



中國海景控股有限公司
Sino Haijing Holdings Limited

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 01106)

2015
Annual Report

This report, in both English and Chinese versions, is available on the Company's website at <http://www.sinohaijing.com> (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Share Registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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Corporate Information

EXECUTIVE DIRECTORS

Ms. Hu Jianping
Mr. Lam Chi Keung
Mr. Lam Wai Hung
Ms. Li Zhenzhen
Ms. Szeto Wai Ling Virginia

NON-EXECUTIVE DIRECTOR

Mr. Fung Wah Bong Peter (*Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Foo Tin Chung Victor
Mr. Lee Siu Woo
Mr. Pang Hong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3701-10, 37th Floor
Jardine House, 1 Connaught Place
Central, Hong Kong

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond

AUTHORISED REPRESENTATIVES

Mr. Lam Chi Keung
Mr. Tsui Siu Hung Raymond

AUDIT COMMITTEE

Mr. Foo Tin Chung Victor (*Chairman*)
Mr. Lee Siu Woo
Mr. Pang Hong

REMUNERATION COMMITTEE

Mr. Foo Tin Chung Victor (*Chairman*)
Mr. Fung Wah Bong Peter
Mr. Lee Siu Woo
Mr. Pang Hong

NOMINATION COMMITTEE

Mr. Fung Wah Bong Peter (*Chairman*)
Mr. Foo Tin Chung Victor
Mr. Lee Siu Woo
Mr. Pang Hong

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Bank Of East Asia
HSBC
Bank of China (Hefei)
Bank of Communications (Hefei)
China Merchants Bank (Qingdao)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

01106

COMPANY'S WEBSITE

<http://www.sinohaijing.com>

Directors and Senior Management

Biographical details of each of director of the Company (the “Director”) and the senior management of the Group are set out below:

DIRECTORS

EXECUTIVE DIRECTORS

Ms. Hu Jianping, aged 34, was appointed as executive Director on 30 December 2015. She graduated from Guangxi Normal University with a degree in tourist management. She is currently the vice general manager of Guilin Guangwei Wenhua Travel Cultural Industry Company Limited (桂林廣維文華旅游文化產業有限公司). She possesses management experience in various industries like real estate, finance, cultural performance etc. for more than 10 years. She also has abundant corporate management, operational working experience, and management experience on cultural performance industry.

Mr. Lam Chi Keung, aged 45, was appointed as executive Director on 18 August 2015. He holds a bachelor’s degree of science in accounting awarded by Brigham Young University-Hawaii in 1996. Mr. Lam also obtained a master’s degree of science in e-Commerce from The Chinese University of Hong Kong in 2002. Mr. Lam is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lam has around 18 years of experience in accounting and corporate finance. Mr. Lam is currently an independent non-executive director of Universe International Holdings Limited (Stock Code: 1046) and Convoy Financial Holdings Limited (Stock Code: 1019) whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Mr. Lam was the financial controller and company secretary of Ngai Shun Holdings Limited (Stock Code: 1246) between January and October 2014 whose shares are listed on the main board of the Stock Exchange.

Mr. Lam Wai Hung, aged 36, was appointed as executive Director on 19 March 2015. He holds a Bachelor of Accounting and Finance Degree from Leeds Metropolitan University and is a member of the Association of Chartered Certified Accountants. He had been working in various companies listed on the Stock Exchange, and was responsible for works related to financial management, corporate finance, merger and acquisition, investor relationship and corporate governance. Mr. Lam is currently an executive director of Jinheng Automotive Safety Technology Holdings Limited (Stock Code: 872), a company listed on the main board of the Stock Exchange. Mr. Lam was a former company secretary and authorized representative of GET Holdings Limited (Former Name: M Dream Inworld Limited) (Stock Code: 8100), a company listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange from 31 May 2011 to 1 August 2013.

Ms. Li Zhenzhen, aged 31, was appointed as executive Director on 30 December 2015. She graduated from the University of Guangxi with a bachelor degree. Ms. Li has been working in senior role in listed company for many years and she has good knowledge of corporate financing and business operation. Ms. Li is currently an independent non-executive director of Ding He Mining Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 705), and also the chairman of board of supervisors of Guanghe Landscape Culture Communication Co., Ltd, Shanxi, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600234.SH).

Directors and Senior Management

Ms. Szeto Wai Ling Virginia, aged 53, was appointed as executive Director on 19 March 2015. She is a practicing solicitor in Hong Kong and a solicitor of the Supreme Court of England and Wales. She is currently the sole practitioner of Szeto Virginia & Co, Solicitors. Ms. Szeto holds a Bachelor of Laws Degree from Oxford Brookes University and a Master of Science Degree in Criminal Justice Policy from The London School of Economics and Political Science. She was a former independent non-executive director of SMI Culture Group Holdings Limited (Former Name: Qin Jia Yuan Media Services Company Limited) (Stock Code: 2366), a company listed on the main board of the Stock Exchange from 31 August 2012 to 27 August 2013. Ms. Szeto was also the Head of Legal Department of New World Development Company Limited (Stock Code: 0017), a company listed on the main board of the Stock Exchange. She has been an independent non-executive director of Meike International Holdings Limited (Stock Code: 953), a company listed on the main board of the Stock Exchange, since 29 January 2016.

NON-EXECUTIVE DIRECTOR

Mr. Fung Wah Bong Peter, aged 65, was appointed as non-executive Director on 24 April 2015 and the chairman of the Company on 30 April 2015. He has over 30 years of financial and managerial experience in garment manufacturing and retailing business and has solid experience in cost accounting and trade finance. He is the founder and shareholder of a well-established garment manufacturer in Hong Kong and the People's Republic of China (the "PRC").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Foo Tin Chung Victor, aged 47, was appointed as independent non-executive Director on 24 April 2015. He is the company secretary of Huisheng International Holdings Limited (Stock Code: 1340) since July 2013 and China Grand Pharmaceutical and Healthcare Holdings Limited (Stock Code: 512) since September 2011. He has been an independent non-executive director of Ngai Shun Holdings Limited (Stock Code: 1246) since March 2015. The shares of the abovementioned companies are listed on the main board of the Stock Exchange. Mr. Foo has been an independent non-executive director of Shandong Luoxin Pharmaceutical Group Stock Company Limited (formerly known as Shandong Luoxin Pharmacy Stock Co., Ltd.) (Stock Code: 8058) since April 2005, the shares of which are listed on the GEM of the Stock Exchange. Mr. Foo obtained a bachelor degree of commerce in accounting and information system from the University of New South Wales in Australia in April 1994 and a master degree in business administration from the Australian Graduate School of Management in July 2007. He has been a member of the CPA Australia since January 1998 and an associate member of the Hong Kong Institute of Certified Public Accountants since July 1999. Mr. Foo was the executive director and company secretary of Jinheng Automotive Safety Technology Holdings Limited (Stock Code: 872) from June 2004 to September 2014.

Directors and Senior Management

Mr. Pang Hong, aged 62, was appointed as independent non-executive Director on 14 April 2015. He had worked for various enterprises and government departments in China for over 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. He is currently an independent non-executive director of SMI Holdings Group Limited (Stock Code: 198), a company listed on the main board of the Stock Exchange. Mr. Pang was also a former executive director of PacMOS Technologies Holdings Limited (Stock Code: 1010) and a former independent non-executive director of Dragonite International Limited (Stock Code: 329), the shares of which are listed on the main board of the Stock Exchange.

Mr. Lee Siu Woo, aged 60, was appointed as independent non-executive Director on 5 June 2015. He is an experienced professional financial executive, who has more than 25 years of all rounded working experience in banking and finance, investment banking, investment services and direct investments in Hong Kong, China and the United States. He was the executive Director in Landing International Development Limited which is the listed company in the Main Board of the Stock Exchange (Stock Code: 582). He was also working as a senior executive/consultant for a number of respectable international financial institutions, Government bodies, private and listed companies, such as, Citibank Group, Merrill Lynch Asia Pacific Ltd., the Hong Kong Special Administrative Region Government Land Fund Trust and etc. Currently, he is acting as a business consultant to a number of private and listed companies in the area of properties investments, media and commercial services.

SENIOR MANAGEMENT

Mr. Tsui Siu Hung Raymond, aged 39, is the company secretary of the Company. Mr. Tsui obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in Hong Kong, in July 1999. His major subject was professional accountancy. He is a fellow member of the Association of the Chartered Certified Accountants and a fellow member of the HKICPA. Mr. Tsui has been one of the partners of Tsui & Partners CPA Limited, a registered firm of certified public accountants (practising) in Hong Kong since March 2014, and currently the company secretary of the following companies listed on the Stock Exchange and the GEM of the Stock Exchange: China Healthcare Holdings Limited (Stock Code: 673) since March 2009, Vongroup Limited (Stock Code: 318) since February 2010 and Guru Online (Holdings) Limited (Stock Code: 8121) since May 2015, respectively. He joined the Group in December 2015.

Directors' Business Review

The board of directors (the "Board") of Sino Haijing Holdings Limited (the "Company") herein presents the audited annual results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The principal activities of the Group mainly focus on the production and sale of expanded polystyrene ("EPS") packaging products for household electrical appliances in the PRC ("Packaging Business"). In order to broaden the Group's investment strategy, during the year, the Group has engaged in the securities investment segment ("Securities Investments").

PACKAGING BUSINESS

For the year under review, the revenue from Packaging Business was approximately HK\$499.9 million, representing a decrease of 11.3% as compared to approximately HK\$563.6 million for the corresponding year in 2014.

Gross profit of the Packaging Business was approximately HK\$91.7 million for the year 2015, representing an increase of approximately 14.1% as compared to approximately HK\$80.4 million for the corresponding year in 2014. The overall gross profit margin increased from 14.3% for 2014 to 18.3%. The increase in gross profit margin was mainly due to the decrease in material cost during the year. For the year under review, the Packaging Business recorded segment profit of approximately HK\$21.9 million (2014: approximately HK\$3.1 million).

SECURITIES INVESTMENTS

In view of the positive investment sentiment in the stock market of Hong Kong in the middle of year 2015, the Group has taken an active and optimistic approach in gaining short term investment profits and developed the Securities Investment segment. The Group has invested in a portfolio of listed securities in Hong Kong and in the PRC and also invested in a non-listed investment fund. The investments are designated and accounted for as financial assets at fair value through profit or loss in the consolidated financial statements.

As at 31 December 2015, the Group managed a portfolio of listed securities with aggregate market value of approximately HK\$128.9 million (2014: approximately HK\$1.9 million) and the carrying value of the non-listed investment funds was approximately HK\$33.7 million (2014: Nil). For the year under review, the Group recorded a loss in the Securities Investments segment of approximately HK\$57.6 million (2014: segment profit approximately HK\$0.1 million).

The Board will closely monitor the performance of the investment portfolio and will diversify the investment portfolio across various segments of the market.

FINANCE COSTS

Finance costs for the year 2015 were approximately HK\$23.5 million, representing an increase of approximately 80.8% as compared to approximately HK\$13.0 million for the corresponding year in 2014. The increase of finance costs was mainly due to the interest accrued on the notes payable with principal amount of HK\$280.0 million with interest rate at 8% per annum which were issued in April 2015.

