

EAGLE LEGEND ASIA

**EAGLE LEGEND ASIA LIMITED**

**鵬程亞洲有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 936)

**2015**

Annual Report



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Zeng Li (*Chairman*)  
Mr. Winerthan Chiu  
Mr. Chan Ka Lun

## NON-EXECUTIVE DIRECTOR

Mr. Wu Bang Xing

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Tze Fan Terence  
Mr. Tsui Robert Che Kwong  
Ms. Yang Yan Tung Doris

## COMPANY SECRETARY

Mr. Chan Tai Wah Calvin

## AUTHORISED REPRESENTATIVES

Mr. Winerthan Chiu  
Mr. Chan Tai Wah Calvin

## PRINCIPAL BANKERS

*Hong Kong*

Standard Chartered Bank (Hong Kong) Limited  
Chong Hing Bank Limited  
DBS Bank (Hong Kong) Limited  
United Overseas Bank Limited

*Singapore*

United Overseas Bank Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Limited  
Clifton House, 75 Fort Street  
P.O. Box 1350, Grand Cayman KY1-1108  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## AUDIT COMMITTEE

Mr. Wan Tze Fan Terence (*Chairman*)  
Mr. Tsui Robert Che Kwong  
Ms. Yang Yan Tung Doris

## REMUNERATION COMMITTEE

Ms. Yang Yan Tung Doris (*Chairman*)  
Mr. Winerthan Chiu  
Mr. Wan Tze Fan Terence

## NOMINATION COMMITTEE

Mr. Zeng Li (*Chairman*)  
Mr. Tsui Robert Che Kwong  
Ms. Yang Yan Tung Doris

## REGISTERED OFFICE

Clifton House, 75 Fort Street  
P.O. Box 1350, Grand Cayman KY1-1108  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3607, 36/F  
China Resources Building  
26 Harbour Road  
Wan Chai, Hong Kong

## AUDITOR

BDO Limited

## WEBSITE

<http://www.elasia ltd.com>

## STOCK CODE

936

## CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

The global economic growth slowed to 2.4 per cent in 2015, coupled with the intense price competition of construction industry in both Hong Kong and Singapore which in turn lead to a decrease in our crane sales and rental business in the year under review.

Hong Kong economy expanded by 2.4 per cent in 2015, compared with the growth for 2.6 per cent for 2014, with the increase in both private and public construction works. On the other hand, the Singapore's gross domestic product (GDP) growth further dropped to 2.1 per cent in 2015, compared with 2.9 per cent in 2014, while the construction demand for private sector projects continued to slide.

In 2015, the Group recorded a total revenue of approximately HK\$239.8 million, representing a decrease of 21.5 per cent from that of approximately HK\$305.3 million recorded in the previous year. The decrease was mainly attributable to the decrease of sale of machinery, rental income from leasing of machinery, sales of spare parts and service income.

Due to the decrease in revenue and other income and gains of the Group in 2015, loss for the year was recorded at approximately HK\$42.1 million, representing an increase of 276 per cent from that of approximately HK\$11.2 million recorded in previous year.

Looking ahead, the Group will continue to reinforce and support both the construction equipment and sales of proprietary Chinese medicine and health products businesses. On the other hand, the Group will also continue to gear up to explore new business opportunities in the market and expand our business scope which aim to contribute a satisfying returns to the Shareholders in the long run.

The performance of the Company is contributed by the dedicated efforts of our management and staff and the strong support from all sectors of the business community. On behalf of the board (the "Board") of directors of the Company (the "Directors"), I would like to express our sincere appreciation to all the Company's stakeholders for your support over the years and look forward to your continued support for the future.

**Zeng Li**  
*Chairman*

Hong Kong  
21 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL AND FINANCIAL REVIEW

### Overall performance

For the year ended 31 December 2015, the Group generated revenue of approximately HK\$239.8 million (2014: approximately HK\$305.3 million) with a loss for the year of approximately HK\$42.1 million (2014: approximately HK\$11.2 million).

### Business Review

For the year ended 31 December 2015, the Group recorded revenue of approximately HK\$239.8 million compared to approximately HK\$305.3 million achieved in the previous year.

The decrease in revenue for the year under review was mainly attributable to the decrease of sales of machinery, rental income from leasing of machinery, sales of spare parts and service income.

Revenue from sales of machinery of approximately HK\$49.8 million was recorded for the year under review, representing a decrease of approximately 27.9% compared to the amount we achieved in 2014. Due to the more common adoption of pre-casts construction technology and façade, heavier lifting capacity tower cranes become a trend. Customers became more cautious in the selection and purchase of tower crane. There is a trend that tower crane rental is a preferred option for our customers.

The revenue from sales of spare parts and service also recorded a decrease from approximately HK\$46.9 million in the previous year to approximately HK\$32.9 million for the year under review.

The Singapore construction industry continued to be under pressure in 2015. Total construction demand in terms of value of contracts awarded amounted to Singapore Dollar (“S\$”) 27.2 billion in which approximately 51.5% was awarded by the public sector. Private sector continued to be sluggish. Chinese made cranes continued to flood the market with aggressive financing choices offered to the dealers or customers. This enabled our competitors to either offer very competitive sale packages or to roll out very aggressive rental schemes to tender for projects.

As a result of the above factors and notwithstanding our satisfactory fleet utilization rate in Singapore, our rental business recorded a decrease of approximately 25.5% from approximately HK\$94.0 million for the year ended 31 December 2014 to approximately HK\$70.0 million for the year 2015 in Singapore.

Our Hong Kong operations recorded a decreased of revenue from approximately HK\$94.2 million to approximately HK\$62.4 million for the year under review, representing a decrease of approximately 33.8%. The situation and the competition development in Hong Kong were very similar to that in Singapore a year ago. Hong Kong started to face a very competitive landscape in 2015 due to the cut throat rental war initiated by one of the competitors. Fleet utilization rate also worsened. Coupled with the reduction in market rental rate, Hong Kong experienced a very difficult year in 2015.

Revenue from sales of proprietary Chinese medicine and health products of approximately HK\$65.9 million was recorded for the year under review, representing an increase of approximately 18.9% compared to the amount we achieved in 2014. The increase was mainly attributable to the increase in market demand of our products.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Dividend

The Directors do not recommend the payment of any dividends for the year ended 31 December 2015.

## Financial review

### Results for the Year

As detailed in the section headed “Business Review” above, the Group recorded a loss for the year of approximately HK\$42.1 million compared to approximately HK\$11.2 million in 2014.

For the year ended 31 December 2015, the Group’s other income and gains amounted to approximately HK\$3.0 million, representing a decrease of approximately 53.5% compared to that of 2014. The decrease was mainly attributable to the absence of one-off gain on reversal of over provision of a legal claim recorded in 2014 and the decrease in bank interest income for the year under review.

The Group’s property, plant and equipment amounted to approximately HK\$350.0 million, representing a decrease of approximately 11.9% compared to that of 2014. The depreciation charges and staff costs for the current year decreased by approximately HK\$3.5 million and increased by approximately HK\$1.3 million respectively, as compared to the amounts for the previous year.

The Group’s finance costs amounted to approximately HK\$26.5 million for the year ended 31 December 2015, representing a decrease of approximately 1.5% compared to that of 2014.

### Liquidity and Financial Resources

The Group held cash and cash equivalents of approximately HK\$84.3 million (2014: approximately HK\$111.6 million). The total equity of the Group decreased to approximately HK\$142.2 million as at 2015 financial year end (2014: approximately HK\$190.8 million).

As at 31 December 2015, the Group had net current liabilities of approximately HK\$128.0 million (2014: net current assets of approximately HK\$16.0 million).

### Capital Structure

As at 31 December 2015, the Company’s total issued shares was 800,000,000 at HK\$0.01 each (the “Shares”, each, a “Share”). There was no change in the share capital of the Company during the year.

### Investment Position and Planning

During the year under review, the Group spent approximately HK\$37.8 million for acquisition of plant and equipment (2014: approximately HK\$59.9 million).

