	–	–	129	229
Ms. Xiang Siying	100	–	–	–	100	100	–	–	129	229
Ms. Xiang Ying	100	–	–	–	100	100	–	–	129	229
	300	5,372	51	27,947	33,670	300	5,351	44	15,420	21,115

Notes:

(a) Mr. Chau On Ta Yuen was ceased to be the Chairman and executive director, and re-designated as non-executive director and appointed as the Honorary Chairman with effect from 23 June 2015.

(b) Mr. Li Ming was appointed as Chairman with effect from 23 June 2015 and resigned as the Chief Executive Officer with effect from 22 September 2015.

(c) Mr. Zhang Shi Hong was appointed as Chief Executive Officer with effect from 22 September 2015.

(d) Dr. Tse Kwing Chuen was appointed as executive director with effect from 11 August 2014 and resigned with effect from 23 March 2015.

(e) Mr. Chen Hong was appointed as executive director with effect from 11 August 2014 and resigned with effect from 17 March 2015.

(f) Mr. Liu Jin was appointed as executive director with effect from 22 September 2015.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No emoluments were paid by Group to any of the Directors or chief executive, as an inducement to join or joining the Group or as compensation for loss of office. Neither the Directors nor any of the chief executive waived any emoluments in both years. Apart from Directors, the Group has not classified any other person as chief executive during the years ended 31 December 2015 and 2014.

During the years, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 40 to the Group's consolidated financial statements. The amount of the benefit in relation to share options has been determined in the sole discretion of the board of Directors.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (2014: four), detail of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the remaining two (2014: one) highest paid individuals were as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries and other benefits	**1,571**	910
Contributions to retirement benefits scheme	**58**	17
Share-based payments expenses	**12,141**	1,928
	13,770	2,855

15. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	Number of employee	
	2015	2014
HK$2,000,000 to HK$3,000,000	**–**	1
HK$5,000,000 to HK$6,000,000	**1**	–
HK$7,000,000 to HK$8,000,000	**1**	–

No emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid employees waived any emoluments in both years.

During the years, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 40 to the Group's consolidated financial statements. The amount of the benefit in relation to share options has been determined in the sole discretion of the board of Directors.

16. LOSS PER SHARE

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

	2015 **HK$'000**	2014 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(500,799)**	(633,177)

	2015 **'000**	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**9,912,342**	5,352,746

The computation of diluted loss per share for the years ended 31 December 2015 and 2014 does not assume i) the exercise of the Company's share options; and ii) the conversion of the Company's outstanding convertible bonds since their exercise or conversion would result in a decrease in loss per share for the year which is regarded as anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2014	1,175,782	5,277	27,286	217,938	–	1,426,283
Exchange adjustments	(38,871)	(119)	(600)	(5,111)	–	(44,701)
Additions	–	59	1,274	–	14,994	16,327
Acquisition of a subsidiary	–	3	–	–	–	3
Transfer	14,585	–	–	409	(14,994)	–
Disposal	–	–	(567)	–	–	(567)
Written-off	–	–	(101)	(140)	–	(241)
At 31 December 2014	1,151,496	5,220	27,292	213,096	–	1,397,104
Exchange adjustments	(93,685)	(306)	(1,415)	(12,050)	–	(107,456)
Additions	902	438	1,295	689	2,674	5,998
Acquisition of subsidiaries	15	165	–	253	–	433
Transfer	744	–	40	1,890	(2,674)	–
Disposal	(29)	–	(613)	–	–	(642)
Written-off	–	–	(173)	–	–	(173)
At 31 December 2015	**1,059,443**	**5,517**	**26,426**	**203,878**	**–**	**1,295,264**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2014	771,130	2,668	19,423	81,978	–	875,199
Exchange adjustments	(18,354)	(62)	(438)	(2,075)	–	(20,929)
Provided for the year	36,975	577	3,269	19,374	–	60,195
Eliminated on disposal	–	–	(443)	–	–	(443)
Impairment loss recognised	60,563	–	–	5,143	–	65,706
Written-off	–	–	(62)	(62)	–	(124)
At 31 December 2014	850,314	3,183	21,749	104,358	–	979,604
Exchange adjustments	(49,499)	(186)	(1,204)	(6,643)	–	(57,532)
Provided for the year	36,172	565	2,788	18,684	–	58,209
Eliminated on disposal	(11)	–	(453)	–	–	(464)
Written-off	–	–	(164)	–	–	(164)
At 31 December 2015	**836,976**	**3,562**	**22,716**	**116,399**	**–**	**979,653**
CARRYING VALUES						
At 31 December 2015	**222,467**	**1,955**	**3,710**	**87,479**	**–**	**315,611**
At 31 December 2014	301,182	2,037	5,543	108,738	–	417,500

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease, or 5%
Furniture and fixtures	20%
Motor vehicles	12.5%
Plant and machinery	6.67% – 25%

For the years ended 31 December 2015 and 2014, the Directors after taking into account the economic condition and industrial development prospect, had considered that the gross operating loss incurred during both years indicated impairment loss for the Group's property, plant and equipment and therefore conducted an impairment review on the carrying amounts of the property, plant and equipment.

The Directors appointed an independent professional valuer, BMI Appraisals Limited ("BMI Appraisals"), an independent professional valuer not connected to the Group to perform a valuation on the property, plant and equipment as at 31 December 2015 and 2014. No impairment loss was considered necessary as the recoverable amount based on the valuation report issued by BMI Appraisals, which exceeded the aggregate carrying amount of property, plant and equipment as at 31 December 2015. Impairment loss of approximately HK$65,706,000 was considered necessary as the aggregate carrying amount of property, plant and equipment as at 31 December 2014 exceeded the recoverable amount based on the valuation report issued by BMI Appraisals. The value-in-use calculation is based on a pre-tax discount rate of 18.41% (2014: 19.89%) and cash flow projections prepared from financial forecasts approved by the management of the Group, taking into account of the current economic condition and operation of shipbuilding industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the management's expectations for the market development.

At 31 December 2015, plant and machinery with carrying values of approximately HK$86,631,000 (2014: HK$76,376,000) and buildings of approximately HK$222,421,000 (2014: HK$301,182,000) have been pledged to various banks and a financial institution in the PRC to secure the Group's borrowings (Note 39).

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2015 HK$'000	2014 HK$'000
Leasehold land in the PRC	**308,841**	320,529
Analysed for reporting purposes as:		
Non-current asset	**301,610**	313,171
Current asset	**7,231**	7,358
	308,841	320,529

At 31 December 2015, the Group's prepaid lease payments with carrying value of approximately HK$308,841,000 (2014: HK$320,529,000) have been pledged to various banks to secure the Group's borrowings (Note 39).

Application for land use right certificate of the lake located in Xiaochao Lake Ruichang City Jiangxi Province (the "Lake") with aggregate carrying values of approximately HK$157,271,000 (2014: HK$163,223,000) was still in progress and the land use right certificate had not been issued to the Group by the relevant government authorities at 31 December 2015. The Lake is amortised over its estimated useful life of 50 years (2014: 50 years) on a straight-line basis.

The Directors are of the opinion that the Group has acquired the beneficial title of the Lake at the end of the reporting period, and the land use right certificate can be obtained upon the settlement of the purchase consideration.

For the years ended 31 December 2015 and 2014, the Directors, after taking into account the economic condition and industrial development prospect, had considered that the gross operating loss incurred during both years indicated impairment loss for the Group's prepaid lease payments and therefore conducted an impairment review on the carrying amounts of prepaid lease payments.

The Directors appointed an independent professional valuer, BMI Appraisals, to perform a valuation on the prepaid lease payments at 31 December 2015 and no impairment loss (2014: HK$Nil) was considered necessary as the market value of the prepaid lease payments was amounting to approximately HK$358,000,000 (equivalent to RMB303,000,000) (2014: HK$380,000,000 (equivalent to RMB304,000,000)) based on the valuation report issued by BMI Apprasials, which exceed the carrying value of prepaid lease payments as at 31 December 2015. The recoverable amount is calculated by comparison approach assuming sale with the benefit of vacant possession and by making reference to comparable sales evidences as available in the relevant market. Other key assumptions for the prepaid lease payments valuation relate to (i) the property is sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement; (ii) no account has been taken of any option or right of pre-emption concerning or effecting the sale of the property and no forced sale situation in any manner; and (iii) the proper legal title of the property is in possession and the property could be transferred freely in the market at no extra land premium or other onerous payment payable to the government.

19. GOODWILL

	HK$'000
COST	
At 1 January 2014 and 31 December 2014	–
Arising on acquisition of subsidiaries (Note 37)	188,057
At 31 December 2015	**188,057**
ACCUMULATED IMPAIRMENT	
At 1 January 2014, 31 December 2014 and **31 December 2015**	–
CARRYING VALUES	
At 31 December 2015	**188,057**
At 31 December 2014	–

Impairment test on goodwill

For the purposes of impairment testing, goodwill has been allocated to one cash generating unit ("CGU"), being the intelligent car parking and automotive device business segment.

During the year ended 31 December 2015, management of the Group determines that there is no impairment of its CGU containing goodwill.

The basis of the recoverable amounts of the above CGU and their major underlying assumption is summarised below:

Intelligent car parking and automotive device business segment

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 24.72%. The cash flows beyond the 5-year period are extrapolated using a steady growth rate of 3%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of intelligent car parking and automotive device business to exceed the aggregated recoverable amount of intelligent car parking and automotive device business.

20. INTANGIBLE ASSETS

	Licenses (Note (b)) HK$000	Contracted and uncontracted customer relationships (Note (a)) HK$'000	Total HK$000
COST			
At 1 January 2014	–	1,871,854	1,871,854
Exchange adjustments	–	(43,872)	(43,872)
At 31 December 2014	–	1,827,982	1,827,982
Exchange adjustments	–	(102,367)	(102,367)
Acquisition of subsidiaries (Note 37)	249,000	–	249,000
At 31 December 2015	**249,000**	**1,725,615**	**1,974,615**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2014	–	1,871,854	1,871,854
Exchange adjustments	–	(43,872)	(43,872)
At 31 December 2014	–	1,827,982	1,827,982
Exchange adjustments	–	(102,367)	(102,367)
Amortisation for the year	3,320	–	3,320
At 31 December 2015	**3,320**	**1,725,615**	**1,728,935**
CARRYING VALUES			
At 31 December 2015	**245,680**	**–**	**245,680**
At 31 December 2014	–	–	–

Note:

(a) Contracted and uncontracted customer relationships was arising from the acquisition of INPAX Group (as defined in Note 33) during the year ended 31 December 2008 and are amortised over its estimated useful life of 10 years on a straight-line basis. The balance had been fully impaired during the year ended 31 December 2010.

(b) Intelligent car parking manufacturing licenses were arising from the acquisition of Success Capture Limited during the year ended 31 December 2015 (Note 37).