Directors' Business Review

LOSS FOR THE YEAR

For the year under review, loss attributable to equity holders of the Company was approximately HK\$68.0 million representing an increase of approximately 486.2% as compared to approximately of HK\$11.6 million for the corresponding year in 2014.

BUSINESS REVIEW AND OUTLOOK

The Group commits to provide excellent integrated packaging solutions to its customers including design, developing, testing and production of cushion packaging products. During the year 2015, the Group still exposed to a tough operating environment due to the overall slowdown of economic growth and the continuous downturn of the property market in the PRC, resulting in significantly reduced demand for household electrical appliances. Although the profit margin of the Packaging Business improved during the year, the management expects the cost of raw materials would rise again with the oil price rebound recently and the profit margin may be adversely affected in the ensuing year.

Looking forward, the Group will focus on upgrading the production technology, improving the cost control, strengthening the internal management and broadening the customer base. The Group will also allocate resources to enhance its production technology management, improve its production processes, including to improve mould design and management, streamline the production processes, reduce the consumption of water and electricity, reduce scrap products, improve the product quality and to enhance the overall cost and production efficiency. The Group will also continue to keep its inventory at reasonably low level in order to enhance profitability.

To diversify the business of the Group, the Board has been considering and exploring for appropriate opportunities for different investment projects, including, but not limited to the tourism and travel industry, entertainment and cultural industry and also to establish a money lending business. The Group has been granted for a money lender licence in Hong Kong under the Money Lenders Ordinance and intends to commence the money lending business as one of its principal businesses. For the other business opportunities, the Group has subsequently entered into the following projects as discussed below after the year end.

On 15 January 2016, the Company and an independent third party entered into a letter of intent (the "Letter of Intent") in relation to a proposed acquisition 95% issued share capital of Incola Travel Limited, which is principally engaged in the business of travel agency, at a consideration of not exceed HK\$5.7 million. A refundable deposit of HK\$500,000 was paid upon signing the Letter of Intent. Up to the date of this report, no formal agreement was made. Details of the proposed acquisition were set out in the announcement of the Company dated 15 January 2016.

On 23 January 2016, the Group entered in a formal agreement with Cherry Square Limited to acquire 85% shareholding in Master Race Limited and its indirectly wholly-owned PRC subsidiaries at a consideration of HK\$135 million. The indirectly wholly-owned PRC subsidiary of Master Race Limited, which is principally engaged in ticketing agency business, corporate advisory, business service and advertising business, was granted an exclusive ticketing agency right for the cultural show namely Impression Liu Sanjie* (印象劉三姐) by 桂林廣維文華旅遊文化產業有限公司 for a term of 20 years. The transaction has been completed on 24 March 2016. Details of the transaction were set out in the announcements of the Company dated 23 January 2016 and 24 March 2016.

Directors' Business Review

On 4 February 2016, the Group entered into a subscription agreement (the "Subscription Agreement") with Yong Tai Berhad ("Yong Tai"), a company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad and principally engaged in manufacturing and dyeing of all types of fabric and property development. Pursuant to the Subscription Agreement, the Group has conditionally agreed to subscribe for 150,000,000 new ordinary shares of Yong Tai and 200,000,000 irredeemable preference shares in Yong Tai ("ICPS") at the issue price of RM0.80 (equivalent to approximately HK\$1.48) per subscription share and ICPS respectively. The aggregate consideration for the subscription shares and the ICPS are RM280 million (equivalent to approximately HK\$518 million). Upon Completion, (i) assuming the exercise of all conversion rights attached to existing equity convertible securities issued by Yong Tai, the completion of Yong Tai other funding raising activities and the full conversion of the ICPS into Yong Tai shares, the Group will be interested in approximately 50.3% of the enlarged share capital of Yong Tai and Yong Tai will become a subsidiary of the Company and the financial information of the group of Yong Tai will be consolidated into the accounts of the Group; (ii) assuming the exercise of all conversion rights attached to existing equity convertible securities issued by Yong Tai, the completion of Yong Tai other fund raising activities but none of the ICPS were converted into Yong Tai shares, the Group will be interested in approximately 30.3% of the enlarged share capital of Yong Tai and Yong Tai will become an associated company of the Company. The details of the proposed subscription were set out in the announcement of the Company dated 5 February 2016.

With the concerted efforts of the management and staff of the Group, we are confident and optimistic about the Group's future growth and outlook.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's current assets amounted to approximately HK\$609.5 million (2014: approximately HK\$424.4 million) of which approximately HK\$162.6 million (2014: approximately HK\$1.9 million) were financial assets at fair value through profit or loss and approximately HK\$90.1 million (2014: approximately HK\$9.2 million) were bank balances and cash. The Group's current liabilities amounted to approximately HK\$236.0 million (2014: approximately HK\$345.2 million) which mainly comprised its trade and other payables and interest-bearing bank and other borrowings, while the Group's non-current liabilities amounted to approximately HK\$282.4 million (2014: approximately HK\$2.6 million) which mainly comprised of the interest-bearing notes payables.

As at 31 December 2015, the Group's interest-bearing bank and other borrowings of approximately HK\$134.4 million (2014: approximately HK\$242.6 million) were repayable within one year, which were secured by the Group's buildings, investment properties, lease premium for land, trade and other receivables and pledged bank deposits. All bank and other borrowings as at 31 December 2015 were denominated in Renminbi ("RMB") (2014: HK\$167.6 million and HK\$75 million were denominated in RMB and HK\$ respectively). As at 31 December 2015, bank and other borrowings of approximately HK\$104.7 million (2014: HK\$198.5 million) and HK\$29.7 million (2014: HK\$44.1 million) were interest-bearing at fixed or variable interest rates of 4.79% to 6.72% and 4.79% to 6.16% (2014: 1.98% to 7.8% and 6.16%) respectively.

Directors' Business Review

As at 31 December 2015, the Group also had notes with principal of HK\$280 million payable which were interest-bearing at 8% per annum, maturing on 21 April 2017 (2014: nil). The notes were secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company.

GEARING RATIO

As at 31 December 2015, the total tangible assets of the Group were approximately HK\$866.1 million (2014: approximately HK\$630.6 million) whereas the total liabilities were approximately HK\$518.4 million (2014: approximately HK\$347.8 million). The gearing ratio (total liabilities divided by total tangible assets) was approximately 59.9% (2014: approximately 55.2%).

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

PLACING OF SHARES UNDER GENERAL MANDATE COMPLETED IN MAY 2015

On 21 May 2015, the Company has issued and allotted 49,860,000 ordinary shares at the placing price of HK\$1.268 each to not less than six allottees. The closing market price was HK\$1.55 per share of the Company on the date on which the terms of the issue were fixed. The net proceeds of approximately HK\$61.3 million (approximately HK\$1.230 per share) was intended to use for developing potential new business and for general working capital of the Group.

PLACING OF SHARES UNDER GENERAL MANDATE COMPLETED IN AUGUST 2015

On 12 August 2015, the Company has issued and allotted 59,830,000 ordinary shares at the placing price of HK\$1.5 each to not less than six allottees. The closing market price was HK\$1.7 per share of the Company on the date on which the terms of the issue were fixed. The net proceeds of approximately HK\$87.4 million (approximately HK\$1.5 per share) was intended to use for general working capital of the Group.

USE OF PROCEEDS FROM PLACING OF SHARES

The total net proceeds from the placing of shares during the year 2015 was approximately HK\$148.7 million.

As at 31 December 2015, approximately HK\$18.0 million, approximately HK\$107.7 million and approximately HK\$23.0 million were paid for acquisition of property, plant and equipment, used for repayment of bank borrowings (including interests) and acquired for listed securities for the Securities Investments segment respectively.

Directors' Business Review

ISSUE OF NOTES IN THE PRINCIPAL AMOUNT OF HK\$280,000,000

On 21 April 2015, the Company issued notes in the principal amount of HK\$280.0 million which carries 8% interest per annum and due on 21 April 2017. The notes are secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company which is incorporated under the laws of British Virgin Islands. The Group intends to use the net proceeds of the issuance for developing potential new business should such opportunities arise and for the working capital of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had a total of around 340 (2014: 360) staff. The Group remunerates its employees based on their performance, experience and industry practices.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. Pursuant to a share option scheme adopted on 5 June 2015 (the "Share Option Scheme"), the Board may offer to grant any employee or director of the Company for the Share Option Scheme on the basis of his or her contribution to the Group, to subscribe for shares of the Company. During the year, no options were granted under the Share Option Scheme. There was no outstanding option as at 31 December 2015.

CAPITAL STRUCTURE

As at 31 December 2015, the Group's net assets were financed by internal resources, bank and other borrowings, and notes payable.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for disclosed above, the deposits for acquisition of subsidiaries and the investments disclosed in notes 17 and 19 to the Consolidated Financial Statements, there were no significant investments held by the Group as at 31 December 2015 and material acquisitions and disposals during the year.

CAPITAL COMMITMENT

As at 31 December 2015, the group's outstanding capital commitment contracted but not provided for in the financial statements was approximately HK\$5.3 million (2014: approximately HK\$13.9 million).

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2015, the Group pledged assets with aggregate carrying value of HK\$87.5 million (2014: approximately HK\$189.6 million) to secure banking and other facilities and other borrowings and the Group has also placed an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company, to secure the notes payable.

Directors' Business Review

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

HEDGING

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

APPRECIATION

The Board would like to thank all customers, shareholders, business associates and professional advisers for their continuous support and extend its appreciation to all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group during the year.

For and on behalf of the Board

Li Zhenzhen

Executive Director

Hong Kong, 24 March 2016

Report of the Directors

The directors present herewith their annual report and the audited consolidated financial statements of Sino Haijing Holdings Limited (“the Company”) and its subsidiaries (together with the Company, “the Group”) for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group’s subsidiaries are set out in note 29 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group’s total	
	Sales	Purchases
The largest customer	38%	
Five largest customers in aggregate	77%	
The largest supplier		27%
Five largest suppliers in aggregate		66%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company’s share capital) had any interest in these major customers and suppliers.

INFORMATION OF BUSINESS REVIEW

Information of business review and future development of the Group’s businesses is set out in the section of Directors’ Business Review of this Annual Report.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 33.

The state of affairs of the Group and the Company as at 31 December 2015 are set out in the consolidated statement of financial position on pages 34 to 35 and the statement of financial position on pages 84 to 86, respectively.

The directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2015.

Report of the Directors

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for each of the last five financial years is set out on page 97.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

BANK AND OTHER BORROWINGS AND NOTES PAYABLE

Particulars of bank and other borrowings and the notes payable of the Group as at 31 December 2015 are set out in notes 24 and 26 to the consolidated financial statements respectively.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 35 and note 28 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium, contributed surplus and retained earnings, if any. Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company's reorganisation in 2003. Under the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2015, the Company's reserves available for distribution to the equity holders were HK\$285,782,000 (2014: HK\$227,516,000) representing share premium of HK\$370,907,000 and contributed surplus of HK\$117,000 net of accumulated losses of HK\$85,242,000.