The Group did not have any significant acquisition or disposal of subsidiaries and associated companies during the year under review.

Pursuant to the resolution passed in the board of management’s meeting of Manta-Vietnam Construction Equipment Leasing Limited dated 10 January 2013, the board of management resolved to liquidate the company (the “Liquidation”). As at the date of this report, the Liquidation is still in process.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gearing

The Group monitors capital using a gearing ratio, which is total debts (sum of bonds payable, bank borrowings and finance lease payables) divided by total equity. Notwithstanding the decrease in total debts as at 31 December 2015 as compared to that of 2014, the gearing ratio as at 31 December 2015 was increased to 1.8 (2014: 1.7), mainly due to the net loss recorded for the year under review.

### Pledge of Assets

The Group's banking facilities were secured by the assets of the Group, including land and building carried at fair value, buildings carried at cost and payments for leasehold land held for own use under operating leases, with aggregated carrying amounts of approximately HK\$103.0 million (2014: approximately HK\$111.4 million). The bonds of HK\$100 million were secured by the equity interest of certain subsidiaries.

### Exchange Rate Exposure

As at 31 December 2015, more than half of the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollar. In particular, the revenue generated from our rental operations in Singapore is primarily denominated in Singapore dollar. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro or United States dollar. Revenue and purchases in our manufacturing and sales of proprietary Chinese medicines and health products in the People's Republic of China (the "PRC") are denominated in Renminbi. For foreign currency purchases, hedging arrangements to hedge against foreign exchange fluctuations may be entered. However, no hedging arrangement was undertaken for revenue generated from our Singapore and PRC operations.

### Treasury Policies

The Group generally finances its ordinary operations with internally generated resources or banking facilities. The interest rates of most of the borrowings and finance lease arrangement, if applicable, are charged by reference to prevailing market rates.

### Contingent Liabilities

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

### Commitments

The Group had no capital commitments as at 31 December 2015 and 2014.

## EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2015, the Group had a total of 283 (2014: 273) employees in Hong Kong, Singapore, Vietnam and the PRC. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PROSPECTS

The overall macro-economic factors and data remain consistent compared to those we noted, reviewed and collected in 2015.

The Singapore construction market is expected to continue to be challenging particularly in the private housing sector. Building and Construction Authority (“BCA”) in Singapore forecasted that the total construction contracts to be awarded in 2016 would value up to S\$34 billion. This represents a forecasted growth of 25.0% over the 2015 contracts awarded. The good news is that the public sector is forecasted to continue to grow at a rate of 53.5% over that of 2015 but this is to be offset by the reduction in the private sector contracts awarded.

It is reasonable to anticipate that the price war in Singapore will continue. We are working hand in hand with the manufacturer to penetrate into area of higher lifting capacity tower cranes. This will enable us to re-establish our market niche and positioning to focus on quality and services instead of head-on price war. These higher capacity cranes should provide a better rate of return to help improve in the financials.

In 2015, we rolled out a 24-hour services hotline in Singapore to cater for any emergency technical needs of our customers. This has added positive comments to our existing service team reputation in the market. Service team is our strongest asset to differentiate ourselves from other competitors and we shall continue to strengthen it from time to time.

The challenge in Hong Kong in 2015 could mainly be ascribed to unsatisfactory utilization rate. In the fourth quarter of 2015, we have rolled out a number of measures to re-establish Manta Hong Kong’s brand and market positioning. A Business Development & Services director was recruited; fleet streamlining plan was rolled out; a numbers of new customers were acquired and service enhancement programs were launched. All these have contributed to our recent encouraging record of new customer acquisition and fleet utilization rate.

In late 2015, Manta Hong Kong obtained the exclusive dealership of GJJ passenger hoists in Hong Kong and Macau. GJJ is an established Chinese passenger hoist brand and is considered the second largest passenger hoist brand in the world in terms of market presence and units manufactured. Manta Hong Kong has utilized the advantage of bundling tower cranes and passenger hoists together to offer attractive commercial deals to our customers. The feedback and results of this business strategy has been promising. This provides Manta Hong Kong with a unique competitive advantage in the market compared to other pure tower crane rental companies.

We will continue to look for complementary products to differentiate ourselves from other single product tower crane rental companies. The synergy and benefits resulting from the provision of choices and varieties of construction equipment or products to our customer are considered unique and attractive. This allows us great flexibility and advantage in pricing, sales tactic as well as penetration into new customers in the future.

On the other hand, the Group will continue to exercise its best effort in formulating appropriate strategy as to strength and support, and seeking opportunities to expand our proprietary Chinese medicines and health products business in the PRC. The Group will also seek opportunities actively in diversifying its existing businesses as well as broadening its income base.



# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Zeng Li**, aged 48, was appointed as an executive Director on 22 December 2014 and the chairman of the Board on 23 December 2014. Mr. Zeng is also the chairman of the nomination committee of the Company (the “Nomination Committee”) and a director of certain subsidiaries of the Company.

Mr. Zeng has over 20 years of working experience in the securities and finance industry in the PRC. He is the sole beneficial owner and sole director of Harbour Luck Investments Limited (“Harbour Luck”), controlling shareholder of the Company. Mr. Zeng graduated from Shenzhen University majoring in international finance trade.

Mr. Zeng is an uncle of Mr. Chan Ka Lun, an executive Director.

**Mr. Winerthan Chiu**, aged 60, was appointed as an executive Director on 22 December 2014. Mr. Chiu is also a member of the remuneration committee of the Company (the “Remuneration Committee”), an authorised representative of the Company under each of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and a director of certain subsidiaries of the Company.

Mr. Winerthan Chiu has over 26 years of experience in investment and corporate management. He is an executive director of Min Hoong Holdings Limited since July 2008, which is principally engaged in trading and investment. Mr. Chiu was also an executive director of China Primary Energy Holdings Limited (stock code: 8117, formerly known as “China Primary Resources Holdings Limited”, “China Advance Holdings Limited” and “Billybala Holdings Limited”), a company listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange, from March 2004 to July 2008. Mr. Chiu graduated from university with a Bachelors’ degree in 1982.

**Mr. Chan Ka Lun**, aged 28, was re-designated as an executive director with effect from 1 July 2015.

Mr. Chan has 4 years of working experience in the securities and finance industry. He worked in the securities operations sector, involving in bond and equity capital markets, in China Securities (International) Finance Holding Company Limited from 2013 to 2014. Prior to that, Mr. Chan was employed by Fulbright Financial Group, responsible for securities settlement and customer relationship from 2010 to 2013. Mr. Chan graduated from The Hong Kong University of Science and Technology with a Bachelor’s degree in industrial engineering and engineering management in 2010.

Mr. Chan is a nephew of Mr. Zeng Li, an executive Director and chairman of the Board.

## NON-EXECUTIVE DIRECTORS

**Mr. Wu Bang Xing**, aged 47, was appointed as a non-executive Director on 22 December 2014.

Mr. Wu is a director of 大申集團有限公司 (for identification purpose, in English, Dashen Group Limited) since 2012, which in turn is a substantial shareholder of Shanghai Zhongyida Co., Ltd. (formerly known as “China Textile Machinery Company Limited”), a Shanghai Stock Exchange listed company principally engaged in landscaping. He was the chairman of Shanghai Zhongyida Co., Ltd. from November 2014 to October 2015. Mr. Wu is the vice chairman of Shenzhen General Chamber of Commerce and a member of 政協深圳市委員會 (for identification purpose, in English, Shenzhen Committee of CPPCC).

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wan Tze Fan Terence**, aged 51, was appointed as an independent non-executive Director in December 2014. Mr. Wan is also the chairman of the audit committee of the Company (the “Audit Committee”) and a member of the Remuneration Committee.