Licenses are amortised over its estimated useful life of 6.25 years on a straight-line basis.

21. INTERESTS IN ASSOCIATES

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

	2015 HK$'000	2014 HK$'000
Unlisted cost of investment in associates	**88,064**	57,048
Share of post-acquisition profit and other comprehensive income, net of dividends received	**10,377**	1,586
Share of statutory reserve of associates	**980**	–
Exchange realignment	**(6,011)**	(13)
	93,410	58,621

During the year ended 31 December 2014, Merge Limited ("Merge"), a direct wholly owned subsidiary of the Company, acquired 20% paid-up registered capital in Zhejiang Ocean Leasing Company Limited ("Zhejiang Ocean") at the consideration of USD6 million (equivalent to RMB45 million). The acquisition had been completed on 30 November 2014.

On 20 March 2015, Merge and the other shareholders of Zhejiang Ocean entered into a capital contribution agreement, pursuant to which all shareholders of Zhejiang Ocean agreed to make a capital contribution in proportion to their existing shareholding to increase the registered capital of Zhejiang Ocean from USD30 million to USD100 million (the "Capital Contribution") in three tranches as follow:

The first and second tranches of the Capital Contribution in an aggregate amount of USD40 million shall be made by 31 December 2015, out of which USD8 million is to be contributed by Merge; and the third tranche of the Capital Contribution in an aggregate amount of USD30 million shall be made by 31 December 2016, out of which USD6 million is to be contributed by Merge.

During the year ended 31 December 2015, Merge had contributed USD4 million, but USD10 million of the Capital Contribution were unpaid by the shareholders of Zhejiang Ocean, out of which USD4 million was unpaid by Merge, which should be made by 31 December 2015.

After the Capital Contribution, the shareholding of the Group in Zhejiang Ocean remaining unchanged at 20%.

The Group is able to exercise significant influence over Zhejiang Ocean because it has appointed two out of the eleven directors of Zhejiang Ocean under the shareholder's agreement during the year ended 31 December 2015 and 31 December 2014.

21. INTERESTS IN ASSOCIATES (Continued)

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

Name of entity	Form of entity	Place of incorporation/ Principal place of operation	Proportion of ownership interests held by the Group		Proportion of voting rights held by the Group		Principal activities
			2015	2014	**2015**	2014	
Zhejiang Ocean	Incorporated	PRC/PRC	**20%**	20%	**20%**	20%	Finance leasing business
舟山遠洋漁業發展服務有限公司 ("遠洋漁業")*	Incorporated	PRC/PRC	**7%**	N/A	**7%**	N/A	Ocean fishery industry and providing shipyard finance leasing

* 遠洋漁業 is an associate of Zhejiang Ocean.

Summarised financial information of associates

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

The associates are accounted for using the equity method in these consolidated financial statements.

Zhejiang Ocean

	2015 HK$'000	2014 HK$'000
Current assets	**1,371,844**	1,023,668
Non-current assets	**873,111**	775,172
Current liabilities	**(886,785)**	(928,653)
Non-current liabilities	**(816,887)**	(580,345)

21. INTERESTS IN ASSOCIATES (Continued)

	Year ended 31 December 2015 HK$'000	1 December 2014 to 31 December 2014 HK$'000
Revenue	**155,954**	17,798
Profit for the year/period	**43,956**	7,932
Other comprehensive income for the year/period	**–**	–
Total comprehensive income for the year/period	**48,856**	7,932
Dividends received from associates during the year/period	**–**	–

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

	2015 HK$'000	2014 HK$'000
Net assets of Zhejiang Ocean	**541,283**	289,842
Unpaid registered capital in Zhejiang Ocean	**77,500**	–
	618,783	289,842
Proportion of the Group's ownership interest in Zhejiang Ocean	**20%**	20%
Unpaid registered capital in Zhejiang Ocean by the Group	**(31,000)**	–
Exchange realignment	**13**	13
Goodwill	**640**	640
Carrying amount of the Group's interest in Zhejiang Ocean	**93,410**	58,621

22. INTERESTS IN JOINT VENTURES

Details of the Group's interests in joint ventures are as follows:

	2015 HK$'000	2014 HK$000
Unlisted cost of investments in joint ventures	**502,267**	502,267
Share of post-acquisition profits and other comprehensive income, net of dividends received	**152**	1,206
Exchange realignments	**(30,301)**	(10)
	472,118	503,463

22. INTERESTS IN JOINT VENTURES (Continued)

Pursuant to a joint venture agreement entered into between an indirect wholly-owned subsidiary of the Company and two joint venture partners on 6 August 2014 in relation to the establishment of a joint venture company, Zhoushan Investment Fund. The Group contributed RMB400 million to Zhoushan Investment Fund, which represented 78.74% of the equity interests in Zhoushan Investment Fund. Under the joint venture agreement, the significant investment of Zhoushan Investment Fund require the consent and approval from all joint venture parties. The Directors are of the opinion that Zhoushan Investment Fund is therefore classified as joint venture of the Group.

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Form of entity	Place of incorporation/ Principal place of operation	Proportion of ownership interests/ Group's effective interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			2015	2014	**2015**	2014	
Zhoushan Investment Fund	Incorporated	PRC/PRC	**78.74%**	78.74%	**33.33%**	33.33%	Equity investment using its own capital fund and provision of management consultancy services and consultancy services for setting up enterprises
Zhousahan China Ocean Technology Development Company Limited*	Incorporated	PRC/PRC	**56.50%**	59.06%	**26.66%**	26.66%	Development and application of energy saving technologies, research and development and production of clean energy facilities and equipment development and consultancy services on ocean engineering related equipment technology

* Zhoushan China Ocean Technology Development Company Limited is the subsidiary of Zhoushan Investment Fund.

Summarised consolidated financial information of joint ventures

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

22. INTERESTS IN JOINT VENTURES (Continued)

Summarised consolidated financial information of joint ventures (Continued)

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Zhoushan Investment Fund

	2015 HK$'000	2014 HK$'000
Current assets	837,684	762,466
Non-current assets	–	–
Current liabilities	(2,086)	(949)
Non-current liabilities	–	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	4,604	13,091
Current financial liabilities (excluding trade and other payables and provisions)	(488)	(509)
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–

22. INTERESTS IN JOINT VENTURES (Continued)

Summarised consolidated financial information of joint ventures (Continued)

Zhoushan Investment Fund *(Continued)*

	Year ended 31 December 2015 HK$'000	15 August 2014 (date of incorporation) to 31 December 2014 HK$'000
Revenue	–	–
(Loss) profit for the year/period	(1,338)	1,529
Other comprehensive income for the year/period	–	–
Total comprehensive (expenses) income for the year/period	(1,338)	1,529
Dividends received from the joint ventures during the year/period	–	–
The above (loss) profit for the year/period include the following:		
Depreciation and amortisation	–	–
Interest income	262	2,142
Interest expense	–	–
Income tax expense	–	–

22. INTERESTS IN JOINT VENTURES (Continued)

Summarised consolidated financial information of joint ventures (Continued)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Zhoushan Investment Fund recognised in the consolidated financial statements:

	2015 HK$'000	2014 HK$'000
Net assets of Zhoushan Investment Fund	835,598	761,517
Non-controlling interests of Zhoushan Technology Development	(236,007)	(124,997)
Net assets attributable to owners of Zhoushan Investment Fund	599,591	636,520
Proportion of the Group's ownership interest in Zhoushan Investment Fund	78.74%	78.74%
Exchange realignment	–	2,267
Carrying amount of the Group's interest in Zhoushan Investment Fund	472,118	503,463

23. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	92,074	49,671
Work in progress	4,015	–
Finished goods	5,482	–
	101,571	49,671

24. TRADE RECEIVABLES/OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS

	2015 HK$'000	2014 HK$'000
Trade receivables – non-current portion	622	89,607
Less: Allowance for doubtful debts	–	(53,764)
Trade receivables – non-current portion, net	622	35,843
Trade receivables – current portion	38,157	78,722
Less: Allowance for doubtful debts	–	(38,580)
Trade receivables – current portion, net	38,157	40,142
Total trade receivables, net of allowance for doubtful debts (Notes a and b)	38,779	75,985
Other receivables	39,301	41,904
Less: Allowance for doubtful debts	(6,916)	(6,916)
Other receivables, net	32,385	34,988
Value-added tax recoverable	161,767	149,026
Deposits placed to agents and a stakeholder (Note c)	6,591	5,384
Deposit paid for acquisition of property, plant and equipment (Note d)	–	3,332
Total other receivables, net	200,743	192,730
Prepayment for purchase of raw materials (Note e)	174,930	73,118

24. TRADE RECEIVABLES/OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS (Continued)

Notes:

(a) At 31 December 2014, trade receivables of approximately HK$75,985,000 (equivalent to USD9,773,000) represented gross receivables of approximately HK$168,329,000 (equivalent to USD21,650,000), net of accumulated impairment loss of approximately HK$92,344,000. The balance represented the deferral final receivables from a ship buyer, an independent third party of the Group (the "Original Ship Buyer"), in relation to the final payment for the acquisition of nine vessels. Due to the financial difficulty encountered by the Original Ship Buyer, the Original Ship Buyer has defaulted the payment on settling the outstanding balance due from the Group since 2012.

In July 2015, the Original Ship Buyer has reached an agreement with a potential purchaser for the acquisition of the vessels owned by the Original Ship Buyer. Upon execution of the agreement, the Original Ship Buyer has settled the balances of approximately HK$75,985,000 due to the Group (the "Settlement Amount"). The Directors considered that accepting the Settlement Amount was the most cost-effective way to recover the outstanding receivables and hence was in the best interest to the Company and its shareholders. Therefore, during the year ended 31 December 2015, the outstanding balance of approximately HK$92,344,000, which had been fully impaired in prior years, has been written-off, and no further impairment loss (2014: HK$8,245,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

(b) At 31 December 2015, the Group's trade receivables included trade receivables from the factoring services with one year credit period, trading of automotive related products with average 90 days credit period, and retention receivables for trading of automotive related products with range of one to two years under the terms of contract.

At 31 December 2015, trade receivables are non-interest bearing, except for trade receivables from factoring services of approximately HK$28,556,000 (2014:Nil) which bear interest rate of 12% per annum.

(c) During the year ended 31 December 2015, certain vessel buyers have made progress payments for ship construction contracts to three agents and one stakeholder (2014: two agents and one stakeholder) rather than directly to the Group. The Group has the entitlement to these progress payments in accordance with the contracts but the balances are placed under custody of the agents/stakeholder to ensure these progress payments are used to pay for the costs to relevant ship construction contracts. The progress payments in custody will be paid over to the Group based on the shipbuilding progress.