Report of the Directors

DIRECTORS

The directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Ms. Hu Jianping (appointed on 30 December 2015)
Mr. Lam Chi Keung (appointed on 18 August 2015)
Mr. Lam Wai Hung (appointed on 19 March 2015)
Ms. Li Zhenzhen (appointed on 30 December 2015)
Ms. Szeto Wai Ling Virginia (appointed on 19 March 2015)
Mr. Chao Pang Fei (resigned on 30 April 2015)
Ms. Hui Hongyan (resigned on 8 June 2015)
Mr. Li Weishe (appointed on 23 October 2015 and resigned on 30 December 2015)
Ms. Lu Zhuo (appointed on 23 October 2015 and resigned on 30 December 2015)
Mr. Wang Yi (resigned on 24 April 2015)

NON-EXECUTIVE DIRECTOR

Mr. Fung Wah Bong Peter (appointed on 24 April 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Foo Tin Chung Victor (appointed on 24 April 2015)
Mr. Lee Siu Woo (appointed on 5 June 2015)
Mr. Pang Hong (appointed on 14 April 2015)
Mr. Ho Ka Wing (resigned on 24 April 2015)
Mr. Hong Jianhua (appointed on 5 February 2015 and resigned on 5 June 2015)
Mr. Li Zhiyong (resigned on 5 February 2015)
Mr. Sin Ka Man (resigned on 14 April 2015)

In accordance with Article 86(3) of the Company's articles of association, Ms. Hu Jianping, Mr. Lam Chi Keung and Ms. Li Zhenzhen who were appointed as executive Directors of the Company and Mr. Lee Siu Woo who was appointed as an independent non-executive Director of the Company will hold office until the forthcoming annual general meeting and will be eligible for re-election.

In accordance with Article 87(1) of the Company's articles of association, Mr. Lam Wai Hung and Ms. Szeto Wai Ling Virginia will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2015 and the Company considers the independent non-executive directors to be independent.

Report of the Directors

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the "Connected Transaction and Related Party Transactions" section on page 19, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY LINKED ARRANGEMENT

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 June 2015, the Company adopted a share option scheme (the "Scheme").

The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employee or director of the Company or any adviser, consultant, agent, contractor, customers and supplier of any member of the Group or whom the Board in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group.

The total number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the shares of the Company ("Shares") in issue unless approval from the Company's shareholders has been obtained. As at the date of this report, the total number of option available for issue under the Scheme is 299,160,120 Shares, representing approximately 8.33% of issued share capital.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant or grantee (including exercised and outstanding options) in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue unless approval from Company's shareholders has been obtained.

The acceptance of an option, if accepted, must be made within 21 days from the date of the offer of the offer with a non-refundable payment of HK\$1 from the grantee to the Company.

The option period shall not exceed 10 years from the date of acceptance of option. There is no specified minimum period under the Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Scheme.

Report of the Directors

The exercise price for options under the Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date of offer, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share on the date of offer.

The Scheme will remain valid for a period of 10 years commencing on 5 June 2015. During the year ended 31 December 2015, no option was granted under the Scheme. There was no outstanding option as at 31 December 2015.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme of the Company, at no time during the year was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2015, none of the Directors or the Chief Executive of the Company nor their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

Report of the Directors

LONG POSITIONS IN THE SHARES

Name	Nature of interests	Number of shares	Approximate percentage of the issued share capital of the Company %
Dragon Ocean Development Limited	Beneficial owner	830,792,040	23.14
Mr. Wu Qiaofeng	Interest in controlled corporation	830,792,040 (Note)	23.14

Note: Mr. Wu Qiaofeng held 100% of the issued share capital of Dragon Ocean Development Limited. Mr. Wu Qiaofeng is therefore deemed under the SFO to be interested in 830,792,040 shares.

COMPETING INTERESTS

As at 31 December 2015, none of the Directors or management shareholders (as defined in Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's articles of association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. There is appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

The related party transactions conducted during the year under review as disclosed in note 32 to the consolidated financial statements are de minimis transactions that are exempted from announcement and/or shareholders' approval under Chapter 14A of the Listing Rules. Save as disclosed above, none of the transactions entered into by the Group during the year constituted a connected transaction of the Group.

ENVIRONMENTAL POLICIES

The Group has adopted effective environmental measures to ensure that the operation of the Group meets the applicable local standards, rules and ethics in respect of environmental protection including waste and energy reduction and recycling of scrap materials. The Group is committed to develop a long-term and sustainable growth with the community and the environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group exposes to various risks and uncertainties in its daily operation and management. Save for the credit risk, liquidity risk, interest rate risk, currency risk and equity price risk as disclosed in note 35 to the consolidated financial statements, the Group also exposes to operation risk and market risk. The business and results of operations of both the Packaging Business and securities investments are susceptible to market volatility and economic cyclicality. In addition, as the Packaging Business is located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance and risk management policies and procedures to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Group is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. The management will ensure that the conduct of business is in conformity with the applicable laws and regulations.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognize that employees are our valuable assets and our Group provides competitive remuneration package to applicable employees. The Group also understands that it is important to maintain good relationship with business partners to meet immediate and long-term goals. During the year there was no material dispute between our Group and the business partners.

Report of the Directors

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

The financial statements for the year ended 31 December 2015 have been audited by Mazars CPA Limited, who retires and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the board

Li Zhenzhen

Executive Director

Hong Kong, 24 March 2016

Corporate Governance Report

CORPORATE GOVERNANCE DUTIES

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Company has complied with applicable code provisions of the Code for the year ended 31 December 2015, except for certain deviations which are summarized below:

CODE PROVISION A.2.7

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

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

CODE PROVISION A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. During the year under review, Mr. Ho Ka Wing and Mr. Sin Ka Man, who were independent non-executive Directors and resigned on 24 April 2015 and 14 April 2015 respectively, were not appointed for specific terms but they were subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company. However, after their resignation, all the non-executive directors (including independent non-executive directors) of Company are appointed for a specific term and subject to re-election, the Company has complied with Code A.4.1.

CODE PROVISION A.6.7

Revised Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

For the annual and extraordinary general meetings held on 5 June 2015, only one executive director attended the meetings. The rest of the board of directors could not attend the meeting due to their busy business schedules or other engagements.

The Company will endeavour to arrange the future general meeting with the presence of the non-executive director and independent non-executive directors so as to fulfill the requirement of Code Provision A.6.7.

Corporate Governance Report

CODE PROVISION E.1.2

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

An executive director of the Company had chaired the AGM and answered questions from the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact information listed on the Company's website.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 of the Code stipulates that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. All directors have participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility and provided a record of training they received for the financial period ended 31 December 2015 to the Company.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those which may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

Corporate Governance Report

All directors have fully and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board of the Company as at the date of this report comprises the following Directors:

EXECUTIVE DIRECTORS

Ms. Hu Jianping (appointed on 30 December 2015)
Mr. Lam Chi Keung (appointed on 18 August 2015)
Mr. Lam Wai Hung (appointed on 19 March 2015)
Ms. Li Zhenzhen (appointed on 30 December 2015)
Ms. Szeto Wai Ling Virginia (appointed on 19 March 2015)
Mr. Chao Pang Fei (resigned on 30 April 2015)
Ms. Hui Hongyan (resigned on 8 June 2015)
Mr. Li Weishe (appointed on 23 October 2015 and resigned on 30 December 2015)
Ms. Lu Zhuo (appointed on 23 October 2015 and resigned on 30 December 2015)
Mr. Wang Yi (resigned on 24 April 2015)

NON-EXECUTIVE DIRECTOR

Mr. Fung Wah Bong Peter (*Chairman*) (appointed on 24 April 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Foo Tin Chung Victor (appointed on 24 April 2015)
Mr. Lee Siu Woo (appointed on 5 June 2015)
Mr. Pang Hong (appointed on 14 April 2015)
Mr. Ho Ka Wing (resigned on 24 April 2015)
Mr. Hong Jianhua (appointed on 5 February 2015 and resigned on 5 June 2015)
Mr. Li Zhiyong (resigned on 5 February 2015)
Mr. Sin Ka Man (resigned on 14 April 2015)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

None of the members of the Board is related to one another.

Corporate Governance Report

In accordance with the Company's articles of association, one-third of the directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Fung Wah Bong is the chairman. The role of the chief executive officer has been performed collectively by all executive directors. The Board considers this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders of the Company as a whole.

BOARD AND BOARD COMMITTEES MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings should be held at least four times a year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2015, 31 Board meetings (4 of which were regular Board meetings), 2 Audit Committee meetings, 8 Remuneration Committee meetings, 8 Nomination Committee meetings and 3 general meetings were held.

The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings, during the year ended 31 December 2015 is set out below:

Corporate Governance Report

Name of Directors	Attendance/number of meetings held during the tenure of directorship				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors					
- Ms. Hu Jianping (appointed on 30 December 2015)	N/A	N/A	N/A	N/A	N/A
- Mr. Lam Chi Keung (appointed on 18 August 2015)	12/12	N/A	N/A	N/A	1/1
- Mr. Lam Wai Hung (appointed on 19 March 2015)	28/29	N/A	N/A	N/A	3/3
- Ms. Li Zhenzhen (appointed on 30 December 2015)	N/A	N/A	N/A	N/A	N/A
- Ms. Szeto Wai Ling, Virginia (appointed on 19 March 2015)	13/29	N/A	N/A	N/A	0/3
- Mr. Chao Pang Fei (resigned on 30 April 2015)	6/6	N/A	4/4	4/4	N/A
- Ms. Hui Hongyan (resigned on 8 June 2015)	8/13	N/A	4/5	5/6	0/2
- Mr. Li Weishe (appointed on 23 October 2015 and resigned on 30 December 2015)	1/5	N/A	N/A	N/A	0/1
- Ms. Lu Zhuo (appointed on 23 October 2015 and resigned on 30 December 2015)	2/5	N/A	N/A	N/A	0/1
- Mr. Wang Yi (resigned on 24 April 2015)	3/5	N/A	N/A	N/A	N/A
Non-executive Director					
- Mr. Fung Wah Bong Peter (Chairman) (appointed on 24 April 2015)	3/25	N/A	0/4	0/6	0/3
Independent Non-executive Directors					
- Mr. Foo Tin Chung Victor (appointed on 24 April 2015)	13/25	2/2	4/4	6/6	0/3
- Mr. Lee Siu Woo (appointed on 5 June 2015)	12/18	2/2	3/3	3/4	0/1
- Mr. Pang Hong (appointed on 14 April 2015)	17/27	2/2	3/4	5/7	0/3
- Mr. Ho Ka Wing (resigned on 24 April 2015)	4/5	1/1	3/3	3/3	N/A
- Mr. Hong Jianhua (appointed on 5 February 2015 and resigned on 5 June 2015)	3/11	1/1	2/3	2/2	0/2
- Mr. Li Zhiyong (resigned on 5 February 2015)	N/A	N/A	N/A	N/A	N/A
- Mr. Sin Ka Man (resigned on 14 April 2015)	3/3	1/1	2/2	2/3	N/A

PRACTICES AND CONDUCT OF MEETINGS

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

In general, at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Corporate Governance Report

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and opened for inspection by the directors.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

AUDIT COMMITTEE

The Company had established an Audit Committee in compliance with the Listing Rules. In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2015 up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Group.

The Audit Committee comprises Mr. Foo Tin Chung Victor, Mr. Lee Siu Woo and Mr. Pang Hong who are independent non-executive Directors of the Company. Mr. Foo Tin Chung Victor is the chairman of the Audit Committee.

Corporate Governance Report

During the year, the Audit Committee held two meetings to review and comment on the Company's 2014 annual report, 2015 interim report as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2015 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance of the Listing Rules. The primary duties of the Remuneration Committee mainly include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them.

The Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Foo Tin Chung Victor, Mr. Lee Siu Woo and Mr. Pang Hong. Mr. Foo Tin Chung Victor is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee are available on the Company's website.

Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee had held eight meetings for the year ended 31 December 2015.

For the year ended 31 December 2015, the Remuneration Committee reviewed the existing remuneration policies of the Company.

The remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration band	Number of persons
HK\$1,000,000 or below	1

Further particulars regarding Directors', chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 9 and 10 to the consolidated financial statements.

Corporate Governance Report

NOMINATION COMMITTEE

The Company established the Nomination Committee in compliance of the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced, high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Foo Tin Chung Victor, Mr. Lee Siu Woo and Mr. Pang Hong and one non-executive Director, namely, Fung Wah Bong Peter. Mr. Fung Wah Bong Peter is the chairman of the Nomination Committee.

The Board adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

The written terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and other related matters.

The Nomination Committee had held ten meetings for the year ended 31 December 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports required under the Listing Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 31 to 32.

Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company, Mr. Tsui Siu Hung, Raymond, who was appointed on 30 December 2015, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Mr. Tsui's biography is set out in the "Directors and Senior Management" section of this annual report. During the year ended 31 December 2015, Mr. Tsui undertook not less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the remuneration payable to the auditor of the Company in respect of audit and non-audit services were as follows:

Nature of services	HK\$'000
Audit services	630
Other non-audit services	62
	<hr/>
	692
	<hr/> <hr/>

INTERNAL CONTROLS

The Board has overall responsibility for the risk management and internal control systems of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining a system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review, also at least annually, of the effectiveness of the risk management and internal control systems of the Company.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

SHAREHOLDERS' RIGHTS

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

Corporate Governance Report

Enquiries of shareholders can be sent to the Company either by post to the Company's Hong Kong registered office at Suites 3701-10, 37th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. Shareholders can also make enquires with the Board directly at the general meetings.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. The Company has established a shareholders communication policy to set out the Company's procedures in providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the Company's website. The Company regards the annual general meeting of the Company as an important event and all directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 20 clear business days notice is given. The Company has complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in circulars to shareholders of the Company dispatched by the Company where applicable.

Independent Auditor's Report

To the shareholders of
Sino Haijing Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Haijing Holdings Limited (the "Company") and its subsidiaries set out on pages 33 to 96, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

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

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

OPINION

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

Certified Public Accountants
Hong Kong, 24 March 2016

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Turnover	5	529,702	563,565
REVENUE	5	499,936	563,565
Cost of sales		(408,286)	(483,145)
Gross profit		91,650	80,420
Other revenue and other (loss) income, net	7	(51,612)	6,362
Administrative and other operating expenses		(78,670)	(81,705)
(Loss) Profit from operations		(38,632)	5,077
Finance costs	8	(23,483)	(12,957)
Loss before tax	8	(62,115)	(7,880)
Income tax expense	11	(5,866)	(3,706)
Loss for the year		(67,981)	(11,586)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(15,804)	(6,904)
Total comprehensive loss for the year		(83,785)	(18,490)
Loss attributable to:			
Equity holders of the Company		(67,981)	(11,586)
Total comprehensive loss attributable to:			
Equity holders of the Company		(83,785)	(18,490)
Loss per share	13		(Adjusted)
– Basic		(HK2.24 cents)	(HK0.46 cents)
– Diluted		(HK2.24 cents)	(HK0.46 cents)

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investment properties	14	8,776	9,809
Property, plant and equipment	15	165,137	160,095
Lease premiums for land	16	28,541	30,920
Deposits for potential acquisition of subsidiaries	17	50,000	–
Deposits for acquisition of land and property, plant and equipment		4,176	5,333
Goodwill	18	–	–
		256,630	206,157
Current assets			
Financial assets at fair value through profit or loss	19	162,615	1,861
Inventories	20	23,381	25,605
Lease premiums for land	16	687	727
Trade and other receivables	21	329,970	290,543
Pledged bank deposits	22	2,658	96,559
Cash and cash equivalents		90,143	9,149
		609,454	424,444
Current liabilities			
Trade and other payables	23	99,985	101,618
Bank and other borrowings	24	134,395	242,578
Current tax payable		1,659	1,033
		236,039	345,229
Net current assets		373,415	79,215
Total assets less current liabilities		630,045	285,372
Non-current liabilities			
Deferred tax liabilities	25	2,396	2,606
Notes payable	26	280,000	–
		282,396	2,606
NET ASSETS		347,649	282,766

Consolidated Statement of Financial Position

At 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Capital and reserves			
Share capital	27	44,874	31,163
Reserves	28	302,775	251,603
Equity attributable to equity holders of the Company		347,649	282,766
TOTAL EQUITY		347,649	282,766

Approved and authorised for issue by the Board of Directors on 24 March 2016 and signed on its behalf by

Li Zhenzhen
Director

Hu Jianping
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to equity holders of the Company									Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$000	Capital reserve HK\$'000	Warrants reserve HK\$'000	Statutory surplus reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2014	31,163	235,950	117	220	19,551	47,039	(34,876)	299,164	15,494	314,658
Transfer to statutory surplus reserve	-	-	-	-	2,680	-	(2,680)	-	-	-
Loss for the year	-	-	-	-	-	-	(11,586)	(11,586)	-	(11,586)
Other comprehensive income for the year										
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(6,904)	-	(6,904)	-	(6,904)
Total comprehensive loss for the year	-	-	-	-	-	(6,904)	(11,586)	(18,490)	-	(18,490)
Transactions with equity holders of the Company										
<i>Contributions and distributions:</i>										
Expiry of unlisted warrants	-	-	-	(220)	-	-	220	-	-	-
<i>Change in ownership interests:</i>										
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	-	-	2,092	2,092	(15,494)	(13,402)
At 31 December 2014 and 1 January 2015	31,163	235,950	117	-	22,231	40,135	(46,830)	282,766	-	282,766
Transfer to statutory surplus reserve	-	-	-	-	4,125	-	(4,125)	-	-	-
Loss for the year	-	-	-	-	-	-	(67,981)	(67,981)	-	(67,981)
Other comprehensive loss for the year										
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(15,804)	-	(15,804)	-	(15,804)
Total comprehensive loss for the year	-	-	-	-	-	(15,804)	(67,981)	(83,785)	-	(83,785)
Transactions with equity holders of the Company										
<i>Contributions and distributions:</i>										
Issue of shares by placements (Note 27(a))	13,711	134,957	-	-	-	-	-	148,668	-	148,668
At 31 December 2015	44,874	370,907	117	-	26,356	24,331	(118,936)	347,649	-	347,649

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(62,115)	(7,880)
Exchange difference	729	(124)
Interest expenses	23,483	12,957
Depreciation of property, plant and equipment	20,094	20,882
Depreciation of investment properties	523	–
Amortisation of lease premium for land	696	789
Impairment loss on goodwill	–	6,198
Impairment loss on trade receivables	–	421
Interest income	(939)	(2,645)
Net loss on disposal of property, plant and equipment	884	6,070
Fair value change of financial assets at fair value through profit or loss	50,379	(177)
Net realised loss on financial assets at fair value through profit or loss	6,376	–
Changes in working capital:		
Inventories	808	1,138
Trade and other receivables	(55,260)	(7,783)
Trade and other payables	(11,926)	(26,391)
Cash (used in) generated from operations	(26,268)	3,455
Interest received	939	2,645
Income tax paid	(5,255)	(3,692)
Net cash (used in) generated from operating activities	(30,584)	2,408
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(33,648)	(22,876)
Proceeds from disposal of property, plant and equipment	3,449	3,795
Deposits for acquisition of land and property, plant and equipment	(4,176)	(5,393)
Deposits for potential acquisition of subsidiaries	(50,000)	–
Purchase of financial assets at fair value through profit or loss	(247,454)	–
Proceeds from sales of financial assets at fair value through profit or loss	29,766	43
Decrease (Increase) in pledged bank deposits	93,901	(13,571)
Net cash used in investing activities	(208,162)	(38,002)
FINANCING ACTIVITIES		
Acquisition of non-controlling interest in a subsidiary	–	(13,402)
New bank and other borrowings raised	143,569	243,572
Repayment of bank and other borrowings	(243,459)	(200,779)
Interest paid	(7,834)	(12,957)
Proceeds from issue of shares by placements	148,668	–
Proceeds from issue of notes payable	280,000	–
Net cash from financing activities	320,944	16,434
Net increase (decrease) in cash and cash equivalents	82,198	(19,160)
Effect on exchange rate changes	(1,204)	(686)
Cash and cash equivalents at beginning of reporting period	9,149	28,995
Cash and cash equivalents at end of reporting period	90,143	9,149
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	45,901	8,500
Deposits with financial institutions with original maturity within three months	44,242	649
	90,143	9,149

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

1. GENERAL INFORMATION

Sino Haijing Holdings Limited is a limited liability company incorporated in the Cayman Islands on 8 July 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of 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 of this annual report.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are detailed in note 29 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

a) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs

Annual Improvements Project: 2010–2012 Cycle

The amendments relevant to the Group include the followings:

(1) HKFRS 8 Operating Segments

HKFRS 8 is updated as follows:

- (a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
- (b) It is clarified that the reconciliation of the total reportable segments' assets to the entity's assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

These amendments do not have an impact on the consolidated financial statements.

(2) HKFRS 13 Fair Value Measurement

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial.

These amendments do not have an impact on the consolidated financial statements.

(3) HKFRS 3 Business Combinations

These amendments delete the reference to "other applicable HKFRSs" in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss.

These amendments do not have an impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

a) BASIS OF PREPARATION (Continued)

Adoption of new/revised HKFRSs (Continued)

Annual Improvements Project: 2010–2012 Cycle (Continued)

(4) *HKFRS 24 Related Party Disclosures*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the “management entity”) to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed.

These amendments do not have an impact on the consolidated financial statements.

Annual Improvements Project: 2011–2013 Cycle

The amendments relevant to the Group include the followings.

(1) *HKFRS 3 Business Combinations*

HKFRS 3 is amended to exclude from its scope the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves.

These amendments do not have an impact on the consolidated financial statements.

(2) *HKFRS 13 Fair Value Measurement*

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32.

These amendments do not have an impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) BASIS OF PREPARATION *(Continued)*

Impact of the Hong Kong Companies Ordinance (Cap. 622)

In accordance with the Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance apply to the preparation of these consolidated financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

A summary of the principal accounting policies adopted by the Group is set out below.

b) BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

c) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from the equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) BASIS OF CONSOLIDATION *(Continued)*

Allocation of total comprehensive income

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

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

d) SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investment in subsidiaries is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

e) GOODWILL

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over 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, after reassessment, is recognised immediately in profit or loss as a bargain purchase.

f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings and leasehold improvements	5 to 20 years
Plant and machinery	5 to 10 years
Furniture and equipment	5 to 10 years
Motor vehicles	5 to 10 years
Moulds	5 years

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

g) INVESTMENT PROPERTIES

Investment properties are land and/or buildings that are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use, properties that are being constructed or developed for future use as investment properties and properties that are held under operating lease, which satisfy the definition of investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost less accumulated impairment losses of investment properties over the shorter of unexpired term of lease and the expected economic useful life of 20 years, using straight-line method, after taking into account their estimated residual values.