Mr. Wan holds a bachelor degree of commerce and a master degree of business administration. He has years of experience in accounting and financial management and has worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. Mr. Wan is also an executive director of Sino Oil and Gas Holdings Limited (stock code: 702) and an independent non-executive director of China Primary Energy Holdings Limited (stock code: 8117), both of which are listed on The Stock Exchange of Hong Kong Limited.

**Mr. Tsui Robert Che Kwong**, aged 62, was appointed as an independent non-executive Director on 22 December 2014. Mr. Tsui is also a member of each of the Audit Committee and the Nomination Committee.

Mr. Tsui has over 30 years of experience as practising solicitor in Hong Kong. Mr. Tsui is the founder and owner of Robert C.K. Tsui & Co., Solicitors, a law firm established in 1990. He was admitted to the Law Society of Hong Kong in 1985 and qualified to practise law in Anguilla, Caribbean in 2005. Mr. Tsui is currently an independent non-executive director of Chinney Kin Wing Holdings Limited (stock code: 1556), a company listed on the main board of the Stock Exchange. Mr. Tsui was also an executive director of Landing International Development Limited (stock code: 582, formerly known as “Greenfield Chemical Holdings Limited”), a company listed on the main board of the Stock Exchange, from November 2007 to November 2009. He was also an independent non-executive director of APAC Resources Limited (stock code: 1104, formerly known as “Shanghai Merchants Holdings Limited”), a company listed on the main board of the Stock Exchange, from July 2004 to November 2007 and Sino Credit Holdings Limited (stock code: 628, formerly known as “Dore Holdings Limited”), a company listed on the main board of the Stock Exchange, from August 2004 to July 2009.

**Ms. Yang Yan Tung Doris**, aged 46, was appointed as an independent non-executive Director on 22 December 2014. Ms. Yang is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Ms. Yang has over 20 years of experience in handling company secretarial and internal control matters of listed companies in Hong Kong. She is a fellow member of The Hong Kong Institute of Chartered Secretaries with practitioner’s endorsement and a fellow member of The Institute of Chartered Secretaries and Administrators. She held the Certificate in Risk Management Assurance designation granted by The Institute of Internal Auditors. Ms. Yang is currently a director of Bloomy Corporate Consultant Limited, a company mainly engaged in providing company secretarial and management consultancy services; Green Grin Club Limited, a company principally engaged in provision of training services; Grin Kitchen Limited, a company principally engaged in philanthropic and volunteer activities; Sky Vantage Development Limited, and 深圳和樂坊生態農業科技有限公司 (for identification purpose, in English, Shenzhen He Lok Fong Ecological Farming and Technology Co. Ltd), both companies are principally engaged in agribusiness. Ms. Yang was also an independent non-executive director of Allied Cement Holdings Limited (stock code: 1312), a company listed on the main board of the Stock Exchange, from December 2011 to July 2014. Ms. Yang graduated from University of Leicester, England with a Bachelor of Science (Economics) in 1993 and then obtained her Master of Science from the Chinese University of Hong Kong in 2003.

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Chan Tai Wah Calvin**, aged 35, is the Financial Controller of the Group and the Company Secretary of the Company. Mr. Chan is primarily responsible for the accounting, finance and company secretarial matters of the Group. He joined the Group in July 2013 and was appointed as the Company Secretary of the Company in July 2015. He has over 12 years of experience in accounting, auditing and corporate advisory services. Prior to joining the Group, he was an audit manager of a major international accounting firm in Hong Kong. Mr. Chan obtained his Bachelor Degree in Business Administration (major in Accountancy) from City University of Hong Kong. He is a practising fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

**Mr. Lo Chun Fai**, aged 49, is the executive director of principal subsidiaries of the Company in Hong Kong and Singapore (the “Manta Group”). Mr. Lo joined Manta Group in January 2013 and is primarily responsible for the overall management functions of Manta Group’s operations. He spent 7 years with PricewaterhouseCoopers Hong Kong in providing consulting services to a wide range of corporate clients investing in the PRC. Subsequent to this, Mr. Lo held various senior management positions in various industries and organisations. Prior to joining Manta Group, he was the finance director of Quality HealthCare Medical Services Limited. Mr. Lo obtained his Bachelor Degree in Economics (major in Accounting and Finance) from Monash University, Australia. He is a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

# REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of 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 its principal subsidiaries are set out in note 36 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## SEGMENT INFORMATION

Details of the segment information of the Group for the year are set out in note 7 to the financial statements.

## BUSINESS REVIEW

A review of the business of the Group during the year under review and a discussion on the Group's future development are set out in the Chairman's Statement on page 3 of this report and the Management Discussion and Analysis on pages 4 to 7. These discussions form part of this director's report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

## RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2015, there were no material and significant dispute between the Group and its employees, customers and suppliers.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operating in compliance with applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment.

## RESULTS AND DIVIDENDS

The financial performance of the Group for the year and the financial position of the Group as at that date are set out in the financial statements on pages 29 to 86.

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

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

# REPORT OF THE DIRECTORS

## SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 28 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

## TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

## PERMITTED INDEMNITY PROVISION

The Company maintained Directors' liability insurance to protect them from any loss to which the Directors of the Company might be liable arising from their actual or alleged misconduct.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and the consolidated statement of changes in equity on page 32.

## DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company did not have a reserve available for distribution. Under the Companies Law, (2010 Revision) of the Cayman Islands, the share premium account of the Company of approximately HK\$64.0 million as at 31 December 2015, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus Shares.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year, the percentage of sales attributable to the Group's five largest customers was 29.8% with the largest customer accounted for 12.4%.

## REPORT OF THE DIRECTORS

The percentage of purchase attributable to the Group's five largest suppliers was 45.3% with the largest supplier accounted for 28.8%.

Neither the Directors, any of their close associates nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

### SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

#### Loan facility from an independent third party

On 21 March 2016 (the "Agreement Date"), the Company entered into a loan agreement with an independent third party (the "Lender") in relation to the provision of loan facility of HK\$175.0 million bearing interest at the rate of 12% per annum (the "Facility"). Drawdown under the Facility (the "Loan") may be made at any time from the Agreement Date to 31 December 2016 upon request of the Company, subject to the fulfillment (or waiver from the Lender at its absolute discretion) of certain conditions precedent. The Loan, if drawn, will be due for repayment on 30 April 2017, or such other date as agreed in writing between the Company and the Lender. The Loan is secured by the debenture incorporating fixed and floating charge over the undertaking, property and assets of the Company made by the Company in favour of the Lender.

### DIRECTORS

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

#### Executive Directors

Mr. Zeng Li (*Chairman*)

Mr. Winerthan Chiu

Mr. Chan Ka Lun

(re-designated as an executive director with effect from 1 July 2015)

#### Non-executive Director

Mr. Wu Bang Xing

#### Independent non-executive Directors

Mr. Wan Tze Fan Terence

Mr. Tsui Robert Che Kwong

Ms. Yang Yan Tung Doris

In accordance with article 108 of the Articles, Mr. Winerthan Chiu, Mr. Wu Bang Xing and Mr. Wan Tze Fan Terence shall retire from office and, being eligible, offer themselves for re-election as Directors at the annual general meeting of the Company (the "AGM").

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of its independent non-executive Directors in respect of their independence during the year and all of them are still being considered to be independent.

# REPORT OF THE DIRECTORS

## DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Zeng Li, Mr. Winerthan Chiu and Mr. Chan Ka Lun, are executive Directors, and Mr. Wu Bang Xing, a non-executive Director has entered into a service agreement with the Company for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. The service agreements of Mr. Zeng Li, Mr. Winerthan Chiu and Mr. Wu Bang Xing commenced from 22 December 2014 and the service agreement of Mr. Chan Ka Lun commenced from 1 July 2015.

Each of the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of two years respectively unless terminated by either party by giving not less than one month's written notice to the other party. All letters of appointment commenced from 22 December 2014.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the forthcoming AGM has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

## CONTRACT OF SIGNIFICANCE

During the year, the Group did not enter into any contract of significance with its controlling Shareholders or any of its subsidiaries.