(d) Deposit paid for acquisition of property, plant and equipment was the purchase consideration paid for a property owned by a property developer in September 2008 of approximately HK$3,332,000 (equivalent to RMB2,665,700) which located in Nanchang. The premises permit has not yet been obtained and the ownership of property has not been transferred to the Group as at 31 December 2014. During the year ended 31 December 2015, the Group had reached the settlement arrangement with the property developer and the balance was fully settled.

(e) Prepayment for purchase of raw materials represents amount paid for purchase of steel plates and vessel components for shipbuilding but not yet delivered to the Group at the end of the reporting period.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on contract date/delivery date at the end of the reporting periods:

	2015 HK$'000	2014 HK$'000
Within one year	**38,779**	40,142
In more than one year	**–**	35,843
	38,779	75,985

24. TRADE RECEIVABLES/OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS (Continued)

The Directors considered that no impairment loss on trade receivables is necessary as the trade receivables is not yet past due as at 31 December 2015.

The Group did not have any trade receivables that were overdue but not impaired as at 31 December 2015 and 2014.

Movement in the allowance for doubtful debts for trade receivables:

	2015 HK$'000	2014 HK$'000
At 1 January	92,344	84,760
Impairment loss recognised	–	8,245
Exchange realignment	–	146
Amounts written-off as uncollectible	(92,344)	(807)
At 31 December	–	92,344

At the end of the reporting period, the Group's trade receivables were individually determined to be impaired.

Movement in the allowance for doubtful debts for other receivables:

	2015 HK$'000	2014 HK$'000
At 1 January	6,916	6,596
Impairment loss recognised	–	320
At 31 December	6,916	6,916

Included in trade receivables, other receivables and prepayment for purchase of raw materials are the following amounts denominated in a currency other than the functional currency of the Group:

	2015 '000	2014 '000
USD	11,678	14,450
EUR	8,478	3,757

25. INVESTMENTS HELD FOR TRADING

	2015 HK$'000	2014 HK$'000
Listed securities:		
Equity securities listed in Hong Kong	1,952	3,636

26. FINANCE LEASE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Analysed as:		
Current	15,390	11,280
Non-current	13,028	26,123
	28,418	37,403

Amounts receivable under finance leases

	2015 HK$'000	2014 HK$'000
Finance lease receivables	32,033	45,149
Less: Unearned finance income	(3,328)	(7,368)
Net finance lease receivables	28,705	37,781
Less: Accumulated impairment loss	(287)	(378)
	28,418	37,403

26. FINANCE LEASE RECEIVABLES (Continued)

The maturity profile of these finance lease receivables from customers at the end of the reporting period, analysed by the remaining periods to their contracted maturity, is as follows:

	2015 HK$'000	2014 HK$'000
Repayable (including interests)		
Within one year	**17,915**	15,237
One to two years	**14,118**	14,956
Two to three years	**–**	14,956
	32,033	45,149
Repayable (net of interests)		
Within one year	**15,390**	11,280
One to two years	**13,028**	12,447
Two to three years	**–**	13,676
	28,418	37,403
Accumulated impairment loss		
At the beginning of year	**378**	–
Exchange realignments	**(21)**	–
Charge for the year	**–**	378
Reversal for the year	**(70)**	–
At the end of year	**287**	378

Finance lease receivables balances are guaranteed by the holding company of the finance lessee. There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

The finance lease receivables bear interest at 7.6% (2014: 7.6%) per annum.

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2014: from 0.01% to 0.35%) per annum.

The pledged bank deposits carry fixed interest rate ranging from 0.35% to 2.75% (2014: 0.35%) per annum and were pledged for secured bills payables and bank borrowings as required by the relevant banks (Note 39).

Included in the pledged bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the Group:

	2015	2014
	'000	'000
USD	**3,781**	203
EUR	**358**	11

Included in the pledged bank deposits and bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2015	2014
	HK$'000	HK$'000
Amounts denominated in:		
RMB	**114,929**	123,402

28. TRADE, BILLS AND OTHER PAYABLES

	2015	2014
	HK$'000	HK$'000
Trade payables	**54,192**	113,595
Bills payables	**141,600**	150,000
	195,792	263,595
Consideration payable for acquisition of prepaid lease payments	**44,505**	47,145
Payable to guarantors (Note i)	**5,888**	37,812
Contribution payables to labour union and education funds	**12,491**	12,142
Accrual of contractor fees	**17,707**	33,632
Accrual of government funds	**30,680**	32,500
Other payables and accruals (Note ii)	**192,195**	245,513
	499,258	672,339

28. TRADE, BILLS AND OTHER PAYABLES (Continued)

Notes:

(i) The balances represented guarantee fee payable to several guarantors in relation to their guarantee on the banking facilities and borrowings obtained by the Group at 31 December 2015 and 31 December 2014.

(ii) Material balances included in other payables and accruals are as follow:

(a) The Group has accrued the land use tax of approximately HK$33,807,000 (equivalent to RMB28,650,000) at 31 December 2015 (2014: HK$28,441,000 (equivalent to RMB22,753,000)).

(b) The Group has accrued salaries of approximately HK$25,282,000 (equivalent to RMB21,426,000) at 31 December 2015 (2014: HK$66,540,000 (equivalent to RMB53,232,000)).

(c) The Group has accrued the social security fund for its employees of approximately HK$39,681,000 (equivalent to RMB33,628,000) at 31 December 2015 (2014: approximately HK$40,683,000 (equivalent to RMB32,546,000)). Pursuant to a repayment agreement signed between Jiangxi Shipbuilding, a wholly-owned subsidiary of the Company and the relevant government authority on 26 January 2015, the amounts of accrued social security fund should be repaid before December 2019.

(d) At 31 December 2014, the Group has an outstanding legal costs for the shipbuilding contracts in judged arbitration of approximately HK$15,701,000. The balance was fully settled during the year ended 31 December 2015.

The following is an aged analysis of trade and bills payables presented based on invoice date or issue date, respectively, at the end of the reporting periods:

	2015 **HK$'000**	2014 HK$'000
0 – 30 days	**56,526**	53,998
31 – 60 days	**25,156**	112,860
61 – 90 days	**72,634**	1,534
Over 90 days	**41,476**	95,203
	195,792	263,595

Bills payables are secured by pledged bank deposits (Note 39).

28. TRADE, BILLS AND OTHER PAYABLES (Continued)

Included in trade payables and other payables are the following amounts denominated in a currency other than the functional currency of the Group.

	2015 '000	2014 '000
GBP	–	1,302

29. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	2015 HK$'000	2014 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	1,227,596	1,046,091
Recognised profits less recognised losses	(381,766)	(268,240)
	845,830	777,851
Less: progress billings	(1,118,477)	(1,119,732)
Amounts due to customers for contract work	(272,647)	(341,881)

30. BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank borrowings	363,452	356,250
Other borrowings	843,687	574,242
	1,207,139	930,492
Secured	356,173	396,372
Unsecured	850,966	534,120
	1,207,139	930,492

30. BORROWINGS (Continued)

	2015 HK$'000	2014 HK$'000
The carrying amounts of the above borrowings are repayable*:		
Within one year	**953,153**	711,254
Within a period of more than one year but not exceeding two years	**168,793**	199,075
Within a period of more than two years but not exceeding five years	**85,193**	20,163
	1,207,139	930,492
Less: Amounts due within one year shown under current liabilities	**(953,153)**	(711,254)
Amounts shown under non-current liabilities	**253,986**	219,238

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2015 HK$'000	2014 HK$'000
Fixed-rate borrowings repayable:		
Within one year	**709,711**	313,162
Within a period of more than one year but not exceeding two years	**149,760**	75,000
Within a period of more than two years but not exceeding five years	**21,473**	–
	880,944	388,162

The exposure of the Group's variable-rate borrowings and the contractual maturity dates are as follows:

	2015 HK$'000	2014 HK$'000
Variable-rate borrowings repayable:		
Within one year	**243,442**	398,092
Within a period of more than one year but not exceeding two years	**19,033**	124,075
Within a period of more than two years but not exceeding five years	**63,720**	20,163
	326,195	542,330

30. BORROWINGS (Continued)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2015	2014
Effective interest rates:		
Fixed-rate borrowings (bank and other borrowings)	**0.35% to 30%**	4.4% to 24%
Variable-rate borrowings (bank and other borrowings)	**4.75% to 7.56%**	5.54% to 24%

The details of other borrowings are as follows:

(i) At 31 December 2015, the Group has loan advances from employees of approximately HK$3,292,000 (equivalent to approximately RMB2,790,000) (2014: approximately HK$19,422,000 (equivalent to approximately RMB15,538,000)) which bears interest rate of 15% (2014: 15%) per annum and will be repayable within one year. The proceeds were used to finance the daily operation of the Group.

(ii) At 31 December 2015, the Group has loan advances from several independent third parties of approximately HK$534,447,000 (equivalent to approximately RMB452,921,000) (2014: approximately HK$479,661,000 (equivalent to approximately RMB383,728,000)). The proceeds were used to finance the daily operation of the Group. The borrowings carry variable interest rate of a range from 0.35% to 30% (2014: 5.54% to 24%) per annum.

(iii) At 31 December 2015, the Group has loan advances from one of the shareholders of the Group's associate, Zhejiang Ocean, of approximately HK$251,668,000 (equivalent to approximately RMB213,278,000) (2014: approximately HK$75,159,000 (equivalent to approximately RMB60,128,000)). The proceeds were used to finance the daily operation of the Group. The borrowing carries interest of 8.5% (2014: 8.5%) per annum. Mr. Li Ming, the executive director of the Company and an independent third party have provided a free guarantee to secure the payment obligations of the borrowing.

(iv) At 31 December 2015, the Group has loan advances from an associate, Zhejiang Ocean, of approximately HK$54,280,000 (equivalent to approximately RMB46,000,000) (2014: Nil).The proceeds were used to finance the daily operation of the Group. The borrowing bears interest rate of 7.6% (2014: Nil) per annum and secured by property, plant and equipment as details in Note 38.

At 31 December 2015 and 2014, there was no repayment on demand clause on the Group's bank borrowings and other borrowings.

At 31 December 2015, borrowings of approximately HK$356,173,000 (2014: HK$396,372,000) were secured by collaterals as details in Note 39 to the consolidated financial statements.

30. BORROWINGS (Continued)

At 31 December 2015, a bank borrowing of HK$126,260,000 (equivalent to RMB107,000,000) (2014: HK$133,750,000 (equivalent to RMB107,000,000)), which bears interest at 6.46% (2014: 7.38%) as according to the base rate on The People's Bank of China per annum, will be repayable on 31 December 2016 and was secured by the entire equity interests of Jiangxi Shipbuilding.

All the borrowings are denominated in RMB as at 31 December 2015 and 31 December 2014.