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

h) CONSTRUCTION-IN-PROGRESS

Construction-in-progress is stated at cost less accumulated impairment losses. Cost comprises all costs directly attributable to the construction. Construction-in-progress is transferred to the appropriate class of assets when construction is completed and the asset is ready for intended use.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) LEASE PREMIUMS FOR LAND

Lease premiums for land are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

j) FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

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.

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 the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

j) FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired or incurred principally for the purpose of selling in the near future; (ii) 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 (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

j) FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement *(Continued)*

2. *Loans and receivables*

Loans and receivables including bank balances and cash, pledged bank deposits, and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

3. *Financial liabilities*

The Group's financial liabilities include trade and other payables, bank and other borrowings and notes payable. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

4. *Impairment of financial assets*

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

k) REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of packaging materials is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease terms.

l) CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

m) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

m) FOREIGN CURRENCY TRANSLATION *(Continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and
- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

n) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

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

o) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, investment properties and lease premiums for land may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) BORROWING COSTS

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

q) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

r) GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

s) LEASES

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.

Rentals payable and receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

t) EMPLOYEE BENEFITS

i. *Short-term employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

ii. *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the retirement benefit schemes in jurisdictions other than Hong Kong, which are calculated on certain percentages of the applicable payroll costs, are charged as expense when employees have rendered services entitling them to the contributions.

u) TAXATION

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

v) RELATED PARTIES

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the parent of the Group.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third party entity and the other entity is an associate of the third party entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

v) RELATED PARTIES *(Continued)*

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

w) SEGMENT REPORTING

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

3. FUTURE CHANGES IN HKFRS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Disclosure Initiative ^[1]
Amendments to HKASs 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation ^[1]
Amendments to HKASs 16 and 41	Bearer Plants ^[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ^[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception ^[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ^[1]
HKFRS 14	Regulatory Deferral Accounts ^[1]
Annual Improvements Project	2012–2014 Cycle ^[1]
HKFRS 15	Revenue from Contracts with Customers ^[2]
HKFRS 9 (2014)	Financial Instruments ^[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[3]

^[1] Effective for annual periods beginning on or after 1 January 2016

^[2] Effective for annual periods beginning on or after 1 January 2018

^[3] The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

a) *Impairment of receivables*

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, additional impairment allowance may be required.

b) *Useful lives of property, plant and equipment*

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of usage and maintenance, which could affect the related depreciation charges included in profit or loss.

c) *Impairment of property, plant and equipment*

Determining an appropriate amount of an impairment requires an estimation of recoverable amounts of relevant property, plant and equipment or the respective cash generating units ("CGU") to which the property, plant and equipment belong, which is the higher of value in use and fair value less cost of disposal. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant assets or the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or the CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, an additional impairment loss may arise. At 31 December 2015, the carrying amounts of property, plant and equipment are HK\$165,137,000 (2014: HK\$160,095,000).

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

5. TURNOVER AND REVENUE

Turnover represents (i) the sale of packaging products, which is net of value-added tax and other sales taxes, and is stated after deduction of all goods returns and trade discounts, and (ii) the gross proceeds from trading of securities during the year as follows:

	2015 HK\$'000	2014 HK\$'000
Sale of packaging products	499,936	563,565
Gross proceeds from trading of securities	29,766	–
	529,702	563,565

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

	2015 HK\$'000	2014 HK\$'000
Sale of packaging products	499,936	563,565

6. SEGMENT INFORMATION

The chief operating decision maker has evaluated the performance of operating segments and allocated resources to those segments based on the Group's internal reporting in respect of these segments. The Group's operating segments are structured and managed separately according to the nature of their businesses. The Group's reportable segments are as follows:

- (a) Manufacturing and sale of packaging products ("Packaging Business"); and
- (b) Securities trading and other investing activities ("Securities Investments").

Segment results represent the result from each reportable segment. The following analysis is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

6. SEGMENTAL INFORMATION (Continued)

BY BUSINESS SEGMENTS

An analysis of the Group's revenue and result by reportable segment and other segment information are set out below:

	Packaging Business		Securities Investments		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Reportable segment revenue						
Revenue from external customers	499,936	563,565	–	–	499,936	563,565
Reportable segment profit (loss)	21,901	3,089	(57,561)	117	(35,660)	3,206
Other income					722	2,376
Finance costs					(16,118)	(1,396)
Corporate expenses					(11,059)	(12,066)
Consolidated loss before tax					(62,115)	(7,880)

	Packaging Business		Securities Investments		Corporate		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Other segment information								
Interest income	185	2,645	–	–	754	–	939	2,645
Depreciation and amortisation	20,790	21,671	–	–	–	–	20,790	21,671
Impairment of goodwill	–	6,198	–	–	–	–	–	6,198
Finance costs	7,365	11,561	–	–	16,118	1,396	23,483	12,957
Income tax expenses	5,866	3,706	–	–	–	–	5,866	3,706
Additions to property, plant and equipment	38,892	30,115	–	–	–	–	38,892	30,115

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

6. SEGMENTAL INFORMATION (Continued)

BY BUSINESS SEGMENTS (Continued)

	2015 HK\$'000	2014 HK\$'000
Assets		
Packaging Business	496,166	542,532
Securities Investments	205,016	1,861
Total assets of reportable segments	701,182	544,393
Unallocated headquarter amounts:		
Deposits for potential acquisition of subsidiaries	50,000	–
Property, plant and equipment	16	22
Other receivables	77,202	2,248
Pledged bank deposits	–	83,485
Bank balances and cash	37,684	453
	866,084	630,601
Liabilities		
Packaging Business	220,650	272,420
Securities Investments	–	–
Total liabilities of reportable segments	220,650	272,420
Unallocated headquarter amounts:		
Interest payables	15,649	–
Other payables	2,136	415
Bank and other borrowing	–	75,000
Notes payables	280,000	–
	518,435	347,835

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

6. SEGMENTAL INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas: Hong Kong and the PRC.

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets excluding financial instruments and deferred tax assets. The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	–	–	50,016	22
The PRC	499,936	563,565	206,614	206,135
	499,936	563,565	256,630	206,157

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from external customers contributing over 10% of the total revenue from the Group's segment of Packaging Business are as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A	190,742	276,748
Customer B	57,270	65,148
Customer C	61,029	–
Customer D	51,376	–
	360,417	341,896

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

7. OTHER REVENUE AND OTHER (LOSS) INCOME

	2015 HK\$'000	2014 HK\$'000
Other revenue		
Interest income	939	2,645
Rental income	536	271
	1,475	2,916
Other (loss) income, net		
Government grants	737	476
Sale of raw materials and scrap products	1,250	1,020
Sale of steam	946	968
Dividend income from held-for-trading listed securities	–	105
Fair value change of financial assets at fair value through profit or loss	(50,379)	177
Net realised loss on financial assets at fair value through profit or loss	(6,376)	–
Compensation income	188	427
Gain on disposal of property, plant and equipment	133	65
Net exchange gain	67	–
Sundry income	347	208
	(53,087)	3,446
	(51,612)	6,362

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

8. LOSS BEFORE TAX

This is stated after charging (crediting):

	2015 HK\$'000	2014 HK\$'000
a) Finance costs:		
Interest on bank and other borrowings wholly repayable within five years	7,834	12,957
Interest on 8% notes payable	15,649	–
	23,483	12,957
b) Staff costs (Directors' emoluments included):		
Salaries, wages and other benefits	66,519	63,643
Contribution to defined contribution retirement plans	4,692	4,078
	71,211	67,721
c) Other items:		
Amortisation of lease premiums for land	696	789
Auditor's remuneration	630	590
Cost of inventories (<i>Note</i>)	408,286	483,145
Depreciation of investment properties	523	–
Depreciation of property, plant and equipment	20,094	20,882
Impairment loss on goodwill included in administrative and other operating expenses	–	6,198
Impairment loss on trade receivables	–	421
Loss on disposal of property, plant and equipment, net	884	6,070
Net exchange (gain) loss	(67)	1,971
Operating lease charges on rented premises	4,251	4,122

Note: Cost of inventories includes HK\$60,421,000 (2014: HK\$58,702,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

9. BENEFITS AND INTERESTS OF DIRECTORS

A. DIRECTOR'S EMOLUMENTS

The emoluments paid or payable to each of the eighteen (2014: ten) directors were as follows:

Name of directors	Other emoluments			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	
<i>Executive Directors</i>				
Lam Wai Hung (appointed on 19 March 2015)	142	–	7	149
Szeto Wai Ling, Virginia (appointed on 19 March 2015)	142	–	7	149
Lam Chi Keung (appointed on 18 August 2015)	267	–	8	275
Hu Jianping (appointed on 30 December 2015)	–	–	–	–
Li Zhenzhen (appointed on 30 December 2015)	–	–	–	–
Li Weishe (appointed on 23 October 2015 and resigned on 30 December 2015)	113	–	–	113
Lu Zhuo (appointed on 23 October 2015 and resigned on 30 December 2015)	113	–	–	113
Wang Yi (resigned on 24 April 2015)	–	99	3	102
Chao Pang Fei (resigned on 30 April 2015)	–	397	6	403
Hui Hongyan (resigned on 8 June 2015)	–	115	4	119
<i>Non-executive Director</i>				
Fung Wah Bong, Peter (appointed on 24 April 2015)	82	–	–	82
<i>Independent Non-executive Directors</i>				
Pang Hong (appointed on 14 April 2015)	69	–	–	69
Foo Tin Chung, Victor (appointed on 24 April 2015)	65	–	–	65
Lee Siu Woo (appointed on 5 June 2015)	55	–	–	55
Hong Jianhua (appointed on 5 February 2015 and resigned on 5 June 2015)	32	–	–	32
Li Zhiyong (resigned on 5 February 2015)	9	–	–	9
Sin Ka Man (resigned on 14 April 2015)	27	–	–	27
Ho Ka Wing (resigned on 24 April 2015)	30	–	–	30
Total for 2015	1,146	611	35	1,792

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

9. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

A. DIRECTOR'S EMOLUMENTS *(Continued)*

Name of directors	Fees <i>HK\$'000</i>	Other emoluments		Total <i>HK\$'000</i>
		Salaries, allowances and other benefits <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	
<i>Executive Directors</i>				
Chao Pang Fei	–	1,200	17	1,217
Wang Yi	–	305	10	315
Hui Hongyan	–	254	9	263
Lin Caihuo (appointed on 10 July 2014 and resigned on 3 November 2014)	57	–	–	57
<i>Non-executive Director</i>				
Lan Yu Ping (resigned on 10 July 2014)	50	–	–	50
<i>Independent Non-executive Directors</i>				
Ho Ka Wing	96	–	–	96
Sin Ka Man	96	–	–	96
Chen Hongfang (resigned on 12 August 2014)	59	–	–	59
Li Zhiyong (appointed on 12 August 2014 and resigned on 5 February 2015)	37	–	–	37
Liu Yang (appointed on 12 August 2014 and resigned on 3 November 2014)	22	–	–	22
Total for 2014	417	1,759	36	2,212

The directors of the Company are regarded as the key management personnel of the Group for disclosure purposes.