During the year, no contract of significance for the provision of services to the Group by a controlling Shareholder or any of its subsidiaries was made.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the year.

## CONNECTED TRANSACTIONS

During the year, there was no transaction which should be disclosed in this report as a connected transaction in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

# REPORT OF THE DIRECTORS

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 31 December 2015, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

### Interests in the Shares

#### Long positions in ordinary Shares and underlying Shares

Name of Director	Number of Shares		Equity derivatives	Total	Approximate percentage of issued share capital of the Company (Note 2)
	Personal interest	Corporate interest			
Mr. Zeng Li ("Mr. Zeng")	–	600,000,000 (Note 1)	–	600,000,000	75.00%

Notes:

1. These Shares were registered in the name of Harbour Luck which was wholly and beneficially owned by Mr. Zeng. By virtue of the SFO, Mr. Zeng was deemed to be interested in the Shares held by Harbour Luck.
2. The percentage is calculated on the basis of 800,000,000 Shares in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



# REPORT OF THE DIRECTORS

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2015, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations (other than the Directors and the chief executives of the Company) in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial Shareholders	Nature of interests/ Holding capacity	Number of shares	Approximate percentage of issued share capital of the Company <i>(Note 2)</i>
Harbour Luck	Beneficial owner	600,000,000	75.00%
Ms. Chen Xiong Yi ("Ms. Chen")	Interest of spouse	600,000,000 <i>(Note 1)</i>	75.00%

Notes:

1. Ms. Chen is deemed to be interested through the interest of her spouse, Mr. Zeng (as disclosed herein above).
2. The percentage is calculated on the basis of 800,000,000 Shares in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, there were no other persons or corporations who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION" above, at no time during the year was the Company or any of its holding companies, subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SHARE OPTION SCHEME

At the extraordinary general meeting ("EGM") held on 30 July 2015, the Company has adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing incentive and/or reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group; and (c) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015.

## REPORT OF THE DIRECTORS

The principal terms of the Share Option Scheme are as follows:

- (i) The total number of Shares which may be allotted and issued upon exercise in full of the options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue on the adoption date (i.e. 30 July 2015), unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled and lapsed in accordance with the such schemes or exercised options) will not be counted for the purpose of calculating such 10% limit. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (ii) No Option shall be granted to any eligible participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue.
- (iii) An option may be accepted by an eligible participant not later than 21 days from the date of grant. Upon acceptance of the option, a consideration of HK\$10.00 shall be paid by the grantee to the Company.
- (iv) An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board which shall not be later than 10 years from the date of grant but subject to the provisions for early termination as contained in the Share Option Scheme. There is no specified minimum period for which an option must be held or the performance target which must be achieved before an option can be exercised.
- (v) The subscription price shall be determined by the Board, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.
- (vi) The Share Option Scheme remains valid for a period of 10 years commencing from 30 July 2015.

As at 31 December 2015 and the date of this report, no share options have been granted under the Old Scheme.

As at the date of this report, no share options have been granted under the Share Option Scheme since its adoption.

The total number of Shares available for issue under the Share Option Scheme is 80,000,000, representing 10% of the issued Shares as at the date of this report.

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

# REPORT OF THE DIRECTORS

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

## AUDIT COMMITTEE

The Audit Committee was established on 25 June 2010 with written terms of reference in order to comply with the relevant code provisions of Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "CG Code and Report").

Further details of the Audit Committee are set out in the Corporate Governance Report included in this report.

## CORPORATE GOVERNANCE

Full details on the Company's corporate governance practices are set out in pages 18 to 26 in this report.

## AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

**Zeng Li**  
*Chairman*

Hong Kong, 21 March 2016

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but will also lay a good foundation for the long-term development of the Company. Therefore, the Company will strive to develop and implement effective corporate governance practices and procedures.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all the code provisions of the CG Code and Report throughout the year.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for securities transactions by the Directors during the year. Having made specific enquiries, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

## THE BOARD OF DIRECTORS

### The Board

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including any acquisitions or disposal of businesses, investments, formulating and approving of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

### Chairman and Chief Executive

The CG Code and Report provision stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. Mr. Zeng Li was appointed as the Chairman and the responsibilities of the Chief Executive Officer were taken up by senior management of the Company. The role of the Chairman is separate from that of the chief executive officer. The chairman is responsible for overseeing the functioning of the Board while the chief executive officer is responsible for managing the Group's businesses.

### Board Composition

Currently, the Board comprises seven members with a suitable breadth of background and professional experience from the financial, legal, accounting and commercial sections.

# CORPORATE GOVERNANCE REPORT

The Directors who served the Board during the year and up to the date of this report are named as follows:

## **Executive Directors**

Mr. Zeng Li (*Chairman*)

Mr. Winerthan Chiu

Mr. Chan Ka Lun

(re-designated as an executive Director with effect from 1 July 2015)

## **Non-executive Director**

Mr. Wu Bang Xing

## **Independent non-executive Directors**

Mr. Wan Tze Fan Terence

Mr. Tsui Robert Che Kwong

Ms. Yang Yan Tung Doris

Mr. Zeng Li is an uncle of Mr. Chan Ka Lun. Apart from that, there is no other relationship, including financial, business, family or other material/relevant relationships among the Board members.

The brief biographical details of the Directors are set out in the “Board of Directors and Senior Management” in pages 8 to 10 of this report. The updated list of Directors and their role and function were published on the websites of the Stock Exchange and the Company.

The Company has subscribed appropriate and sufficient insurance coverage on Directors’ liabilities in respect of legal actions taken against Directors arising out of corporate activities.

## **Appointments, re-election and removal**

All Directors with service contracts or letters of appointment usually serve two-year terms and subject to re-election pursuant to the Articles.

In accordance with article 108 of the Articles, at each AGM one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. Mr. Winerthan Chiu, Mr. Wu Bang Xing and Mr. Wan Tze Fan Terence will retire by rotation and all of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

# CORPORATE GOVERNANCE REPORT

## Continuous Professional Development

To assist the Directors in continuing their professional development, the Board recommends them to attend the relevant seminars and courses.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the rule A.6.5 of the CG Code and Report on continuous professional development during the year:

Directors	Note	Attending in-house briefings	Attending relevant business training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
<i>Executive Directors</i>				
Mr. Zeng Li		✓	–	✓
Mr. Winerthan Chiu		✓	–	✓
Mr. Chan Ka Lun	(a)	✓	–	✓
<i>Non-executive Director</i>				
Mr. Wu Bang Xing		–	–	✓
<i>Independent non-executive Directors</i>				
Mr. Wan Tze Fan Terence		✓	✓	✓
Mr. Tsui Robert Che Kwong		✓	✓	✓
Ms. Yang Yan Tung Doris		–	✓	✓

Note:

(a) Re-designated as an executive Director with effect from 1 July 2015

## NON-EXECUTIVE DIRECTORS

The Company has entered into service agreement or letter of appointment with each of existing non-executive Director and the independent non-executive Directors for a term of two years which can be terminated by either party by giving not less than one month's written notice to the other party. The service agreements and letters of appointment of the existing non-executive Director and independent non-executive Directors commenced from 22 December 2014.

Each of the independent non-executive Directors has confirmed by written confirmation that he or she has complied with the independence requirements set out in rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors are independent under these independence requirements.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs:

### Remuneration Committee

The Company established the Remuneration Committee in compliance with CG Code and Report with terms of reference. Currently, the Remuneration Committee is chaired by Ms. Yang Yan Tung Doris, an independent non-executive Director, and other members are Mr. Winerthan Chiu, an executive Director, and Mr. Wan Tze Fan Terence, an independent non-executive Director.

The Remuneration Committee is responsible for, including but not limited to, making recommendations to the Board on the Company's policy and structuring for all remuneration of Directors and senior management and establishing the formal and transparent procedures for developing such remuneration policy. In determining the specific remuneration packages of the Directors and senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group. Full terms of reference are available on the websites of the Stock Exchange and the Company. Details of directors' remuneration for each Director were set out in note 15 to the financial statements.