31. PROVISION FOR WARRANTY

	HK$'000
At 1 January 2014	7,705
Exchange adjustments	(121)
Additional provision for the year	142
Reversal of provision	(7,584)
At 31 December 2014	142
Exchange adjustments	(2)
Additional provision for the year	–
Reversal of provision	(140)
At 31 December 2015	**–**

The Group provides a one-year warranty on shipbuilding and undertakes to repair or replace items that fail to perform satisfactorily. The provision is estimated based on historical data of the level of repairs and replacement.

32. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2015	2014	**2015**	2014
			HK$'000	HK$'000
Ordinary shares of HK$0.05 each				
Authorised:				
At 1 January and 31 December	**20,000,000,000**	20,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At 1 January	**7,530,722,155**	3,971,861,552	**376,536**	198,593
Issuance of shares upon conversion of CBV (as defined in Note 33) (Note e)	**–**	1,022,727,270	**–**	51,136
Issuance of shares upon conversion of CBIV (as defined in Note 33) (Note e)	**–**	596,133,333	**–**	29,807
Issuance of shares upon conversion of CBVI (as defined in Note 33) (Notes a and e)	**3,330,000,000**	1,410,000,000	**166,500**	70,500
Issuance of share upon conversion of CBVII (as defined in Note 33) (Note b)	**300,000,000**	–	**15,000**	–
Issuance of shares for the acquisition of subsidiaries (Note c)	**259,500,000**	–	**12,975**	–
Issuance of shares for settlement of loans (Note d)	**537,761,685**	–	**26,888**	–
Subscription of shares (Note f)	**–**	530,000,000	**–**	26,500
At 31 December	**11,957,983,840**	7,530,722,155	**597,899**	376,536

Notes:

(a) During the year ended 31 December 2015, certain holders of CBVI (as defined in Note 33) converted of HK$666,000,000 of CBVI for 3,330,000,000 new ordinary shares at a conversion price of HK$0.20 per conversion share (Note 33).

(b) During the year ended 31 December 2015, the holders of CBVII (as defined in Note 33) converted of HK$60,000,000 of CBVII for 300,000,000 new ordinary shares at a conversion price of HK$0.20 per conversion share (Note 33).

(c) On 4 December 2015, the Company has issued 259,500,000 new ordinary shares to the vendor in relation to the acquisition of the entire issued share capital of Success Capture Limited (Note 37).

(d) On 25 September 2015, the Company, Jiangxi Shipbuilding, an indirectly wholly-owned subsidiary of the Company, and certain creditors of Jiangxi Shipbuilding (the "Creditors") entered into a subscription agreement, in which the Creditors could subscribe for 537,761,685 new ordinary shares of the Company at the subscription price of HK$0.26 per subscription share, for the settlement of the loans in an aggregate amount of approximately RMB114,944,000 (equivalent to approximately HK$139,818,000) due to the Creditors with all rights and benefits attaching thereto and thereon. The subscription was completed on 13 November 2015 at a closing price of HK$0.28 per share. As a result, loss on settlement of loan by issuance of shares of approximately HK$10,755,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. Details of the subscription has been disclosed in the Company's announcement dated 28 September 2015.

32. SHARE CAPITAL (Continued)

Notes: (Continued)

(e) During the year ended 31 December 2014, the convertible notes holders converted of i) approximately HK$89,420,000 of CBIV (as defined in Note 33) for 596,133,333 new ordinary shares at a conversion price of HK$0.15 per conversion share; and ii) approximately HK$225,000,000 of CBV (as defined in Note 33) for 1,022,727,270 new ordinary shares at a conversion price of HK$0.22 per conversion share (Note 33).

During the year ended 31 December 2014, certain holders of CBVI (as defined in Note 33) converted of HK$282,000,000 of convertible bonds for 1,410,000,000 new ordinary shares at conversion price of HK$0.20 per conversion share (Note 33).

Upon the conversions, in aggregate of 3,028,860,603 had been issued during 31 December 2014.

(f) On 6 March 2014, the Company entered into a subscription agreement with certain subscribers, in which the subscribers could subscribe for 530,000,000 new ordinary shares at a price of HK$0.107 per subscription share. The subscription was completed on 20 March 2014. Net proceed of approximately HK$56,600,000 were raised and used as repayment of debts and general working capital of the Group.

All new shares issued during the years ended 31 December 2015 and 2014 ranked pari passu with the existing shares in all respects.

33. CONVERTIBLE BONDS PAYABLE

(a) Issuance of convertible notes for INPAX Group Acquisition

On 5 November 2007, the Company entered into a conditional agreement to issue convertible notes for the acquisition of the entire interest in INPAX Technology Limited and its wholly-owned subsidiary, Jiangxi Shipbuilding (collectively known as the “INPAX Group”). Upon completion, a convertible notes (“CBI”) were issued on 16 April 2008 as part of the consideration for the acquisition.

CBI comprised restricted convertible notes and unrestricted convertible notes.

The initial aggregate principal amount of the unrestricted convertible notes issued is HK$2,400,000,000.

The holder(s) of the unrestricted convertible notes may convert the whole or any part of the principal amount of the unrestricted convertible notes outstanding into ordinary shares of the Company from 16 April 2008, the date of issue of the convertible notes, to 15 April 2011, the date of maturity, at an initial conversion price of HK$0.15 per conversion share, which is subject to anti-dilutive adjustments and was adjusted to HK$4.30 following (i) the share placements and the share consolidation in 2009; and (ii) the open offer and the related bonus element in 2010.

On 27 April 2010, the Group announced to have entered into an extension agreement with the CBI holders whereby the parties agreed to extend the maturity date of the outstanding convertible notes from 15 April 2011 to 15 April 2012. Except for the extension of the maturity date of the outstanding CBI, each and every term and condition under CBI shall remain unchanged. The extension became effective upon the approval by the shareholders of the Company at a special general meeting held on 25 June 2010 and obtaining of consents and approvals by the Stock Exchange on 29 June 2010. The maturity date of the convertible notes has therefore been extended to 15 April 2012 (the “CBII”).

33. CONVERTIBLE BONDS PAYABLE (Continued)

(a) Issuance of convertible notes for INPAX Group Acquisition (Continued)

On 21 December 2010, the Group entered into subscription agreements with certain holders of CBII to surrender the CBII held by them of principal amount of approximately HK$282,549,000 in consideration for the subscription of 1,412,745,760 shares of the Company having a par value of HK$0.05 each at a subscription price of HK$0.2 per subscription share. For the remaining portion of CBII with principal amount of HK$225,000,000, the Group entered into agreements with the holders that, (i) the conversion price is reduced from HK$4.30 per share to HK$0.22 per share; (ii) the maturity date is extended from 15 April 2012 to 15 April 2014; and iii) other terms and conditions remain unchanged (the "CBIII"). The transactions became unconditional upon consents and approvals obtained from the Stock Exchange on 31 January 2011 and shareholders at a special general meeting held on 28 January 2011.

On 25 March 2014, the Group entered into the amendment deed with the holders of CBIII, in which (i) the maturity date has been extended from 15 April 2014 to 15 April 2016; and (ii) the interest to be accrued on the outstanding principal of the CBIII for the period from 16 April 2014 to 15 April 2016 shall be payable annually (as opposed to semi-annually under the existing terms and conditions of CBIII). The extension and modification of CBIII (the "CBV") became effective upon the approval by the shareholders of the Company at a special general meeting held on 9 May 2014 and obtaining the consents and approval by the Stock Exchange on 13 May 2014.

The valuation of the entire CBV was performed by Greater China Appraisal Limited ("Greater China"), an independent professional valuer. The inputs used in the model in determining the fair value were as follows:

	CBV at 13 May 2014
Share price	HK$0.246
Exercise price	HK$0.22
Contractual life	1.93 years
Risk-free rate	0.418%
Expected dividend yield	0%
Volatility	74.273%

During May and June 2014, all of the holders of CBV had surrendered the CBV held by them of outstanding principal amount of HK$225,000,000 in consideration for conversion of 1,022,727,270 ordinary shares of the Company at a conversion price of HK$0.22 per conversion share.

33. CONVERTIBLE BONDS PAYABLE (Continued)

(b) Issuance of convertible notes for extinguishment of deferred consideration

On 28 February 2012, the Company's payment obligation of the deferred consideration for the acquisition of INPAX Group in April 2008 of HK$200,000,000 was settled by issuing convertible notes (the "CBIV") and promissory notes ("PN") to Million King Investments Limited ("Million King") and/or its nominees.

The aggregated principal amount of the CBIV is HK$105,000,000 with coupon interest at a rate of 3% per annum and will be accrued on a day-to-day basis on the outstanding principal amount of the CBIV, payable semi-annually in arrears. The holders of the CBIV may convert the whole or any part of the outstanding principal amount of the CBIV into ordinary shares of the Company from 28 February 2012 to 28 February 2015, the date of maturity, at the initial conversion price of HK$0.15 per share.

The valuation of the CBIV was performed by Greater China. The inputs used in the model in determining the fair value were as follows:

	CBIV at 28 February 2012
Share price	HK$0.118
Exercise price	HK$0.150
Contractual life	3.00 years
Risk-free rate	0.334%
Expected dividend yield	0%
Volatility	42.24%

During the year ended 31 December 2014, all of the holders of CBIV had surrendered the CBIV held by them of remaining outstanding principal amount of HK$89,420,000 in consideration for conversion of 596,133,333 ordinary shares of the Company at a conversion price of HK$0.15 per conversion share.

(c) Issuance of convertible bonds

CBVI

On 14 May 2014, the Company entered into the placing agreement in respect of the issue of the convertible bonds in the principal amount of not more than HK$1,000,000,000 (the "CBVI"). On 27 June 2014, CBVI with principal amount of HK$1,000,000,000 were issued by the Company. The interest charge at 7.5% per annum and is payable annually. The total principal and interest paid in arrear in RMB based on a fixed exchange rate. The holder(s) of CBVI may convert the whole or part of the principal amount of the CBVI into ordinary shares of the Company from 27 June 2014 to 26 June 2017, the date of maturity, at an initial conversion price of HK$0.20 per share.

33. CONVERTIBLE BONDS PAYABLE (Continued)

(c) Issuance of convertible bonds (Continued)

CBVI *(Continued)*

The valuation of the CBVI was performed by Greater China. The inputs used in the model in determining the fair value were as follows:

	CBVI at 27 June 2014
Share price	RMB0.337 (equivalent to HK$0.42)
Exercise price	RMB0.159 (equivalent to HK$0.20)
Contractual life	3 years
Risk-free rate	3.75%
Expected dividend yield	0%
Volatility	71.53%

During the year ended 31 December 2014, certain holders of CBVI had surrendered the CBVI held by them of outstanding principal amount of HK$282,000,000 in consideration for conversion of 1,410,000,000 ordinary shares of the Company at a conversion price of HK$0.20 per conversion share.

During the year ended 31 December 2015, certain holders of CBVI surrender the CBVI held by them of outstanding principal amount of HK$666,000,000 in consideration for conversion of 3,330,000,000 ordinary shares of the Company at a conversion price of HK$0.20 per conversion share.