No emolument was paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2015 and 2014. In addition, during the years ended 31 December 2015 and 2014, no directors waived any of their emoluments.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

9. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(B) LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS

There were no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the year (2014: HK\$Nil).

(C) DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the related party transaction in the note 32 to the consolidated financial statements, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or a connected entity of the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: HK\$Nil).

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, two (2014: three) directors are included in the five highest paid individuals of the Group. The emoluments of the remaining three (2014: two) highest paid individuals, who are employees of the Group, are as follows:

	2015 HK\$'000	2014 HK\$'000
Basic salaries, allowances and other benefits in kind	868	1,122
Retirement benefits scheme contributions	23	17
	891	1,139

The emoluments of the five (2014: five) highest paid individuals fell within the following bands:

	Number of individuals	
	2015	2014
HK\$Nil – HK\$1,000,000	5	4
HK\$1,000,001 – HK\$2,000,000	–	1
	5	5

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

11. TAXATION

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profits arising from Hong Kong for both current and prior years. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2015 and 2014 based on existing legislation, interpretations and practices in respect thereof.

	2015 HK\$'000	2014 HK\$'000
Current tax		
PRC enterprise income tax ("PRC EIT")		
– Current year	5,269	3,261
– Underprovision in prior year	665	515
Deferred tax (Note 25(a))	(68)	(70)
Tax expense for the year	5,866	3,706

RECONCILIATION OF TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Loss before tax	(62,115)	(7,880)
Tax at weighted average rate of 13% (2014: 18%) applicable to the jurisdictions concerned	(8,053)	(1,388)
Non-deductible expenses	2,584	4,496
Non-taxable income	–	(77)
Unrecognised temporary differences	8,368	(2,295)
Unrecognised tax losses	3,638	3,408
Utilisation of previously unrecognised tax losses	(1,441)	(953)
Under-provision of PRC EIT in prior year	665	515
Others	105	–
Tax expense for the year	5,866	3,706

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2015 and 2014.

13. LOSS PER SHARE

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

	2015 HK\$'000	2014 HK\$'000
Loss attributable to equity holders of the Company	(67,981)	(11,586)

	2015 Number of shares '000	2014 Number of shares '000
Issued ordinary shares at 1 January	249,300	1,246,501
Effect of issue of shares by placements	54,012	–
Effect of shares consolidation	–	(997,201)
Effect of shares sub-division	2,729,809	2,243,701
Weighted average number of ordinary shares for basic and diluted loss per share	3,033,121	2,493,001

	(Adjusted)	(Adjusted)
Loss per share:		
– Basic	(HK2.24 cents)	(HK0.46 cents)
– Diluted	(HK2.24 cents)	(HK0.46 cents)

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

13. LOSS PER SHARE (Continued)

Note:

The number of shares adopted in the calculation of the basic and diluted loss per share for the years ended 31 December 2015 and 2014 has been adjusted to reflect the impact of the share subdivision effected during the year ended 31 December 2015.

Diluted loss per share is the same as the basic loss per share for the year ended 31 December 2015 because there were no potential dilutive shares outstanding during the year. For the year ended 31 December 2014, the effect of potential ordinary shares was anti-dilutive and therefore diluted loss per share was the same as basic loss per share.

14. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
Carrying amount		
At beginning of reporting period	9,809	–
Exchange realignment	(510)	–
Charge for the year	(523)	–
Reclassification from property, plant and equipment	–	9,809
At end of reporting period	8,776	9,809
Cost	11,107	11,745
Accumulated depreciation	(2,331)	(1,936)
	8,776	9,809

The Group's investment properties are located outside Hong Kong and held under medium term lease of between 10 years to 50 years. Fair value of these properties has been disclosed in note 36 (ii) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
Cost								
At 1 January 2015	50,590	254	104,157	12,694	9,635	56,822	12,074	246,226
Exchange realignment	(2,980)	(4)	(7,449)	(895)	(677)	(3,830)	(931)	(16,766)
Additions	374	-	3,798	1,302	3,195	12,618	17,605	38,892
Transfer from construction-in-progress	97	-	10,365	-	-	-	(10,462)	-
Disposals	-	-	(6,004)	(418)	(2,481)	(2,082)	(415)	(11,400)
At 31 December 2015	48,081	250	104,867	12,683	9,672	63,528	17,871	256,952
Accumulated depreciation and impairment								
At 1 January 2015	10,929	254	27,784	7,397	6,380	33,387	-	86,131
Exchange realignment	(866)	(4)	(3,080)	(598)	(436)	(2,359)	-	(7,343)
Charge for the year	2,512	-	7,997	986	1,165	7,434	-	20,094
Written back on disposals	-	-	(3,536)	(196)	(2,012)	(1,323)	-	(7,067)
At 31 December 2015	12,575	250	29,165	7,589	5,097	37,139	-	91,815
Net book value								
At 31 December 2015	35,506	-	75,702	5,094	4,575	26,389	17,871	165,137
Cost								
At 1 January 2014	48,676	256	94,293	12,179	8,773	73,350	65,897	303,424
Exchange realignment	(1,358)	(2)	(3,003)	(372)	(273)	(1,839)	(1,312)	(8,159)
Additions	718	-	13,903	875	1,180	9,013	4,426	30,115
Transfer from construction-in-progress	15,314	-	37,046	762	211	685	(54,018)	-
Reclassified to investment properties	(11,745)	-	-	-	-	-	-	(11,745)
Disposals	(1,015)	-	(38,082)	(750)	(256)	(24,387)	(2,919)	(67,409)
At 31 December 2014	50,590	254	104,157	12,694	9,635	56,822	12,074	246,226
Accumulated depreciation and impairment								
At 1 January 2014	10,901	256	58,165	7,358	5,739	46,122	-	128,541
Exchange realignment	(354)	(2)	(1,826)	(250)	(197)	(1,183)	-	(3,812)
Charge for the year	2,799	-	7,582	1,035	1,055	8,411	-	20,882
Reclassified to investment properties	(1,936)	-	-	-	-	-	-	(1,936)
Written back on disposals	(481)	-	(26,975)	(639)	(217)	(19,194)	-	(47,506)
Realisation of impairment	-	-	(9,162)	(107)	-	(769)	-	(10,038)
At 31 December 2014	10,929	254	27,784	7,397	6,380	33,387	-	86,131
Net book value								
At 31 December 2014	39,661	-	76,373	5,297	3,255	23,435	12,074	160,095

The buildings are located outside Hong Kong.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

16. LEASE PREMIUMS FOR LAND

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount		
At beginning of reporting period	31,647	33,256
Exchange realignment	(1,723)	(820)
Amortisation	(696)	(789)
At end of reporting period	29,228	31,647
Outside Hong Kong	29,228	31,647
Analysed for reporting purposes as:		
Current asset	687	727
Non-current asset	28,541	30,920
	29,228	31,647

17. DEPOSITS FOR POTENTIAL ACQUISITION OF SUBSIDIARIES

On 28 August 2015, the Company and two independent third parties, Honghu Group Limited and Express Focus Group Limited (collectively the "Vendors"), entered into a letter of intent (the "Letter of Intent") in relation to a proposed acquisition for acquiring 51% equity interest of East Favor Global Investment Limited, which through its indirectly wholly-owned PRC subsidiaries, is principally engaged in the business of manufacturing photovoltaic power generation system, and the construction, operation and management of photovoltaic power plants in the PRC, at a consideration of HK\$130,000,000. A refundable deposit of HK\$50,000,000 was paid upon signing the Letter of Intent. On 24 February 2016, the Letter of Intent lapsed and ceased to take effect. Pursuant to the Letter of Intent, the Vendors shall repay the refundable deposit of HK\$50,000,000, of which HK\$35,000,000 will be repaid by Honghu Group Limited and HK\$15,000,000 will be repaid by Express Focus Group Limited, together with interest accrued thereon, to the Company.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

18. GOODWILL

	2015 HK\$'000	2014 HK\$'000
Reconciliation of carrying amount:		
At beginning of reporting period	–	6,317
Exchange realignment	–	(119)
Impairment loss	–	(6,198)
At end of reporting period	–	–
Cost	73,302	73,302
Accumulated impairment losses	(73,302)	(73,302)
	–	–

The carrying amounts of goodwill net of any impairment loss are attributable to the Group's cash-generating unit ("CGU") of the Packaging Business.

The accumulated impairment losses had been included in the "administrative and other operating expenses" in the consolidated statement of comprehensive income in prior years. The directors considered the major factors contributing to the impairment of goodwill were the continuous rise of operating costs and the declined growth rate of the sale of packaging materials.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Equity securities, held for trading:		
Listed in Hong Kong	128,563	–
Listed outside Hong Kong	381	1,861
Non-listed investment funds, held for trading	33,671	–
	162,615	1,861

20. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials and consumables	12,462	12,812
Work-in-progress	378	185
Finished goods	10,541	12,608
	23,381	25,605

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

21. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	144,747	172,266
Less: Allowance for trade receivables (<i>Note (b)</i>)	(482)	(523)
	144,265	171,743
Bills receivable (<i>Note (d)</i>)	102,988	111,406
Other receivables (<i>Note (e)</i>)	72,222	4,496
Prepayments and deposits (<i>Note (f)</i>)	10,495	2,898
	329,970	290,543

- a) The normal credit period granted to the customers of the Group is 90 to 120 days (2014: 90 to 120 days). The ageing analysis of the trade receivables at the end of the reporting period is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	137,717	162,149
Over 3 months but within 6 months	5,011	8,429
Over 6 months but within 1 year	15	664
Over 1 year	2,004	1,024
	144,747	172,266
Less: Allowance for trade receivables	(482)	(523)
	144,265	171,743

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

21. TRADE AND OTHER RECEIVABLES (Continued)

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

The movements in allowance for trade receivables during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of reporting period	523	92
Increase in allowance	–	421
Amount written off	(12)	–
Exchange realignment	(29)	10
At end of reporting period	482	523

- c) The ageing analysis of trade receivables by past due date that are neither individually nor collectively considered to be impaired is as follows:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	137,717	162,149
Less than 3 months past due	5,011	8,429
3 months to 1 year past due	15	664
Over 1 year past due	1,522	501
Past due but not impaired	6,548	9,594
	144,265	171,743

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

21. TRADE AND OTHER RECEIVABLES *(Continued)*

c) *(Continued)*

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

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

- d) All bills receivable were not past due and there was no history of default. The normal terms granted by the banks are 90 to 120 days (2014: 90 to 120 days).
- e) Included in other receivables were prepayment of HK\$70,000,000 which were paid for purchase of trading goods. The amounts were subsequently refunded from suppliers due to the cancellation of the purchases.
- f) Included in prepayments and deposits of HK\$4,800,000 which was deposit paid for the acquisition of the entire equity interest in Anyone Holdings Limited, which is principally engaged in property holdings. The amount was subsequently settled due to the lapse of acquisition of Anyone Holdings Limited on 30 September 2015.

22. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group had pledged bank deposits, which carried interest at prevailing market rate, amounting to HK\$2,658,000 (2014: HK\$96,559,000) to banks for securing bills payable included in the trade and other payables of the Group.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

23. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	59,996	69,858
Bills payable	4,839	16,790
Other payables	19,501	14,970
Accrued interest on 8% notes payable	15,649	–
	99,985	101,618

The ageing analysis of trade payables at the end of the reporting period is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	47,991	55,673
Over 3 months but within 6 months	7,560	8,251
Over 6 months but within 1 year	2,611	3,472
Over 1 year	1,834	2,462
	59,996	69,858

24. BANK AND OTHER BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current		
Bank borrowings – secured	104,648	198,484
Other borrowings – secured	29,747	44,094
	134,395	242,578

At 31 December 2015 and 2014, all of the bank and other borrowings were repayable within one year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

24. BANK AND OTHER BORROWINGS (Continued)

The secured bank and other borrowings are interest-bearing at fixed or variable interest rates. The ranges of effective interest rates on the Group's borrowings are as follows:

	2015	2014
Effective interest rates per annum		
Bank borrowings – secured	4.79% to 6.72%	1.98% to 7.80%
Other borrowings – secured	4.79% to 6.16%	6.16%

Bank and other borrowings are denominated in the following currencies:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
RMB	134,395	167,578
Hong Kong dollars	–	75,000
	134,395	242,578

The bank and other borrowings were secured by:

- (a) buildings with a carrying value of approximately HK\$21,957,000 (2014: HK\$24,621,000);
- (b) lease premiums for land with carrying value of approximately HK\$29,228,000 (2014: HK\$31,647,000);
- (c) certain of the trade and other receivables with carrying value of approximately HK\$24,849,000 (2014: HK\$27,002,000); and
- (d) investment properties with carrying value of approximately HK\$8,776,000 (2014: HK\$9,809,000).

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

25. DEFERRED TAX

- a) Deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment on lease premiums for land HK\$'000
At 1 January 2014	2,742
Credit to profit or loss	(70)
Exchange realignment	(66)
At 31 December 2014 and 1 January 2015	2,606
Credit to profit or loss	(68)
Exchange realignment	(142)
At 31 December 2015	2,396

In March 2007, the National People's Congress enacted a new Enterprise Income Tax Law, which became effective on 1 January 2008 (the "New PRC EIT Law"). Pursuant to the New PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated since 1 January 2008. Deferred tax liabilities are provided to the extent that such earnings are expected to be distributed in the foreseeable future. At the end of the reporting period, the estimated withholding tax effects on the distribution of retained earnings of the subsidiaries established in Mainland China were approximately HK\$3,638,000 (2014: HK\$2,976,000). The directors of the Company are of the opinion that no dividends would be distributed by its subsidiaries established in Mainland China in the foreseeable future and therefore no deferred tax liabilities are provided.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

25. DEFERRED TAX (Continued)

b) Unrecognised deferred tax assets arising from

	2015 HK\$'000	2014 HK\$'000
Deductible temporary differences		
– Fair value changes of financial assets at fair value through profit or loss	50,218	–
Tax losses	48,407	26,488
	98,625	26,488

As at 31 December 2015, the Group had unrecognised deferred tax assets of approximately HK\$8,286,000 (2014:HK\$Nil) and HK\$9,152,000 (2014: approximately HK\$5,481,000) in respect of the deductible temporary differences and the tax losses. As it is not probable that taxable profits will be available against which the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The expiry dates of unrecognised tax losses are as follows:

	2015 HK\$'000	2014 HK\$'000
Tax losses without expiry date	34,709	13,424
Tax losses expiring on 31 December 2020	44	–
Tax losses expiring on 31 December 2019	13,654	9,165
Tax losses expiring on 31 December 2018	–	1,531
Tax losses expiring on 31 December 2017	–	2,052
Tax losses expiring on 31 December 2016	–	316
	48,407	26,488

26. NOTES PAYABLE

	2015 HK\$'000	2014 HK\$'000
8% 2-year notes	280,000	–

The notes are interest-bearing at 8% per annum, maturing on 21 April 2017 and secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company which is incorporated under the laws of British Virgin Islands. The noteholder is a third party independent of the Group.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

27. SHARE CAPITAL

	2015		2014	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.0125 each (2014: HK\$0.025 each)	8,000,000,000	100,000	800,000,000	100,000
Issued and fully paid:				
At beginning of reporting period	249,300,124	31,163	1,246,500,620	31,163
Shares consolidation	–	–	(997,200,496)	–
Issue of shares by placement (Note (a))	109,690,000	13,711	–	–
Shares subdivision (Note (b))	3,230,911,116	–	–	–
At end of reporting period	3,589,901,240	44,874	249,300,124	31,163

- (a) On 11 May 2015, the Company entered into a placing agreement in respect of the placement of 49,860,000 ordinary shares of HK\$0.125 each to not less than six independent investors at a price of HK\$1.268 per share. The placement was completed on 21 May 2015 and the premium on the issue of shares, amounting to approximately HK\$55,089,000, net of share issuance expenses of approximately HK\$1,901,000, was credited to the Company's share premium account. The net proceeds would be applied for developing potential new business should such opportunities arise and for the working capital of the Group.

On 27 July 2015, the Company entered into a placing agreement in respect of the placement of 59,830,000 ordinary shares of HK\$0.125 each to not less than six independent investors at a price of HK\$1.5. The placement was completed on 12 August 2015 and the premium on the issue of shares, amounting to approximately HK\$79,868,000, net of share issuance expenses of approximately HK\$2,398,000, was credited to the Company's share premium account. The net proceeds from the placing would be used for the general working capital of the Group.

The above newly issued shares rank pari passu in all respects with the existing shares.

- (b) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 26 October 2015, every one issued and unissued ordinary share of HK\$0.125 each in the share capital of the Company was subdivided into ten subdivided share of HK\$0.0125 each (the "Subdivided Shares"). The Subdivided Shares rank pari passu in all respects with each other and have the rights and privileges contained in the Articles of Association of the Company.
- (c) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 June 2015, a share option scheme (the "Scheme") was adopted by the Company. The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employees or directors of the Company or any advisers, consultants, agents, contractors, customers and suppliers of any members of the Group or whom the board of directors in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group. A summary of the principal terms and conditions of the Scheme is set out in the "Share Option Scheme" section in the Report of the Directors. No options had been granted under the Scheme since its adoption.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

28. RESERVES

GROUP

	Share premium HK\$'000 (Note (a))	Capital reserve HK\$'000 (Note (b))	Warrants reserve HK\$'000 (Note (c))	Statutory surplus reserve HK\$'000 (Note (d))	Translation reserve HK\$'000 (Note (e))	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2014	235,950	117	220	19,551	47,039	(34,876)	268,001
Transfer	-	-	-	2,680	-	(2,680)	-
Total comprehensive loss for the year	-	-	-	-	(6,904)	(11,586)	(18,490)
Transactions with equity holders of the Company							
Expiry of unlisted warrants	-	-	(220)	-	-	220	-
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	-	2,092	2,092
At 31 December 2014 and 1 January 2015	235,950	117	-	22,231	40,135	(46,830)	251,603
Transfer	-	-	-	4,125	-	(4,125)	-
Total comprehensive loss for the year	-	-	-	-	(15,804)	(67,981)	(83,785)
Transactions with equity holders of the Company recognised directly in equity							
Issue of shares by placements	134,957	-	-	-	-	-	134,957
At 31 December 2015	370,907	117	-	26,356	24,331	(118,936)	302,775

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

28. RESERVES (Continued)

COMPANY

	Share premium HK\$'000 (Note (a))	Warrants reserve HK\$'000 (Note (c))	Contributed surplus HK\$'000 (Note (f))	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2014	235,950	220	117	(2,394)	233,893
Loss for the year	-	-	-	(6,377)	(6,377)
Transactions with equity holders of the Company					
Expiry of unlisted warrants	-	(220)	-	220	-
At 31 December 2014 and 1 January 2015	235,950	-	117	(8,551)	227,516
Loss for the year	-	-	-	(76,691)	(76,691)
Transactions with equity holders of the Company					
Issue of shares by placements	134,957	-	-	-	134,957
At 31 December 2015	370,907	-	117	(85,242)	285,782

(a) SHARE PREMIUM

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

28. RESERVES (Continued)

(b) CAPITAL RESERVE

Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Company's reorganisation in 2003.

(c) WARRANTS RESERVE

Warrants reserve represents the proceeds received from the placing of unlisted warrants of the Company. The reserve was transferred to accumulated losses upon the expiry of the warrants in 2014.

(d) STATUTORY SURPLUS RESERVE

According to the articles of association of the PRC subsidiaries, they are required to transfer at least 10% of their net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of their registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(e) TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(f) CONTRIBUTED SURPLUS

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company's reorganisation in 2003. Under the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(g) DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2015 available for distribution to the equity holders are HK\$285,782,000 (2014: HK\$227,516,000).

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29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries		488,779	248,219
Deposits for potential acquisition on subsidiaries	17	50,000	–
		538,779	248,219
CURRENT ASSETS			
Other receivables		72,402	2,030
Pledged bank deposits		–	83,485
Cash and cash equivalents		40,562	360
		112,964	85,875
CURRENT LIABILITIES			
Other payables		2,136	415
Due to subsidiaries		318,951	–
Bank borrowings		–	75,000
		321,087	75,415
NET CURRENT (LIABILITIES) ASSETS		(208,123)	10,460
NET ASSETS		330,656	258,679
CAPITAL AND RESERVES			
Share capital	27	44,874	31,163
Reserves	28	285,782	227,516
TOTAL EQUITY		330,656	258,679

Approved and authorised for issue by the Board of Directors on 24 March 2016 and signed on its behalf by

Li Zhenzhen
Director

Hu Jianping
Director

Notes to the Consolidated Financial Statements

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

a) Principal Subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and paid up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Able Zone Investment Limited	Hong Kong	Hong Kong	1 ordinary share	100%	-	100%	Securities trading and other investments
Dragon Vault International Limited	BVI	Hong Kong	100 ordinary shares of US\$1	100%	-	100%	Investment holding
Great Prospect Enterprises Limited	BVI	Hong Kong	200 ordinary shares of US\$1	100%	100%	-	Investment holding
Honor Glory International Investment Limited	Hong Kong	Hong Kong	1 ordinary share	100%	-	100%	Investment holding
Loyal Pacific International Limited	Hong Kong	Hong Kong	10,000 ordinary shares	100%	100%	-	Inactive
Sino Richtone Limited	Hong Kong	Hong Kong	1 ordinary shares	100%	-	100%	Securities trading and other investments
Topgoal Investment Development Limited	Hong Kong	Hong Kong	1 ordinary share	100%	-	100%	Investment holding
Ways Finance Limited	Hong Kong	Hong Kong	1 ordinary shares	100%	-	100%	Inactive
Wise Star Group Holdings Limited	Hong Kong	Hong Kong	1 ordinary share	100%	-	100%	Investment holding
Wisdom Sun International Limited	BVI	Hong Kong	100 ordinary shares of US\$1	100%	-	100%	Investment holding
Yearfull International Investment Limited	Hong Kong	Hong Kong	1 ordinary share	100%	-	100%	Investment holding

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

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

a) Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and paid up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
合肥海景包装制品有限公司	PRC	PRC	RMB55,000,000	100%	-	100%	Manufacturing of EPS packaging products
合肥榮豐包装制品有限公司	PRC	PRC	RMB30,000,000	100%	-	100%	Manufacturing of EPS packaging products
合肥啟騰紙制品有限公司	PRC	PRC	RMB14,000,000	100%	-	100%	Manufacturing of packaging materials
青島海景包装制品有限公司	PRC	PRC	RMB20,000,000	100%	-	100%	Manufacturing of EPS packaging products
青島新海景包装制品有限公司	PRC	PRC	RMB10,000,000	100%	-	100%	Manufacturing of EPS packaging products
青島海景模具制品有限公司	PRC	PRC	RMB1,000,000	100%	-	100%	Manufacturing of moulds products
青島海鴻環保包装科技有限公司	PRC	PRC	RMB3,000,000	100%	-	100%	Inactive
大連海景包装製品有限公司	PRC	PRC	RMB1,000,000	100%	-	100%	Manufacturing of EPS packaging products
濟南海景包装有限公司	PRC	PRC	RMB500,000	100%	-	100%	Inactive

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees.