### Nomination Committee

The Company established the Nomination Committee in compliance with CG Code and Report with terms of reference. Currently, the Nomination Committee is chaired by Mr. Zeng Li, an executive Director and the Chairman and other members are Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris, both being independent non-executive Directors.

The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) required of the Board annually, evaluating the balance of skills, knowledge, experience and diversity of perspective on the Board and making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and assessing the independence of the independent non-executive Directors. Full terms of reference are available on the websites of the Stock Exchange and the Company.

### Board Diversity Policy

The Board has adopted a board diversity policy (the "Policy") and measurable objectives which are set for the purpose of implementing the Policy with effect from 30 August 2013.

### Summary of the Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects including skills, experience, knowledge, expertise, culture, independence, age and gender. All Board appointments will be based on merit while taking diversity into account (including gender diversity).

# CORPORATE GOVERNANCE REPORT

## Measurable Objectives

The measurable objectives for the purpose of implementation of the Policy including the dependence, educational background, professional qualifications and years of experience in the industry he/she is specialised in.

The Nomination Committee will review the Policy to ensure its effectiveness and report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation on this Policy.

## Audit Committee

The Audit Committee was established on 25 June 2010 with written terms of reference. Currently, the Audit Committee comprises Mr. Wan Tze Fan Terence (chairman of the Audit Committee), Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris, all of them being independent non-executive Directors.

The Audit Committee is primarily responsible for overseeing all financial reporting procedures and the effectiveness of the Company's internal controls and then reports the findings, decisions and recommendations to the Board; making recommendation to the Board on the appointment, re-appointment and removal of external auditor and approving the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor; and reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process in accordance with applicable standard.

The Audit Committee has reviewed with the management of the Company the annual results for the year ended 31 December 2015 including the accounting principles and practices adopted by the Group and the internal control and financial reporting matters.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code and Report.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and Report and disclosure in this Corporate Governance Report.



# CORPORATE GOVERNANCE REPORT

## ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2015, the Board held 10 Board meetings.

The attendance record of each Director at the Board meetings, the committees meetings and the general meetings of the Company held during the year is set out below:

Directors	Note	Board Meeting Attended/ Eligible to attend	Nomination Committee Attended/ Eligible to attend	Remuneration Committee Attended/ Eligible to attend	Audit Committee Attended/ Eligible to attend	EGM Attended/ Eligible to attend	2015 AGM Attended/ Eligible to attend
<i>Executive Directors</i>							
Mr. Zeng Li		10/10	2/2	–	–	1/1	1/1
Mr. Winerthan Chiu		10/10	–	2/2	–	1/1	1/1
Mr. Chan Ka Lun	(a)	8/10	–	–	–	1/1	1/1
<i>Non-executive Director</i>							
Mr. Wu Bang Xing		7/10	–	–	–	0/1	1/1
<i>Independent non-executive Directors</i>							
Mr. Wan Tze Fan Terence		8/10	–	2/2	3/3	0/1	1/1
Mr. Tsui Robert Che Kwong		8/10	2/2	–	3/3	1/1	1/1
Ms. Yang Yan Tung Doris		8/10	2/2	2/2	3/3	1/1	1/1

Note:

(a) Re-designated as an executive Director with effect from 1 July 2015

## AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the total fee paid/payable to the external auditor of the Company in respect of audit and non-audit services is set as below:

	For the year ended 31 December 2015 HK\$'000
Audit services	500
Non-audit services	–

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2015, and confirm that the financial statements give a true and fair view of the results of the Company and the Group for the year then ended, and are prepared in accordance with the applicable statutory requirements and accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, BDO Limited, about their responsibilities on the financial statements of the Group is set out in the independent auditor's report on pages 27 to 28.

## COMPANY SECRETARY

Mr. Chan Tai Wah Calvin ("Mr. Chan") has been appointed as the company secretary of the Company (the "Company Secretary") since 1 July 2015. All Directors have access to the advice and services of Mr. Chan, who is responsible for ensuring that the correct Board procedures are followed and advises the Board on all corporate governance matters. During the year, Mr. Chan confirmed that he undertook over 15 hours of professional training to update his skills and knowledge.

The primary corporate contact person of the Company is Mr. Zeng Li, an executive Director and the Chairman.

## INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interests of the Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Company.

During the year, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. Such review covered financial, compliance and operational controls as well as risk management mechanisms.

## CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code and Report but about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcome.

## COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at [www.elasialtd.com](http://www.elasialtd.com). The Directors and members of various Board committees will attend the AGM of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDER RIGHTS

### Convening an extraordinary general meeting by the Shareholders

Pursuant to the article 64 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 having 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, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

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.

### Making enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to [infoela@elasialtd.com](mailto:infoela@elasialtd.com).

### Procedures for the Shareholders to put their enquiries to the Board

The Shareholders are also encouraged to attend the AGM and the EGM and to put their enquiries to the Board directly. Notices are duly circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman, the chairman of each of the remuneration committee, nomination committee and audit committee and the senior management attend the aforesaid meetings and respond to the Shareholders' enquiries in a promptly manner. Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings.

The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the AGM and the EGM orally in the beginning of the aforesaid meetings. The poll results will be posted on the websites of the Stock Exchange and the Company after the AGM and the EGM.

### Investors Communication Policy

To promote effective communication, the Company maintains a website at <http://www.elasialtd.com>, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number : (852) 3678-8589  
By post : Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong  
Attention : The Board of Directors  
By email : [infoela@elasialtd.com](mailto:infoela@elasialtd.com)

During the year, the Company has not made any changes to its memorandum and the Articles, which is available on the websites of the Stock Exchange and the Company.

# INDEPENDENT AUDITOR'S REPORT



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**TO THE SHAREHOLDERS OF EAGLE LEGEND ASIA LIMITED 鵬程亞洲有限公司**  
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Eagle Legend Asia Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 29 to 86, 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its 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.

**BDO Limited**

*Certified Public Accountants*

**Lo Ngai Hang**

Practising Certificate no. P04743

Hong Kong, 21 March 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	8	<b>239,755</b>	305,278
Cost of sales and services		<b>(145,375)</b>	(166,939)
<b>Gross profit</b>		<b>94,380</b>	138,339
Other income and gains	9	<b>2,983</b>	6,415
Selling and distribution expenses		<b>(3,487)</b>	(4,842)
Administrative expenses		<b>(65,739)</b>	(76,268)
Operating expenses		<b>(45,061)</b>	(47,721)
Finance costs	10	<b>(26,478)</b>	(26,881)
<b>Loss before income tax</b>	11	<b>(43,402)</b>	(10,958)
Income tax credit/(expense)	12	<b>1,333</b>	(225)
<b>Loss for the year</b>		<b>(42,069)</b>	(11,183)
<b>Other comprehensive income</b>			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of properties held for own use, net of tax		<b>1,288</b>	862
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment on disposal of available-for-sale investments		–	91
Exchange differences on translating foreign operations		<b>(7,782)</b>	(6,139)
<b>Other comprehensive income for the year</b>		<b>(6,494)</b>	(5,186)
<b>Total comprehensive income for the year</b>		<b>(48,563)</b>	(16,369)
<b>Loss for the year attributable to:</b>			
— Owners of the Company		<b>(42,035)</b>	(11,079)
— Non-controlling interests		<b>(34)</b>	(104)
		<b>(42,069)</b>	(11,183)
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		<b>(48,529)</b>	(16,265)
— Non-controlling interests		<b>(34)</b>	(104)
		<b>(48,563)</b>	(16,369)
<b>Loss per share</b>			
— Basic and diluted (HK cents)	14	<b>(5.3)</b>	(1.4)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	350,005	397,119
Payments for leasehold land held for own use under operating leases	17	21,586	23,092
		<b>371,591</b>	420,211
<b>Current assets</b>			
Inventories and consumables	18	43,705	51,796
Trade and bill receivables	19	56,221	70,546
Prepayments, deposits and other receivables	20	37,237	27,414
Tax recoverable		–	299
Cash and cash equivalents	21	84,346	111,613
		<b>221,509</b>	261,668
<b>Current liabilities</b>			
Trade and bill payables	22	77,508	62,878
Receipt in advance, accruals and other payables	23	86,289	79,848
Bank borrowings	24	43,884	47,833
Bonds payable	25	100,000	–
Finance lease payables	26	41,768	54,640
Provision for tax		36	492
		<b>349,485</b>	245,691
<b>Net current (liabilities)/assets</b>		<b>(127,976)</b>	15,977
<b>Total assets less current liabilities</b>		<b>243,615</b>	436,188
<b>Non-current liabilities</b>			
Bank borrowings	24	18,799	21,585
Bonds payable	25	–	100,000
Finance lease payables	26	55,397	93,993
Other payables	23	9,142	9,523
Deferred tax liabilities	27	18,037	20,284
		<b>101,375</b>	245,385
<b>Net assets</b>		<b>142,240</b>	190,803