CBVII

On 16 February 2015, the Company entered into the subscription agreements in respect of the issuance of the convertible bonds in the principal amount of not more than HK$60,000,000 ("CBVII"). On 6 March 2015, CBVII with principal amount of HK$60,000,000 were issued by the Company. The interest charge at 7.5% per annum and is payable annually in arrear. Both the principal and interest should be settled in RMB at a fixed exchange rate. The holder(s) of CBVII may convert the CBVII into ordinary shares of the Company from 6 March 2015 to 4 March 2018, the date of maturity, at an initial conversion price of HK$0.20 per share.

33. CONVERTIBLE BONDS PAYABLE (Continued)

(c) Issuance of convertible bonds (Continued)

***CBVII** (Continued)*

The valuation of the CBVII was performed by Greater China. The inputs used in the model in determining the fair value were as follows:

	CBVII at 6 March 2015
Share price	RMB0.1381 (equivalent to HK$0.16)
Exercise price	RMB0.17 (equivalent to HK$0.20)
Contractual life	3 years
Risk-free rate	3.2950%
Expected dividend yield	0%
Volatility	71.76%

During the year ended 31 December 2015, all holders of CBVII surrender the CBVII held by them of outstanding principal amount of HK$60,000,000 in consideration for conversion of 300,000,000 ordinary shares of the Company at a conversion price of HK$0.20 per conversion share.

CBVIII

On 2 June 2015, the Company entered into the subscription agreements in respect of the issuance of the convertible bonds in the principal amount of HK$200,000,000 ("CBVIII"). On 8 July 2015, CBVIII with principal amount of HK$200,000,000 were issued by the Company. The interest charge at 7.5% per annum and is payable semi-annually in advance. The holder(s) of CBVIII may convert the CBVIII into ordinary shares of the Company from 8 July 2015 to 7 July 2016 ("Initial Maturity Date"), at an initial conversion price of HK$0.2481 per share.

If agreed in writing by the Company and the holder(s) of CBVIII at least ten business days prior to the Initial Maturity Date, CBVIII will mature on the date falling on the twelve months after the Initial Maturity Date ("Extended Maturity Date").

33. CONVERTIBLE BONDS PAYABLE (Continued)

(c) Issuance of convertible bonds (Continued)

***CBVIII** (Continued)*

The valuation of the CBVIII was performed by Greater China. The inputs used in the model in determining the fair value were as follows:

	CBVIII at 8 July 2015	CBVIII at 31 December 2015
Share price	HK$0.13	HK$0.235
Exercise price	HK$0.2481	HK$0.2481
Contractual life	1 year	0.52 year
Risk-free rate	0.4997%	0.5601%
Expected dividend yield	0.00%	0.00%
Volatility	81.55%	98.46%

The movements of the liability, derivative and equity component of CBIV, CBV, CBVI, CBVII and CBVIII were as follows:

	Derivative financial asset component HK$'000	Liability component HK$'000	Derivative component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2014	–	295,719	–	22,970	318,689
Issuance of CBVI, net of commission	–	766,865	–	218,135	985,000
Change in fair value	–	(2,110)	–	–	(2,110)
Loss on modification, CBV	(50,906)	(47,182)	124,679	–	26,591
Conversion of CBIV, CBV and CBVI	50,906	(487,222)	(124,679)	(84,484)	(645,479)
Interest charged (Note 11)	–	88,517	–	–	88,517
Interest paid	–	(41,652)	–	–	(41,652)
At 31 December 2014	–	572,935	–	156,621	729,556
Issuance of CBVII and CBVIII	–	220,454	19,028	20,518	260,000
Change in fair value	–	–	35,990	–	35,990
Conversion of CBVI and CBVII	–	(593,535)	–	(165,796)	(759,331)
Interest charged (Note 11)	–	71,171	–	–	71,171
Interest paid	–	(32,311)	–	–	(32,311)
At 31 December 2015	**–**	**238,714**	**55,018**	**11,343**	**305,075**

33. CONVERTIBLE BONDS PAYABLE (Continued)

	2015 HK$'000	2014 HK$'000
Convertible bonds – liability and derivative components		
Analysed for reporting purpose as:		
Non-current liabilities	**45,123**	572,935
Current liabilities	**248,609**	–
	293,732	572,935

34. PROMISSORY NOTES PAYABLE

As disclosed in Note 33(b) to the consolidated financial statements, on 28 February 2012, part of the deferred consideration for the acquisition of INPAX Group was settled by issuing CBIV and PN to Million King and/or its nominees.

The aggregated principal amount of the PN is HK$95 million, bears interest at the rate of 3% per annum and is accrued on a day-to-day basis on the outstanding principal amount of the PN, payable semi-annually in arrears, up to the maturity date on 31 December 2014. The PN is transferable only if the relevant principal amount and corresponding interest would be transferred together.

The movements of the liability component of PN were as follows:

	HK$'000
At 1 January 2014	79,842
Interest charged (Note 11)	10,586
Interest paid	(2,965)
Loss of redemption	577
Settlement	(85,040)
Reclassified to other payables for unsettled maturity PN	(3,000)
Liability component of PN at 31 December 2014	–

35. DEFERRED TAX LIABILITIES

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

	Withholding tax on undistributed earnings of the PRC subsidiaries	Fair value adjustments on prepaid lease payments and intangible assets	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2014	30,762	66,491	97,253
Exchange adjustments	–	(4,940)	(4,940)
Credit to profit and loss (Note 12)	218	(1,339)	(1,121)
At 31 December 2014	30,980	60,212	91,192
Acquisition of subsidiaries (Note 37)	–	62,250	62,250
Exchange adjustments	–	(11,532)	(11,532)
Credit to profit and loss (Note 12)	(24,533)	(2,169)	(26,702)
At 31 December 2015	**6,447**	**108,761**	**115,208**

At the end of the reporting period, the Group had unused tax losses of approximately HK$611,217,000 (2014: HK$323,533,000) available to offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profits streams available in the relevant tax jurisdictions and entities. The tax losses arising from the PRC operations expire five years after the relevant accounting year end. The tax losses arising from other operations do not expire under current tax legislation in the relevant tax jurisdiction.

36. CONTINGENT CONSIDERATION PAYABLE

During the year ended 31 December 2015

On 15 October 2015, Brilliant Plus Holdings Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Pacific Greatest Limited (the "Vendor") and Mr. Tang WuQiang, Mr. Ning JiZhong and Ms. Su RuLing (collectively referred to as the "Guarantors"), in relation to the acquisition of the entire issued share capital of Success Capture Limited (the "Acquisition") at an initial consideration of HK$67,470,000, which shall be adjusted upward to a maximum of HK$450,000,000 if the net profit of Success Capture Limited (the "Target Company") and its subsidiaries (collectively known as the "Target Group") for the year ending 31 December 2016 (the "Relevant Period") shall not be less than RMB60,000,000 (the "Guarantee Profit"). The maximum consideration for the acquisition is HK$450,000,000 (subject to the adjustment of the Guarantee Profit), which shall be satisfied by the Purchaser by procuring the Company to allot and issue the consideration shares to the Vendor in the following manner: i) as to HK$67,470,000 by the allotment and issuance of 259,500,000 consideration shares on completion of the Acquisition; and ii) as to a maximum of HK$382,530,000 by the allotment and issuance of 1,470,500,000 consideration shares (the "Second Tranche Consideration"), if the net profit of RMB60,000,000 for the Relevant Period is attained.

In the event that the Target Group's net profit for the year ending 2016 is less than the Guarantee Profit, the Second Tranche Consideration shall be adjusted in accordance with the formula as set out in the Company's circular dated 12 November 2015.

On 4 December 2015, the Acquisition was completed. The total fair value of the contingent consideration is valued by Roma Appraisals Limited, the independent professional valuer. Roma Appraisals Limited has reviewed the methodologies and the key valuation parameters and business assumptions adopted. The valuation of the contingent consideration is mainly based on the trading price of the Company's shares, the latest financial information of the Target Group, the Target Group's financial performance forecast and other relevant indicators.

36. CONTINGENT CONSIDERATION PAYABLE (Continued)

During the year ended 31 December 2015 (Continued)

At 4 December 2015, the fair value of the contingent consideration is estimated to be approximately HK$341,218,000. Due to the facts that the final settlement value of the contingent consideration – consideration shares is indexed to the achievement of the Guarantee Profit, therefore, the fair value of the contingent consideration – consideration shares is remeasured at 31 December 2015 on the same basis as above and the Group recognised a fair value gain on contingent consideration – contingent shares of approximately HK$25,478,000 in the consolidated statement of profit or loss and other comprehensive income as a result of the decrease in share price of the Company.

The movements of the contingent consideration payable are as follows:

	HK$'000
Initial recognition on 4 December 2015	341,218
Fair value change	(25,478)
At 31 December 2015	315,740

37. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2015

As disclosed in Note 36 to the consolidated financial statements, the Acquisition was completed on 4 December 2015. The Acquisition has been accounted for using the purchase method. The Directors considered that the Target Company became one of its indirect wholly-owned subsidiary of the Group and the financial performance of the Target Company would be consolidated into the consolidated financial statements of the Group after the completion of the Acquisition.

The board of Directors consider that the Acquisition could diversify the existing business activities of the Group.

The Target Group are engaged in the intelligent car parking and automotive devices business.

Consideration transferred

	HK$'000
Consideration Shares (Note)	66,173
Contingent Consideration Payable (Note 36)	341,218
Total consideration	407,391

Note: As part of the consideration for the acquisition of the Target Company, 259,500,000 ordinary shares of the Company with par value of HK$0.05 each were issued. The fair value of the ordinary shares of the Company, determined using the closing price at the date of the acquisition, amounted to HK$66,173,000.

37. ACQUISITION OF SUBSIDIARIES (Continued)

During the year ended 31 December 2015 (Continued)

	HK$'000
Acquisition – related costs (included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income	1,001

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$000
Property, plant and equipment (Note 17)	433
Intangible assets (Note 20)	249,000
Inventories	9,094
Trade receivables	8,778
Other receivables and prepayment	106,443
Tax recoverable	67
Pledged bank deposit	8,281
Bank balance and cash	17,343
Trade payables	(4,014)
Other payables and accruals	(25,852)
Amount due to former shareholder	(13,725)
Bank borrowings	(72,600)
Other borrowings	(990)
Deferred tax liabilities	(62,250)
Net assets acquired	220,008

Goodwill arising on acquisition	HK$000
Consideration transferred	407,391
Plus: non-controlling interests	674
Less: net assets acquired	(220,008)
Goodwill arising on acquisition (Note 19)	188,057

Goodwill arose in the acquisition of the Target Company because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Target Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

37. ACQUISITION OF SUBSIDIARIES (Continued)

During the year ended 31 December 2015 (Continued)

Net cash inflow on acquisition of Success Capture Limited

	HK$'000
Cash and cash equivalent balances acquired	17,343

Impact of acquisition on the results of the Group

Included in the loss for the year ended 31 December 2015 is a loss of approximately HK$716,000 attributable to the additional business generated by the Target Group. Revenue for the year ended 31 December 2015 includes approximately HK$11,006,000 generated from the Target Group.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$184,917,000, and loss for the year would have been HK$529,730,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the "pro-forma" loss of the Group had the Target Company been acquired at the beginning of the current year, the Directors have calculated the depreciation of property, plant and equipment and the amortisation of the intangible asset acquired on the basis of the fair value arising in the initial accounting for the business combination rather than carrying amounts recognised in the pre-acquisition financial statements.