Contributions to the MPF Scheme are calculated at five percent of the relevant income of each employee subject to a maximum amount of HK\$1,500 per month. All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

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

31. TRANSFER OF FINANCIAL ASSETS

At the end of the reporting period, the transferred financial assets of the Group measured at amortised cost that were not qualified for derecognition in their entirety were as follows:

	2015 HK\$'000	2014 HK\$'000
Carrying amount of transferred assets		
– Bills receivable discounted to banks with recourse	34,485	66,524
Carrying amount of associated liabilities	34,485	66,524

The Group transferred the contractual rights to receive cash flows from bills receivable to certain banks by discounting them for cash on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the bills receivable and continued to recognise the bills receivable in the consolidated statement of financial position. Associated liabilities have been recognised and included in bank and other borrowings.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

32. RELATED PARTY TRANSACTION

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transaction with related parties:

	2015 HK\$'000	2014 HK\$'000
Sale of goods	833	2,412

The related party is wholly-owned by the former director of the Company, Mr. Chao Pang Fei.

33. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

The Group leases certain of its office premises under operating lease arrangements. The leases run for an initial period of one to three years (2014: one to three years), with an option to renew the lease when all terms are renegotiated. The terms of the leases require the Group to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	4,791	3,013
In the second to fifth year inclusive	7,073	1,102
	11,864	4,115

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

33. OPERATING LEASE COMMITMENTS (Continued)

THE GROUP AS LESSOR

The Group leases its investment properties under an operating lease with a lease term of 2 years. The future aggregate minimum rental receivables under non-cancellable operating lease are as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	721	1,077
In the second to fifth year inclusive	–	763
	721	1,840

34. CAPITAL COMMITMENTS

The Group's authorised capital commitments outstanding at the end of the reporting period and not provided for in the consolidated financial statements are as follows:

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for		
Construction of production facilities	4,844	13,488
Purchase of property, plant and equipment	463	409
	5,307	13,897

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Year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include pledged deposits, bank balances, borrowings, financial assets at fair value through profit or loss, trade and other receivables and trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The policies on how management mitigates these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) CREDIT RISK

- i) As at 31 December 2015, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.
- ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets. Debts are usually due between 90 and 120 days from the date of billing.

The Group's exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each debtor. At the end of the reporting period, the Group had certain concentration of credit risk as 15% (2014: 26%) and 42% (2014: 44%) of the total trade and other receivables was due from the Group's largest debtor and the five largest debtors respectively.

- iii) The credit risk on liquid funds and notes receivable is limited because the counterparties are mainly banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to Company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank and other borrowings as a significant source of funding. At 31 December 2015, the Group had HK\$40,534,000 (2014: HK\$23,970,000) available un-utilised banking facilities.

The following liquidity tables set out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest date the Group is required to pay:

	2015				2014		
	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000	Within 1 year or on demand HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Bank and other borrowings	136,043	-	136,043	134,395	245,532	245,532	242,578
Trade and other payables	99,985	-	99,985	99,985	101,618	101,618	101,618
Notes payable	-	309,273	309,273	280,000	-	-	-
	236,028	309,273	545,301	514,380	347,150	347,150	344,196

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c) INTEREST RATE RISK

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings. Details of interest rates of the Group's bank and other borrowings at the end of the reporting period are set out in note 24 to the consolidated financial statements. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's result and financial position arising from volatility of interest rates.

The bank and other borrowings and notes payable of the Group of HK\$34,485,000 (2014: HK\$128,249,000) and HK\$280,000,000 (2014: Nil) respectively which are fixed rate instruments and are insensitive to any change in interest rates. A change in market interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate borrowings, with all other variables held constant, would increase/decrease the Group's loss after tax and accumulated losses by approximately HK\$999,000 (2014: HK\$1,143,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest-bearing non-derivative financial instruments in existence at that date. In respect of the exposure to cash flow interest rate risk, the analysis is prepared assuming the interest-bearing financial instruments outstanding at the end of the reporting period were outstanding for the whole year for which the impact of interest rate changes are annualised. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual date of the reporting period. The analysis is performed on the same basis for 2014.

d) CURRENCY RISK

The Group has transactional currency exposure. Such exposure arises from trading transactions denominated in a currency other than the functional currency of an operating unit to which they relate. The Group has no significant foreign currency risk in its PRC operations as the carrying amounts of financial assets and liabilities are denominated in RMB.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

e) EQUITY PRICE RISK

The Company's equity securities are measured at fair value at the end of each reporting period with reference to the market price. Therefore, the Company is exposed to equity price risks and management monitors the price movements and takes appropriate actions when required.

The sensitivity analysis below has been determined assuming that a change in the corresponding equity prices had occurred at the end of the reporting period and had been applied to the equity securities that would have affected the profit or loss and equity. A change of 5% (2014: 2%) in stock price was applied at the end of the respective reporting period.

		2015 Effect on profit or loss HK\$'000	2014 Effect on profit or loss HK\$'000
Change in the relevant equity price risk variable:			
Increase	5%	8,131	30
Decrease	5%	(8,131)	(30)

36. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31 December 2015 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

36. FAIR VALUE MEASUREMENTS (Continued)

(i) ASSETS MEASURED AT FAIR VALUE

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss								
Equity securities, listed in Hong Kong	128,563	-	-	128,563	-	-	-	-
Equity securities, listed overseas	381	-	-	381	1,861	-	-	1,861
Non-Listed investment funds	-	33,671	-	33,671	-	-	-	-
	128,944	33,671	-	162,615	1,861	-	-	1,861

Description of valuation techniques and inputs used in Level 2 fair value measurement

The Non-Listed investment funds are valued based on quoted market price from dealers. If unavailable, fair value is determined by reference to quoted market price for similar instruments.

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

36. FAIR VALUE MEASUREMENTS (Continued)

(ii) ASSETS WITH FAIR VALUE DISCLOSURE, BUT NOT MEASURED AT FAIR VALUE

As set out in note 14 to these consolidated financial statements, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss. The fair value information of the investment properties is shown in the table below.

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000							
Investment properties	-	7,394	-	7,394	-	7,826	-	7,826

The fair value of the investment properties at the end of the reporting period were determined on an open market basis by Asset Appraisal Limited, which are independent qualified professional valuers not connected with the Group and with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to the price information of comparable properties.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

37. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

38. EVENTS AFTER THE REPORTING PERIOD

1. On 15 January 2016, the Company and an independent third party entered into a letter of intent (the "Letter of Intent") in relation to a proposed acquisition of 95% issued share capital of Incola Travel Limited, which is principally engaged in the business of travel agency, at a consideration of not exceeding HK\$5.7 million. A refundable deposit of HK\$500,000 was paid upon signing the Letter of Intent. Up to the date of this report, no formal agreement has been made. Details of the proposed acquisition were set out in the announcement of the Company dated 15 January 2016.
2. On 23 January 2016, the Group entered into a formal agreement with Cherry Square Limited to acquire 85% shareholding in Master Race Limited and its indirectly wholly-owned PRC subsidiaries at a consideration of HK\$135 million. The indirectly wholly-owned PRC subsidiary of Master Race Limited, which is principally engaged in ticketing agency business, corporate advisory, business service and advertising business etc., was granted an exclusive ticketing agency right for the cultural show namely Impression Liu Sanjie* (印象劉三姐) by 桂林廣維文華旅遊文化產業有限公司 for a term of 20 years. The transaction has not yet been completed on 24 March 2016. Details of the transaction were set out in the announcements of the Company dated 23 January 2016 and 24 March 2016.
3. On 4 February 2016, the Group entered into a subscription agreement (the "Subscription Agreement") with Yong Tai Berhad ("Yong Tai"), a company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad and principally engaged in manufacturing and dyeing of all types of fabric and property development. Pursuant to the Subscription Agreement, the Group has conditionally agreed to subscribe for 150,000,000 new ordinary shares of Yong Tai and 200,000,000 irredeemable preference shares in Yong Tai ("ICPS") at the issue price of RM0.80 (equivalent to approximately HK\$1.48) per subscription share and ICPS respectively. The aggregate consideration for the subscription shares and the ICPS are RM280 million (equivalent to approximately HK\$518 million). Upon Completion, (i) assuming the exercise of all conversion rights attached to existing equity convertible securities issued by Yong Tai, the completion of Yong Tai other funding raising activities and the full conversion of the ICPS into Yong Tai shares, the Group will be interested in approximately 50.3% of the enlarged share capital of Yong Tai and Yong Tai will become a subsidiary of the Company and the financial information of the group of Yong Tai will be consolidated into the accounts of the Group; (ii) assuming the exercise of all conversion rights attached to existing equity convertible securities issued by Yong Tai, the completion of Yong Tai other fund raising activities but none of the ICPS were converted into Yong Tai shares, the Group will be interested in approximately 30.3% of the enlarged share capital of Yong Tai and Yong Tai will become an associated company of the Company. The details of the proposed subscription were set out in the announcement of the Company dated 5 February 2016.

Five Year Financial Summary

Year ended 31 December 2015

FINANCIAL SUMMARY

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
RESULTS					
Revenue	499,936	563,565	575,579	517,842	520,067
Loss before tax	(62,115)	(7,880)	(15,926)	(21,981)	(14,277)
Income tax expense	(5,866)	(3,706)	(3,857)	(3,182)	(4,826)
Loss for the year	(67,981)	(11,586)	(19,783)	(25,163)	(19,103)
Attributable to:					
Equity holders of the Company	(67,981)	(11,586)	(20,059)	(25,131)	(19,636)
Non-controlling interests	–	–	276	(32)	533
	(67,981)	(11,586)	(19,783)	(25,163)	(19,103)

	At 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES					
Total assets	866,084	630,601	652,691	619,106	653,621
Total liabilities	(518,435)	(347,835)	(338,033)	(297,102)	(309,639)
	347,649	282,766	314,658	322,004	343,982
Attributable to:					
Equity holders of the Company	347,649	282,766	299,164	307,229	329,109
Non-controlling interests	–	–	15,494	14,775	14,873
	347,649	282,766	314,658	322,004	343,982

Major Properties Held by the Group

Year ended 31 December 2015

	Location	Existing use	Term of lease	Percentage of interest
1.	Factory Complex at the junction of Furong Road and Yuping Road, Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
2.	Factory Complex at Ziyun Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
3.	Factory Complex at Wolong Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
4.	Factory Complex at the South of Horizontal Road 47 and the West of Vertical Road 1, Lu Village, Madian Town, Jiaozhou City, Qingdao City, Shangdong Province, the PRC	Industrial	Medium	100%