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>EQUITY</b>			
Share capital	28	<b>8,000</b>	8,000
Reserves	29	<b>133,688</b>	182,217
<b>Equity attributable to the Company's owners</b>		<b>141,688</b>	190,217
Non-controlling interests		<b>552</b>	586
<b>Total equity</b>		<b>142,240</b>	190,803

**Zeng Li**  
*Executive Director*

**Winerthan Chiu**  
*Executive Director*



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Investment revaluation reserve* HK\$'000	Property revaluation reserve* HK\$'000	Translation reserve* HK\$'000	Accumulated losses* HK\$'000	Equity attributable to the owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2014	8,000	63,968	120,985	(91)	7,385	13,877	(7,642)	206,482	690	207,172
Loss for the year	-	-	-	-	-	-	(11,079)	(11,079)	(104)	(11,183)
Other comprehensive income	-	-	-	91	862	(6,139)	-	(5,186)	-	(5,186)
Total comprehensive income for the year	-	-	-	91	862	(6,139)	(11,079)	(16,265)	(104)	(16,369)
Depreciation transfer on property held for own use carried at fair value, net of tax	-	-	-	-	(217)	-	217	-	-	-
Balance at 31 December 2014	8,000	63,968	120,985	-	8,030	7,738	(18,504)	190,217	586	190,803
Balance at 31 December 2014 and 1 January 2015	<b>8,000</b>	<b>63,968</b>	<b>120,985</b>	<b>-</b>	<b>8,030</b>	<b>7,738</b>	<b>(18,504)</b>	<b>190,217</b>	<b>586</b>	<b>190,803</b>
Loss for the year	-	-	-	-	-	-	(42,035)	(42,035)	(34)	(42,069)
Other comprehensive income	-	-	-	-	1,288	(7,782)	-	(6,494)	-	(6,494)
Total comprehensive income for the year	-	-	-	-	1,288	(7,782)	(42,035)	(48,529)	(34)	(48,563)
Depreciation transfer on property held for own use carried at fair value, net of tax	-	-	-	-	(243)	-	243	-	-	-
Balance at 31 December 2015	<b>8,000</b>	<b>63,968</b>	<b>120,985</b>	<b>-</b>	<b>9,075</b>	<b>(44)</b>	<b>(60,296)</b>	<b>141,688</b>	<b>552</b>	<b>142,240</b>

\* At 31 December 2015, the reserves accounts comprise the consolidated reserves of approximately HK\$133,688,000 (2014: approximately HK\$182,217,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(43,402)	(10,958)
Adjustments for:			
Bank interest income	9	(79)	(1,361)
Other interest income	9	(480)	(938)
Dividend income	9	–	(124)
(Gain)/loss on disposal of property, plant and equipment	11	(295)	532
Loss on disposal of available-for-sale investments	11	–	27
(Recovery of impairment loss)/impairment loss on trade receivables, net	11	(633)	1,060
Impairment loss on other receivables	11	31	117
Bad debt written-off	11	332	269
Provision for impairment of inventories	11	107	506
Depreciation of property, plant and equipment	11	46,100	49,622
Amortisation of payments for leasehold land held for own use under operating leases	11	582	607
Gain on disposal of financial assets at fair value through profit or loss	9	–	(21)
Interest expenses	10	26,478	26,881
Written off of property, plant and equipment	11	453	2,656
Operating profit before working capital changes		29,194	68,875
Purchase of financial assets at fair value through profit or loss		–	(2,475)
Proceeds from disposal of financial assets at fair value through profit or loss		–	3,534
Decrease/(increase) in inventories and consumables		14,060	(1,540)
Decrease in trade and bill receivables		12,134	8,467
(Increase)/decrease in prepayments, deposits and other receivables		(11,007)	25,186
Increase/(decrease) in trade and bill payables		16,660	(1,281)
Decrease in receipt in advance, accruals and other payables		(9,247)	(28,669)
Cash generated from operations		51,794	72,097
Interest paid		(9,277)	(11,616)
Income tax paid		(164)	(176)
<i>Net cash from operating activities</i>		<b>42,353</b>	60,305

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Cash flows from investing activities</b>			
Interest received		559	2,299
Dividend received		–	108
Purchase of property, plant and equipment	34	<b>(15,171)</b>	(6,586)
Purchase of available-for-sale investments		–	(282)
Proceeds from disposal of available-for-sale investments		–	3,208
Decrease in bank deposits maturing over three months		–	3,515
Proceeds from disposal of property, plant and equipment		<b>420</b>	243
Repayment of promissory notes payable		–	(37,920)
<i>Net cash used in investing activities</i>		<b>(14,192)</b>	(35,415)
<b>Cash flows from financing activities</b>			
Repayment of obligations under finance leases		<b>(59,482)</b>	(63,231)
Proceeds from new finance leases		<b>6,612</b>	8,521
Proceeds from new bank borrowings		<b>42,360</b>	46,250
Repayment of bank borrowings		<b>(45,859)</b>	(51,026)
<i>Net cash used in financing activities</i>		<b>(56,369)</b>	(59,486)
<b>Net decrease in cash and cash equivalents</b>		<b>(28,208)</b>	(34,596)
Cash and cash equivalents at the beginning of year		<b>111,613</b>	145,585
Effect of exchange rates changes on cash and cash equivalents		<b>941</b>	624
<b>Cash and cash equivalents at the end of year</b>		<b>84,346</b>	111,613

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL

Eagle Legend Asia Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. The Company and its subsidiaries (collectively known as the “Group”) is principally engaged in trading of construction machinery and spare parts, leasing of the construction machinery, providing repair and maintenance services in respect of the construction machinery and manufacturing and sales of proprietary Chinese medicines and health products. The principal activities of the subsidiaries are described in note 36.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 19 July 2010. The immediate and ultimate holding company of the Company is Harbour Luck Investments Limited, which is incorporated in Hong Kong with limited liability.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements on page 29 to 86 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

In addition, the Group has adopted the amendments to the Listing Rules issued by the Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact on the financial statements is on the presentation and disclosure of certain information in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION *(Continued)*

### (b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for land and building carried at fair value, which are measured at fair values as explained in the accounting policies set out below.

During the year, the Group has incurred a loss of approximately HK\$42,069,000 and at the end of reporting period, its current liabilities exceeded its current assets by approximately HK\$127,976,000. The directors of the Company (“Directors”) consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2015, on the basis that (a) an unconditional undertaking from the ultimate controlling party so as to enable the Group to meet their obligations and liabilities as and when they fall due and to continue their day-to-day business operations as a viable going concern notwithstanding any present or future financial difficulties for coming twelve months at least up to 31 December 2016; (b) the Group’s future operations can generate sufficient cash flows; and (c) subsequent to reporting date, the Group has obtained loan facility of approximately HK\$175,000,000 from an independent third party as a liquidity cushion for cash flows, of which the loan facility is available to draw down on or before 31 December 2016. The Directors are of the opinion that, in the absence of unforeseen circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting date. Accordingly, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to reduce the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

### (c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars (“HK\$”), which is the same as the functional currency of the Company.