During the year ended 31 December 2014

Jiujiang Jianglian

During the year ended 31 December 2014, the Group acquired 100% paid-up capital in Jiujiang Jianglian at the consideration of HK$444,000 (equivalent to approximately RMB356,000). Jiujiang Jianglian is principally engaged in shipbuilding and manufacturing of related metallic components and machines. The acquisition has been completed in April 2014.

The board of Directors consider that the acquisition of Jiujiang Jianglian could expand the existing business activities of the Group.

	HK$'000
Consideration payable	444
Assets acquired and liabilities recognised at the date of acquisition:	
Property, plant and equipment	3
Other receivables and prepayments	1,546
Bank balances and cash	27
Other payables	(1,132)
Net assets	444

37. ACQUISITION OF SUBSIDIARIES (Continued)

During the year ended 31 December 2014 (Continued)

Jiujiang Jianglian *(Continued)*

Net cash inflow arising on acquisition:

	HK$'000
Cash and cash equivalent balances acquired	27

Impact of acquisition on the results of the Group

Included in the loss for the year ended 31 December 2014 is a loss of approximately HK$309,000 attributable to Jiujiang Jianglian. Revenue for the year ended 31 December 2014 includes approximately HK$3,320,000 attributable from Jiujiang Jianglian.

Had the acquisition of Jiujiang Jianlian been effected at the beginning of the year, the total amount of revenue of the Group for the year ended 31 December 2014 would have been HK$104,880,000, and the amount of the loss for the year would have been HK$633,180,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2014, nor is it intended to be a projection of future results.

38. CAPITAL COMMITMENTS

	2015 **HK$'000**	2014 HK$'000
Contracted for but not provided in the consolidated financial statements:		
Unpaid registered capital for the associate	**77,500**	–
Unpaid registered capital for the subsidiaries	**161,896**	125,000
	239,396	125,000

39. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged for the Group's banking facilities, bills payables and borrowings:

	2015	2014
	HK$'000	HK$'000
Property, plant and equipment (Note 17)	**309,052**	377,558
Prepaid lease payments (Note 18)	**308,841**	320,529
Bank deposits (Note 27)	**81,533**	113,154
	699,426	811,241

As at 31 December 2015, the Company were pledged the entire equity interest of Jiangxi Shipbuilding to secure a bank borrowing amounted to RMB107,000,000 (2014: RMB107,000,000).

40. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 27 May 2002 (the "Scheme 2002"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 27 June 2012, the Scheme 2002 was expired and those options under the Scheme 2002 shall remain exercisable pursuant to the rules of the Scheme 2002, and a new share option scheme (the "Scheme 2012") was adopted.

The purpose of the Scheme 2002 and Scheme 2012 is to recognise and motivate the contribution of any employee, adviser, consultant, agent, contractor, client and supplier and/or such other person who in the sole discretion of the board of Directors, has contributed or may contribute to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 10% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per person. Options may be exercised at any time during the exercise period. The subscription price of the option shall be determined by the board of Directors but in any case shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a share.

On 7 May 2014, 366,000,000 share options at the initial exercise price of HK$0.211 were granted under Scheme 2012.

On 4 November 2015, 550,000,000 share options at the initial exercise price of HK$0.28 were granted under Scheme 2012.

40. SHARE OPTION SCHEME (Continued)

At 31 December 2015, the number of outstanding share options under the Scheme 2012 and Scheme 2002 were 916,000,000 (2014: 366,000,000) and 46,449,780 (2014: 46,449,780) respectively, representing 8.05% (2014: 5.48%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme 2002 and Scheme 2012 are not permitted to exceed 10% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders.

The following table discloses details of the options held by Directors, employees and other persons and movements in such holdings during the years ended 31 December 2015 and 2014:

Scheme 2002

Name	Date of grant	Exercisable period	Exercise price per share (Note a)	Number of share options Outstanding at 31 December 2015 and 31 December 2014
Directors	5 March 2008	5 March 2008 to 4 March 2018	HK$5.693	2,529,600
		5 March 2009 to 4 March 2018	HK$5.693	1,897,200
		5 March 2010 to 4 March 2018	HK$5.693	1,897,200
				6,324,000
	7 May 2008	7 May 2008 to 6 May 2018	HK$4.523	1,644,240
		7 May 2009 to 6 May 2018	HK$4.523	1,233,180
		7 May 2010 to 6 May 2018	HK$4.523	1,233,180
				4,110,600
				10,434,600

40. SHARE OPTION SCHEME (Continued)

Scheme 2002 (Continued)

Name	Date of grant	Exercisable period	Exercise price per share (Note a)	Number of share options Outstanding at 31 December 2015 and 31 December 2014
Employees	7 May 2008	7 May 2008 to 6 May 2018	HK$4.523	935,952
		7 May 2009 to 6 May 2018	HK$4.523	701,964
		7 May 2010 to 6 May 2018	HK$4.523	701,964
				2,339,880
Consultants (Note b)	7 May 2008	7 May 2008 to 6 May 2018	HK$4.523	33,675,300
				46,449,780
Exercisable at the end of the year				46,449,780

Notes:

a. The initial exercise prices of the share options granted on 5 March 2008 and 7 May 2008 are HK$0.18 and HK$0.143 respectively. Upon the share consolidation became effective on 25 June 2009 and the open offer and the related bonus element became effective on 7 September 2010, the exercise prices of share options were adjusted to HK$5.693 and HK$4.523 accordingly.

b. The consultants provided consultancy service with regard to the acquisition and operation of INPAX Group.

The remaining contractual life and weighted average exercise price of the outstanding share options under Scheme 2002 is approximately 2.4 (2014: 3.4) years and HK$4.682 (2014: HK$4.682) per share respectively.

40. SHARE OPTION SCHEME (Continued)

Scheme 2012

Name	Date of grant	Exercisable period	Subscription price per share	Number of share options: Outstanding at 31 December 2014	Granted during the year	Outstanding at 31 December 2015
Directors	7 May 2014	7 May 2014 to 6 May 2024	HK$0.211	120,000,000	–	**120,000,000**
	4 November 2015	4 November 2015 to 3 November 2018	HK$0.28	–	270,000,000	**270,000,000**
				120,000,000	270,000,000	**390,000,000**
Employees	7 May 2014	7 May 2014 to 6 May 2024	HK$0.211	50,000,000	–	**50,000,000**
	4 November 2015	4 November 2015 to 3 November 2018	HK$0.28	–	280,000,000	**280,000,000**
				50,000,000	280,000,000	**330,000,000**
Consultants (Note a)	7 May 2014	7 May 2014 to 6 May 2024	HK$0.211	196,000,000	–	**196,000,000**
				366,000,000	550,000,000	**916,000,000**
Exercisable at the end of the year				366,000,000		**916,000,000**
Weighted average exercise price				HK$0.211		**HK$0.252**
Weighted average remaining contractual life				9.35 years		**5 years**

Note:

a. The consultants provided consultancy service with regard to the financing, restructuring and development of the Group.

The share options under Scheme 2012 granted during the year ended 31 December 2015 vested immediately at the date of grant.

No share options were exercised during the year ended 31 December 2015 and 31 December 2014.

40. SHARE OPTION SCHEME (Continued)

The estimated fair values of the options granted on 5 March 2008, 7 May 2008, 7 May 2014 and 4 November 2015 are approximately HK$18,086,000, HK$30,502,000, HK$42,163,000 and HK$49,194,000 respectively. The fair value of service received from the Directors and employees in return for share options granted is measured by reference to the fair value of share options granted. In the opinion of the Directors, in view of the fair value of the service received from the consultants could not be estimated reliably by the Company, the fair value of the service received from the consultants was measured indirectly by reference to the fair value of the share option granted to the consultants.

These fair values were calculated using the Black-Scholes model with Binomial Tree method. The inputs into the model were as follows:

Scheme 2002

	5 March 2008	7 May 2008
Grant date share price	HK$0.180	HK$0.138
Exercise price	HK$0.180	HK$0.143
Contractual life	10 years	10 years
Expected volatility	43.73%	44.73%
Dividend yield	0%	0%
Risk-free interest rate	2.766%	2.802%

Scheme 2012

	7 May 2014	4 November 2015
Grant date share price	HK$0.211	HK$0.2500
Exercise price	HK$0.211	HK$0.2800
Contractual life	10 years	3 years
Expected volatility	70.76%	69.85%
Dividend yield	0%	0%
Risk-free interest rate	2.073%	0.761%

Expected volatility for the options granted on 4 November 2015 was determined by using the historical volatility of the Company's share price over the previous 3 years.

Expected volatility for the options granted on 5 March 2008, 7 May 2008 and 7 May 2014 was determined by using the historical volatility of the Company's share price over the previous 5 years.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

41. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group and in funds under the control of trustees. The Group contributes 5% or HK$1,250 prior to June 2014 or HK$1,500 since June 2014 in maximum of relevant payroll costs to the MPF Scheme, which is matched by employees.

The Company's subsidiaries in the PRC is members of the state-managed retirement benefits scheme operated by the government of PRC. The retirement scheme contributions, which are based on a certain percentage of the basic salaries of the relevant subsidiary's employees, are charged to the consolidated statement of profit or loss and other comprehensive income in the period to which they relate and represent the amount of contributions payable by the subsidiary to the scheme. The only obligation of the Group with respect to the retirement benefits scheme operated by the government of PRC is to make the required contributions under the scheme.

The retirement benefit cost charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid and payable to the scheme by the Group at rate specified in the rules of the scheme.

42. LITIGATIONS AND CONTINGENT LIABILITIES

(a) At 31 December 2015, the Group has not paid the social security fund for and on behalf of its employees which expose the Group to the risk of being imposed the penalty by the relevant government authority. The social security fund accrued up to 31 December 2015 of approximately HK$39,681,000 (equivalent to RMB33,628,000) in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statement of financial position (2014: approximately HK$40,683,000 (equivalent to RMB32,546,000)).

A repayment agreement was signed between Jiangxi Shipbuilding, a wholly-owned subsidiary of the Company and the relevant government authority on 26 January 2015 in respect of the settlement of the unpaid social security fund. Per the agreement, all outstanding amounts should be repaid before December 2019. The Directors considered that if the Group could settle the unpaid social security fund according to the repayment agreement, no penalty would be imposed by the relevant government authority.

(b) At 31 December 2015, the Group has not paid the housing provident fund contributions for and on behalf of its employees which expose the Group to the risk of being imposed the penalty by the relevant government authority. The housing provident fund contributions accrued up to 31 December 2015 of approximately HK$6,798,000 (equivalent to RMB5,761,000) in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statement of financial position (2014: approximately HK$7,210,000 (equivalent to RMB5,768,000)).

The Directors are of the opinion that the possibility to the risk of being imposed the penalty by the relevant government authority is remote.

42. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(c) The Company had recognised the provision in relation to the litigations of approximately RMB10,611,000 (2014: RMB8,032,000) under "Trade, bills and other payables" in the consolidated statement of financial position as at 31 December 2015, details are set out as follows:

(i) In November 2015, a supplier filed its writ to 九江仲裁委員會 against Jiangxi Shipbuilding. It was stated in the writ that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,164,000 and the relevant overdue interests to the plaintiff for payment of providing gas services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payment and the relevant interests accrued up to 31 December 2015 of approximately RMB4,289,000 in aggregate, were recorded under "Trade, bills and other payables" in the consolidated statement of financial position.

(ii) In November 2015, a contractor filed its writ to 上海市金山區人民法院 against Jiangxi Shipbuilding in relation to Jiangxi Shipbuilding had failed to pay a principal of approximately RMB1,372,000 and the relevant overdue interests to the plaintiff for payment of the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payments and the relevant interests accrued up to 31 December 2015 of approximately RMB1,722,000 in aggregate, were recorded under "Trade, bills and other payables" in the consolidated statement of financial position.

(iii) In December 2014, a contractor filed its writ to 武漢海事法院 against Jiangxi Shipbuilding. It was stated in the writ that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,220,000 and the relevant overdue interests to the plaintiff for payment of the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. This litigation is still in arbitration at 31 December 2015. At the end of the reporting period, the principal payment and the relevant interests accrued up to 31 December 2015 of approximately RMB4,600,000 in aggregate was recorded under "Trade, bills and other payables" in the consolidated statement of financial position.

(iv) In December 2014, a supplier filed its writ with 中國國際經濟貿易仲裁委員會 against Jiangxi Shipbuilding in relation to Jiangxi Shipbuilding had failed to pay RMB3,812,000 for purchase of paint and the related delivery charges. At the end of the reporting period, the principal payments and the relevant interests accrued up to 31 December 2014 of approximately RMB3,812,000 in aggregate, were recorded under "Trade, bills and other payables" in the consolidated statement of financial position. The litigation was settled and payables were fully settled during the year ended 31 December 2015.

42. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(d) On 3 December 2015, Merge and other shareholders of Zhejiang Ocean as counter guarantors (collectively referred to the "Counter Guarantors") entered into the counter guarantee agreement with Zhoushan Marine Comprehensive Development and Investment Co., Ltd*（舟山海洋綜合開發投資有限公司）(the "Guarantor"), pursuant to which the Counter Guarantors shall, in proportion to their respective shareholding in Zhejiang Ocean and upon demand of the Guarantor, indemnify the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under any guarantee given or to be given by the Guarantor in favour of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020 in respect of loan agreements and asset securitisation agreements entered into by Zhejiang Ocean (the "Guarantee"), up to an aggregate amount of RMB900,000,000 (equivalent to approximately HK$1,107,000,000), together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee. Accordingly, the maximum amount which Merge shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000 (equivalent to approximately HK$221,400,000).

Details of the counter-guarantee are disclosed in the Company's announcement dated 3 December 2015.

Other than disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities at 31 December 2015 and 31 December 2014.

43. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**6,188**	3,938
In the second to fifth year inclusive	**4,499**	4,497
	10,687	8,435

Operating lease payments represent rental payables by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for an average term of 2 years (2014: 3 years).

44. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions and balances with related parties during the year as follows:

(a) Amounts due to related parties

	2015 HK$'000	2014 HK$'000
Jiangxi Haoli Fanya Energy Development Co., Ltd. ("Haoli Energy") (Note i)	**3,711**	23,037
Mr. Zha Jiu Peng ("Mr. Zha") (Note ii)		
– advanced loan	**–**	364
– consideration payable for the acquisition of Jiujiang Jianglian and accrued salaries	**–**	133
Mr. Wu Ge ("Mr. Wu") (Note ii)		
– advanced loan	**27**	2,665
– consideration payable for the acquisition of Jiujiang Jianglian and accrued salaries	**425**	88
	4,163	26,287

(b) Amounts due to directors

	2015 HK$'000	2014 HK$'000
Mr. Li Ming ("Mr. Li") (Note iii)	**47**	127
Mr. Zhang Shi Hong ("Mr. Zhang") (Note iv)	**50**	–
Mr. Wang San Long ("Mr. Wang") (Note v)		
– advanced loan	**–**	2,404
– consideration payable for the acquisition of Jiujiang Jianglian and accrued salaries	**500**	223
	597	2,754

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

	2015 HK$'000	2014 HK$'000
Interest expenses and guarantee fee paid and payable to Haoli Energy (Note i)	881	4,363
Interest expenses paid and payable to Mr. Zha (Note ii)	–	47
Interest expenses paid and payable to Mr. Wu (Note ii)	–	387
Interest expenses paid and payable to Mr. Wang (Note v)	85	367
	966	5,164

Notes:

(i) The legal representative of Haoli Energy is Mr. Zhang. Mr. Zhang is the executive director of the Company. The amount due to Haoli Energy is unsecured, interest-bearing at 14.4% per annum and repayable on demand.

During the year ended 31 December 2014, the Group paid guarantee fee to Haoli Energy which provide guarantee to secure the bank borrowings of RMB107,000,000. The guarantee fee is charged on 1% of the bank borrowings.

(ii) Mr. Zha and Mr. Wu are the senior management of the Group. During the year ended 31 December 2014, the advanced loans are unsecured, interest-bearing at 15% per annum and repayable within one year.

Other balances of amounts due to Mr. Zha and Mr. Wu are unsecured, interest-free and repayable on demand.

During the year ended 31 December 2015, Mr. Zha was resigned and ceased to be a related party of the Group thereafter, and the advanced loan from Mr. Zha was fully repaid in 2015.

(iii) Mr. Li, is the executive director of the Company, the amount is unsecured, interest free and repayable on demand.

Mr. Li has provided a free counter-guarantee in favor of the Group to guarantee a facility of RMB170,000,000 (2014: RMB170,000,000) granted by banks in the PRC during the year ended 31 December 2015.

Mr. Li also provided a free guarantee to secure the payment obligations of the borrowings of RMB200,000,000 (2014: RMB60,000,000) from one of the shareholders of the Group's associate, Zhejiang Ocean during the year ended 31 December 2015.

(iv) Mr. Zhang is the executive director of the company, the amount is unsecured, interest free and repayable on demand.

For the acquisition of the entire issued share capital of Success Capture Limited, Pacific Greatest Limited, a company incorporated in the British Virgin Islands with limited liability, (the "Vendor") is held as to 22% by Mr. Zhang, the executive director of the Company.

(v) Mr. Wang, is the executive director of the Company, the advanced loan is unsecured, interest bearing at 15% per annum and repayable within one year.

Other balances of amount due to Mr. Wang is unsecured, interest-free and repayable on demand.

Mr. Wang also had provided a free counter-guarantee in favor of the Group to guarantee a facility of RMB277,000,000 (2014: RMB277,000,000) granted by banks in the PRC during the year ended 31 December 2015.

(d) The key management of the Group comprises all Directors and chief executives, details of their remuneration are disclosed in Note 14 to the consolidated financial statements. The remuneration of Directors and chief executives recommended by the remuneration committee having regarded to the performance of individual and market trends.

The Directors are of the view that the terms of the above related party transactions are fair and reasonable, based on normal commercial terms where no charge over the assets of the Group is created in respect of the above transactions.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		–	–
Investments in subsidiaries	(a)	707,391	300,000
		707,391	300,000
CURRENT ASSETS			
Other receivables		16	16
Loan to a subsidiary	(b)	273,474	248,400
Amounts due from subsidiaries	(a)	56,948	502,635
Investments held for trading		1,952	3,636
Bank balances and cash		3,904	1,071
		336,294	755,758
CURRENT LIABILITIES			
Other payables		21,740	43,677
Amount due to a subsidiary	(a)	–	110,034
Convertible bonds payable		248,609	–
Promissory notes payable		–	–
		270,349	153,711
NET CURRENT ASSETS		65,945	602,047
TOTAL ASSETS LESS CURRENT LIABILITIES		773,336	902,047
NON-CURRENT LIABILITIES			
Convertible bonds payable		45,123	572,935
Contingent consideration payable		315,740	–
Financial guarantee		190,720	190,720
		551,583	763,655
NET ASSETS		221,753	138,392
CAPITAL AND RESERVES			
Share capital		597,899	376,536
Reserves	(c)	(376,146)	(238,144)
		221,753	138,392

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

LI Ming
Director

ZHANG Shi Hong
Director

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) (i) **Investments in subsidiaries**

	2015 HK'000	2014 HK'000
Unlisted investment, at cost	3,775,078	3,367,687
Less: Accumulated provision for impairment	(3,067,687)	(3,067,687)
	707,391	300,000

(ii) **Amounts due from subsidiaries**

	2015 HK'000	2014 HK'000
Amounts due from subsidiaries	225,549	671,236
Less: Accumulated provision for impairment	(168,601)	(168,601)
	56,948	502,635

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(iii) **Amount due to a subsidiary**

Amount due to a subsidiary is unsecured, interest free and repayable on demand.