## 3. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the board of directors on 21 March 2016.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. ADOPTION OF HKFRS

### (a) Adoption of new/revised HKFRS — effective 1 January 2015

During the year, the Group has adopted all the new and revised HKFRS which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these revised HKFRSs did not result in material changes to the Group's accounting policies.

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle

#### Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS 16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment. Apart from amendments to HKAS 16, the adoption of other amendments has no material impact on the Group's financial statements.

### (b) New/revised HKFRS that have been issued but are not yet effective

The following new/revised HKFRS, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

# NOTES TO THE FINANCIAL STATEMENTS

## 4. ADOPTION OF HKFRS *(Continued)*

### (b) **New/revised HKFRS that have been issued but are not yet effective** *(Continued)*

#### **Amendments to HKAS 1 — Disclosure Initiative**

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

#### **Amendments to HKAS 27 — Equity Method in Separate Financial Statements**

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

#### **HKFRS 9 (2014) — Financial Instruments**

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### **HKFRS 15 — Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

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

# NOTES TO THE FINANCIAL STATEMENTS

## 4. ADOPTION OF HKFRSs *(Continued)*

### (b) New/revised HKFRS that have been issued but are not yet effective *(Continued)*

#### **HKFRS 15 — Revenue from Contracts with Customers** *(Continued)*

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRS and the Directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Business combination and basis of consolidation *(Continued)*

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

When the Group loses control of a subsidiary, 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 and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Property, plant and equipment

Land and building carried at fair value is property where the fair value of the leasehold land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease which is stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of leasehold land at the inception of the lease, and other items of plant and equipment, are stated at cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Land and building carried at fair value	Over the lease terms
Buildings carried at cost	25 to 30 years
Plant and machinery	5 to 10 years
Furniture and fixture	5 to 6 years
Office and other equipment	2 to 6 years
Motor vehicles	3 to 5 years
Leasehold improvements	30 years

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) **Property, plant and equipment** *(Continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building carried at fair value.

### (d) **Payments for leasehold land held for own use under operating leases**

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

### (e) **Leasing**

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

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

#### **The Group as lessor**

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income is recognised in accordance with note 5(i). Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

#### **The Group as lessee**

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Leasing *(Continued)*

#### **The Group as lessee** *(Continued)*

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

### (f) Financial instruments

#### (i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

#### (ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Financial instruments *(Continued)*

#### (ii) Impairment loss on financial assets *(Continued)*

##### *For loans and receivables*

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities include trade, bill and other payables, accruals, bank borrowings, bonds payable and finance lease payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

##### *Bank borrowings*

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

##### *Finance lease payables*

Finance lease payables are measured at initial value less the capital element of lease repayments.

##### *Other financial liabilities*

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Financial instruments *(Continued)*

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

### (g) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories for sales of cranes and spare parts is calculated using first-in-first-out method whereas cost of inventories for sales of proprietary Chinese medicines and health products is determined using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables for own consumption or provision of services are stated at cost. Cost is determined using the weighted average method.

### (h) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### (i) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Revenue recognition *(Continued)*

- (ii) Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.
- (iii) Service income is recognised when the services are rendered.
- (iv) Interest income is recognised on a time-proportion basis using the effective interest method.
- (v) Dividend income is recognised when the right to receive payment is established.

### (j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Current tax assets and current tax liabilities are presented in net if, and only if,

- the Group has the legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (j) **Income taxes** *(Continued)*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### (k) **Foreign currency**

Transactions entered into by the Company/group entities in currencies other than currency of the primary economic environment in which it/they operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.



# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Foreign currency *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

### (l) Employee benefits

#### Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Company's subsidiaries which operate in Hong Kong are required to participate in the Mandatory Provident Fund ("MPF") Schemes, for all of its employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Company's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund ("CPF") Scheme, for all of its employees who are eligible to participate in the CPF scheme. The Group is required to contribute a certain percentage of its payroll costs to the CPF scheme.

The employees of the Company's subsidiaries which operate in Macau and the People's Republic of China (the "PRC") are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute certain percentage of its payroll costs to the central pension schemes in Macau and the PRC.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

#### Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **(m) Share-based payments**

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

### **(n) Impairment of assets (other than financial assets)**

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment under cost model;
- Payments for leasehold land held for own use under operating leases; and
- Investments in subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (o) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (p) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### (q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

### (r) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### (s) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (s) Segment reporting *(Continued)*

The Group has identified the following reportable segments:

- Hong Kong
- Singapore
- Vietnam
- Macau
- PRC

Each of these operating segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRS, except that:

- Interest on bonds payable
- Certain finance costs
- Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving the operating results of the operating segment.

Segment assets include all assets but exclude corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

### (t) Related parties

- (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 key management personnel of the Group or the Company's parent.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) **Related parties** *(Continued)*

- (b) An entity is related to the Group if any of the following conditions apply:
- (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 entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of 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.

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:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

### (a) Useful life of property, plant and equipment

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

### (b) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Revalued land and buildings — Property, plant and equipment (Note 16);

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

### (c) **Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgement and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### (d) **Allowance for slow-moving inventories**

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

### (e) **Impairment loss for trade and other receivables**

The Group makes provision for impairment losses on trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment losses on trade and other receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

### (f) **Impairment loss for non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographic location of their operations. Each of the Group's operating segments represents a strategic business unit that offers products and services from which are subject to risks and returns that are different from those of the other operating segments. Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Hong Kong HK\$'000	Singapore HK\$'000	Vietnam HK\$'000	Macau HK\$'000	PRC HK\$'000	Inter segment elimination HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>							
Revenue							
From external customers	62,423	107,424	-	3,999	65,909	-	239,755
From inter segment	5,875	-	-	-	-	(5,875)	-
<b>Reportable segment revenue</b>	<b>68,298</b>	<b>107,424</b>	<b>-</b>	<b>3,999</b>	<b>65,909</b>	<b>(5,875)</b>	<b>239,755</b>
<b>Reportable segment (loss)/profit</b>	<b>(7,771)</b>	<b>(10,415)</b>	<b>(102)</b>	<b>602</b>	<b>(359)</b>	<b>(656)</b>	<b>(18,701)</b>
Interest on bonds payable							(17,201)
Unallocated corporate expenses							(6,167)
Loss for the year							(42,069)
<b>Other reportable segment information</b>							
Interest income	44	8	1	-	506	-	559
Interest expenses	(1,534)	(4,961)	-	-	(2,782)	-	(9,277)
Amortisation on payments for leasehold land held for own use under operating leases	-	-	-	-	(582)	-	(582)
Depreciation of non-financial assets	(12,983)	(29,845)	-	-	(3,272)	-	(46,100)
Recovery of impairment loss on trade receivables, net	-	633	-	-	-	-	633
Gain on disposal of property, plant and equipment	291	4	-	-	-	-	295
Income tax credit/(expense)	771	598	-	(1)	(35)	-	1,333
Additions to non-current segment assets during the year	23,725	17,489	-	-	1,100	(4,475)	37,839
<b>At 31 December 2015</b>							
<b>Reportable segment assets</b>	<b>147,983</b>	<b>268,399</b>	<b>61</b>	<b>805</b>	<b>147,715</b>	<b>(2,428)</b>	<b>562,535</b>
Unallocated segment assets							30,565
Total assets							593,100
<b>Reportable segment liabilities</b>	<b>55,790</b>	<b>137,880</b>	<b>309</b>	<b>309</b>	<b>103,745</b>	<b>-</b>	<b>298,033</b>
Bonds payable							100,000
Other unallocated segment liabilities							52,827
Total liabilities							450,860