(b) During the year ended 31 December 2015, a loan of HK$273,474,000 (equivalent to HK$153,114,000 and RMB102,000,000) (2014: HK$248,400,000 (equivalent to HK$80,000,000 and RMB134,000,000)) was granted to Jiangxi Shipbuilding by the Company, in which, HK$43,104,000 (2014: HK$20,000,000) is unsecured, interest free and repayable within one year and HK$230,370,000 (equivalent to HK$110,010,000 and RMB102,000,000) (2014: HK$228,400,000 (equivalent to HK$60,000,000 and RMB134,000,000)) is unsecured, interest bearing at range from 5% to 7.5% per annum and repayable within one year.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(c) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000 (Note 33)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	351,212	3,368,411	43,693	22,970	(4,553,739)	(767,453)
Loss for the year, representing total comprehensive expenses for the year	–	–	–	–	(170,642)	(170,642)
Recognition of equity component of convertible bonds payable	–	–	–	218,135	–	218,135
Issuance of shares upon conversion of CBV	204,900	–	–	–	–	204,900
Issuance of shares upon conversion of CBIV	73,249	–	–	(22,970)	–	50,279
Issuance of shares upon conversion of CBVI	215,887	–	–	(61,514)	–	154,373
Subscription of shares	30,210	–	–	–	–	30,210
Transaction costs attributable to issuance of shares	(109)	–	–	–	–	(109)
Recognition of equity-settled share-based payments	–	–	42,163	–	–	42,163
At 31 December 2014	875,349	3,368,411	85,856	156,621	(4,724,381)	(238,144)

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(c) **Reserves** (Continued)

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000 (Note 33)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	875,349	3,368,411	85,856	156,621	(4,724,381)	(238,144)
Loss for the year, representing total comprehensive expenses for the year	–	–	–	–	(796,632)	(796,632)
Recognition of equity component of convertible bonds payable	–	–	–	20,518	–	20,518
Issuance of shares upon conversion of CBVI	530,707	–	–	(145,278)	–	385,429
Issuance of shares upon conversion of CBVII	47,124	–	–	(20,518)	–	26,606
Issuance of shares for the acquisition of subsidiaries	53,198	–	–	–	–	53,198
Issuance of shares for settlement of loans	123,685	–	–	–	–	123,685
Recognition of equity-settled share-based payments	–	–	49,194	–	–	49,194
At 31 December 2015	**1,630,063**	**3,368,411**	**135,050**	**11,343**	**(5,521,013)**	**(376,146)**

46. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2015 and 31 December 2014 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued share capital	Proportion of ownership interest held by the Company 2015 Directly %	2015 Indirectly %	2014 Directly %	2014 Indirectly %	Proportion of voting power held by the Company 2015 Directly %	2015 Indirectly %	2014 Directly %	2014 Indirectly %	Principal activities
INPAX Technology Limited	British Virgin Islands*	50,000 ordinary shares of USD1 each	100	–	100	–	100	–	100	–	Investment holding
Merge Limited	Hong Kong	300,000,000 ordinary shares of HK$1 each	100	–	100	–	100	–	100	–	Trading and investment holding
China Ocean Shipbuilding Holdings Limited	British Virgin Islands*	1 ordinary share of USD1 each	100	–	100	–	100	–	100	–	Investment holding

46. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries at 31 December 2015 and 31 December 2014 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ operation	Issued share capital	Proportion of ownership interest held by the Company 2015 Directly %	2015 Indirectly %	2014 Directly %	2014 Indirectly %	Proportion of voting power held by the Company 2015 Directly %	2015 Indirectly %	2014 Directly %	2014 Indirectly %	Principal activities
China Ocean Natural Gas Holdings Limited (Formerly known as Smart Victor Holding Limited)	British Virgin Islands*	1 ordinary share of USD1 each	100	–	100	–	100	–	100	–	Investment holding
China Ocean Shipbuilding Services Limited	Hong Kong	1 ordinary share of HK$1 each	–	100	–	100	–	100	–	100	Inactive
China Ocean Shipbuilding (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1 each	–	100	–	100	–	100	–	100	Investment holding and sale agent for shipbuilding
China Ocean (LNG) Limited (Formerly known as Golden Device Limited)	Hong Kong	1 ordinary share of HK$1 each	–	100	–	100	–	100	–	100	Inactive
Jiangxi Jiangzhou Union Shipbuilding Co., Ltd	PRC**	USD59,000,000 paid-up registered capital	–	100	–	100	–	100	–	100	Manufacturing metal vessel, vessel ancillary products and reparation of vessels
九江金湖裝備製造有限公司 (Formerly known as 九江江聯船舶重工有限公司 Jiujiang Jianglian Shipping Heavy Industry Co., Ltd.)	PRC#	RMB30,000,000 paid-up registered capital	–	100	–	100	–	100	–	100	Metal structure and component manufacturing
China Ocean Shipbuilding (Shenzhen) Financial Leasing Company Limited	PRC**	RMB200,000,000 paid-up registered capital	–	100	–	100	–	100	–	100	Provision of financial leasing, acquisition and sale and leaseback of fixed assets and advisory services, and business factoring in the PRC
江西金巢新能源發展有限公司	PRC	RMB3,000,000 paid-up registered capital	–	100	–	100	–	100	–	100	Development of new energy technology and energy conservation facilities
Brilliant Plus Holdings Limited (Note b)	British Virgin Islands*	1 ordinary share of USD1 each	100	–	–	–	100	–	–	–	Investment holding
Power On Investment Limited (Note b)	British Virgin Islands*	1 ordinary share of USD1 each	100	–	–	–	100	–	–	–	Investment holding
China Ocean Prosperity Logistic Limited (Note b)	Hong Kong	1 ordinary share of HK$1 each	–	100	–	–	–	100	–	–	Import and export electronic devices

46. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries at 31 December 2015 and 31 December 2014 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ operation	Issued share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2015		2014		2015		2014		
			Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	
中海物貿（深圳）有限公司 (Note b)	PRC**	RMB10,000,000 paid-up registered capital	–	100	–	–	–	100	–	–	Domestic trade, import and export business, supply chain management and other machinery and equipment leasing
Power On Heavy Lift 1071 Limited (Note b)	Marshall Islands *	1 ordinary share of USD1 each	–	100	–	–	–	100	–	–	Investment holding
Power On Heavy Lift 1072 Limited (Note b)	Marshall Islands *	1 ordinary share of USD1 each	–	100	–	–	–	100	–	–	Investment holding
Success Capture Limited (Note a)	British Virgin Islands *	10,000 ordinary share of USD1 each	–	100	–	–	–	100	–	–	Investment holding
Shandong Ruitong (Hong Kong) Parking Management Services Company Limited (Note a)	Hong Kong	10,000 ordinary share of HK$1 each	–	100	–	–	–	100	–	–	Investment holding
Liaochen Dereton Industrial Development Co. Ltd (Note a)	PRC**	USD3,500,000 paid-up registered capital	–	100	–	–	–	100	–	–	Investment holding
Shandong Dereton Automotive Parking Equipment Co. Ltd (Note a)	PRC	RMB30,000,000 paid-up registered capital	–	100	–	–	–	100	–	–	Designing, manufacturing and installation of intelligent automotive parking equipment in the PRC
Shenzhen Shanling Automotive Electronic Technology Co. Ltd (Note a)	PRC	RMB5,000,000 paid-up registered capital	–	100	–	–	–	100	–	–	Operating of "Internet of Vehicles "and designing and manufacturing of electronic automotive devices in the PRC
Jiangxi Anlianshang Parkig Management Service Co. Ltd (Note a)	PRC	RMB1,000,000 paid-up registered capital	–	60	–	–	–	60	–	–	Investment and management of car parks
Shandong Anlianshang Parking Industry Co. Ltd (Note a)	PRC	RMB1,000,000 paid-up registered capital	–	60	–	–	–	60	–	–	Investment and management of car parks
九江抱樸資產管理有限公司 (Note b and c)	PRC	RMB2,000,000 unpaid registered capital	–	20	–	–	–	20	–	–	Consulting and advisory services

46. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries at 31 December 2015 and 31 December 2014 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ operation	Issued share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2015		2014		2015		2014		
			Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	
China Ocean Shipbuilding Leasing No.1 (Shenzhen) Co., Ltd (Note b)	PRC	RMB100,000 unpaid registered capital	–	100	–	–	–	100	–	–	Provision of financial leasing, maintenance of leased property, leasing business advice rental property, acquisition of leased property from foreign countries
China Ocean Shipbuilding Leasing No.2 (Shenzhen) Co., Ltd (Note b)	PRC	RMB100,000 unpaid registered capital	–	100	–	–	–	100	–	–	Provision of financial leasing, maintenance of leased property, leasing business advice rental property, acquisition of leased property from foreign countries

* The companies are engaged in investment holding and have no specific principal place of operation.

** The companies are registered in the form of wholly foreign owned enterprises.

Jiujiang Jianglian is controlled by the Company through contractual agreements.

Notes:

a) It was a newly acquired company during the year ended 31 December 2015.

b) It was a newly incorporated company during the year ended 31 December 2015.

c) 中海物貿（深圳）有限公司, an indirect wholly-owned subsidiary of the Company, have 20% equity interests in 九江抱樸 and able to exercise control over 九江抱樸 because it appointed three out of five members of 九江抱樸.

None of the subsidiaries had any debt securities at 31 December 2015 and 2014 or at any time during both years.

47. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 January 2016, the amount of RMB13.5 million was hold in custody by a PRC bank for the guarantee provided by the Group to discharge the borrowing of a third party granted from the bank.

(b) 浙江千島融資租賃有限公司 ("千島融資租賃") is a company established in PRC with limited liability with the registered capital of USD30 million on 4 January 2016. Merge, an directly wholly-owned subsidiary of the Company, contributed USD7.5 million which represented 25% of registered capital in 千島融資租賃. 千島融資租賃 is principally engaged in the business of finance leasing services. As the Group has the right to appoint one out of five directors of 千島融資租賃, as such, 千島融資租賃 would be the associate of the Group.

(c) On 18 March 2016 (as supplemented on the Company's announcement dated 21 March 2016), China Ocean (LNG) Limited ("China LNG"), an indirect wholly-owned subsidiary of the Company, entered into the joint venture agreement with 九江抱樸資產管理有限公司 ("九江抱樸"), a partnership enterprise established in PRC, and investors to contribute RMB505,000,000 in aggregate to form a joint venture, Jiangxi Riverside Industry Development and Venture Capital Investment Fund（江西沿江產業發展創業投資企業）(the "Joint Venture").

Given (i) China LNG will be entitled to appoint two of the five members in the management committee of the Joint Venture; and (ii) 九江抱樸 will be entitled to appoint another two of the five members in the management committee of the Joint Venture. The Group will de facto control the majority of the management committee of the Joint Venture. As such, the Joint Venture will become a subsidiary of the Company and its result would be consolidated into the Group's consolidated financial statements.

(d) On 22 March 2016, the Group entered into the termination agreement with vendor, in which they agreed to terminate the equity transfer agreements dated 25 June 2015 regarding to the acquisition of 23% and 24% equity interest of Jiangxi Petrochina Kunlun Gas Co., Ltd. respectively. Pursuant to the termination agreement with effect from 22 March 2016, all the legal obligations and liabilities of the parties under the equity transfer agreements shall be fully discharged.

48. DIVIDEND

No dividends were paid or proposed for ordinary shareholders of the Company during 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

Financial Summary

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
LOSS FOR THE YEAR	**(500,813)**	(633,177)	(337,440)	(344,101)	(542,559)

	At 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**2,321,824**	1,859,744	1,653,894	2,188,314	3,169,282
TOTAL LIABILITIES	**(2,708,596)**	(2,638,022)	(2,691,096)	(2,911,388)	(3,570,677)
NET LIABILITIES	**(386,772)**	(778,278)	(1,037,202)	(723,074)	(401,395)