# NOTES TO THE FINANCIAL STATEMENTS

## 7. SEGMENT INFORMATION (Continued)

	Hong Kong HK\$'000	Singapore HK\$'000	Vietnam HK\$'000	Macau HK\$'000	PRC HK\$'000	Inter segment elimination HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>							
Revenue							
From external customers	94,221	140,388	–	15,233	55,436	–	305,278
From inter segment	9,765	525	–	–	–	(10,290)	–
<b>Reportable segment revenue</b>	<b>103,986</b>	<b>140,913</b>	<b>–</b>	<b>15,233</b>	<b>55,436</b>	<b>(10,290)</b>	<b>305,278</b>
<b>Reportable segment profit/(loss)</b>	<b>6,223</b>	<b>2,286</b>	<b>(315)</b>	<b>1,398</b>	<b>1,147</b>	<b>(97)</b>	<b>10,642</b>
Interest on bonds payable							(15,265)
Unallocated corporate expenses							(6,560)
Loss for the year							(11,183)
<b>Other reportable segment information</b>							
Interest income	1,341	4	1	–	953	–	2,299
Interest expenses	(2,085)	(6,371)	–	–	(3,160)	–	(11,616)
Amortisation on payments for leasehold land held for own use under operating leases	–	–	–	–	(607)	–	(607)
Depreciation of non-financial assets	(15,155)	(30,152)	–	–	(4,315)	–	(49,622)
Impairment loss on trade receivables, net	–	(1,065)	5	–	–	–	(1,060)
Gain/(loss) on disposal of property, plant and equipment	155	(600)	–	–	(87)	–	(532)
Income tax expense	(217)	(75)	–	(138)	205	–	(225)
Additions to non-current segment assets during the year	13,366	47,787	–	–	194	(1,402)	59,945
<b>At 31 December 2014</b>							
<b>Reportable segment assets</b>	<b>168,093</b>	<b>324,732</b>	<b>120</b>	<b>5,456</b>	<b>142,032</b>	<b>(1,832)</b>	<b>638,601</b>
Unallocated segment assets							43,278
Total assets							681,879
<b>Reportable segment liabilities</b>	<b>73,658</b>	<b>180,720</b>	<b>300</b>	<b>4,917</b>	<b>95,855</b>	<b>–</b>	<b>355,450</b>
Bonds payable							100,000
Other unallocated segment liabilities							35,626
Total liabilities							491,076

## NOTES TO THE FINANCIAL STATEMENTS

### 7. SEGMENT INFORMATION *(Continued)*

The following tables present (i) the revenue from external customers by locations/jurisdictions of customers from which the Group derived revenue for the year and (ii) non-current assets by locations of assets.

#### Revenue from external customers

	Hong Kong (domicile) HK\$'000	Singapore HK\$'000	Vietnam HK\$'000	Macau HK\$'000	PRC HK\$'000	Sri Lanka HK\$'000	Korea HK\$'000	Thailand HK\$'000	Indonesia HK\$'000	United Arab Emirates HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2015	53,835	98,822	2,124	3,999	65,909	28	12,865	1,872	28	273	-	239,755
Year ended 31 December 2014	87,527	126,975	5	15,233	55,436	16	15,221	1,506	12	2,352	995	305,278

#### Non-current assets

	Hong Kong (domicile) HK\$'000	Singapore HK\$'000	PRC HK\$'000	Total HK\$'000
At 31 December 2015	96,797	212,588	62,206	371,591
At 31 December 2014	104,646	247,888	67,677	420,211

The Group's revenue from external customers for different products and services is set out in note 8.

#### Information about a major customer

Revenue from one customer of the Group's PRC (2014: Hong Kong) segment amounted to approximately HK\$29,624,000 (2014: HK\$49,234,000), which represented 12% (2014: 16%) of the Group's revenue for the year.

### 8. REVENUE

The Group's principal activities are trading of construction machinery and spare parts, leasing of the construction machinery, providing repair and maintenance of services in respect of the construction machinery and manufacturing and sales of proprietary Chinese medicines and health products.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. REVENUE (Continued)

Revenue from the Group's principal activities during the year is as follows:

	2015 HK\$'000	2014 HK\$'000
Sales of machinery	49,825	69,099
Sales of spare parts	3,621	6,068
Rental income from leasing of owned plant and machinery and those held under finance leases	84,190	121,491
Rental income from subleasing of plant and machinery	6,959	12,336
Service income	29,251	40,848
Sales of proprietary Chinese medicines and health products	65,909	55,436
	<b>239,755</b>	<b>305,278</b>

### 9. OTHER INCOME AND GAINS

	2015 HK\$'000	2014 HK\$'000
Bank interest income	79	1,361
Other interest income	480	938
Compensation received	629	548
Dividend income	–	124
Commission income	–	57
Gain on disposal of financial assets at FVTPL	–	21
Gain on disposal of property, plant and equipment	295	–
Government subsidies (Note)	1	548
Recovery of impairment loss on trade receivables, net	633	–
Reversal of over provision of legal claim (Note 30)	–	1,991
Others	866	827
	<b>2,983</b>	<b>6,415</b>

Note: Government subsidies comprised unconditional cash subsidies from government for subsidising the Group's manufacturing and sales of proprietary Chinese medicines and health products business.

### 10. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest charges on financial liabilities stated at amortised cost:		
— Bank borrowings wholly repayable within five years	2,782	3,226
— Bank borrowings not wholly repayable within five years	1,170	1,259
— Bonds wholly repayable within five years	17,201	15,265
— Finance lease payables wholly repayable within five years	5,113	6,647
— Trade payables	212	484
	<b>26,478</b>	<b>26,881</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. LOSS BEFORE INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
— Current year	627	647
— Over provision in respect of prior year	(21)	(8)
Cost of inventories recognised as an expense	84,563	106,158
Depreciation of property, plant and equipment ( <i>Note (i)</i> )		
— Owned assets	23,755	22,334
— Assets held under finance leases	22,345	27,288
	<b>46,100</b>	49,622
Amortisation of payments for leasehold land held for own use under operating leases ( <i>Note (i)</i> )	582	607
(Recovery of impairment loss)/impairment loss on trade receivables, net ( <i>Note (ii)</i> )	(633)	1,060
Impairment loss on other receivables	31	117
Bad debt written-off	332	269
Provision for impairment of inventories	107	506
(Gain)/loss on disposal of property, plant and equipment	(295)	532
Written off of property, plant and equipment	453	2,656
Operating lease charges in respect of land and buildings	5,591	4,728
Loss on disposal of available-for-sale investments	–	27
Reversal of over provision for legal claim ( <i>Note (iii)</i> and <i>Note 30</i> )	–	(1,991)
Employee costs (including Directors' remunerations ( <i>Note 15</i> ))	44,403	43,142
Net foreign exchange loss	2,029	2,304
Net rental income from subletting of plant and machinery	(3,120)	(4,607)

Notes:

- (i) Depreciation and amortisation had been included in cost of sales and services and operating expenses.
- (ii) Recovery of impairment loss on trade receivables, net had been included in other income and gains.
- (iii) Reversal of over provision for legal claim had been included in other income and gains.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. INCOME TAX CREDIT/(EXPENSE)

	2015 HK\$'000	2014 HK\$'000
Current tax — Singapore		
— Current year	–	2
— Over provision in respect of prior years	–	(210)
	–	(208)
Current tax — PRC		
— Current year	–	342
— Under provision in respect of prior year	35	–
	35	342
Current tax — Macau		
— Current year	36	149
— Over provision in respect of prior years	(35)	(11)
	1	138
Deferred tax		
— Current year ( <i>Note 27</i> )	(1,369)	(47)
Total income tax (credit)/expense	(1,333)	225

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Hong Kong and Vietnam profits tax have not been provided as the Group has no assessable profits.

Singapore profits tax and PRC Enterprise Income Tax have not been provided as the Group has no assessable profits for the year.

Singapore profits tax and PRC Enterprise Income Tax had been provided for the year ended 31 December 2014 at tax rates of 17% and 25% on the estimated assessable profits respectively.

Macau Complementary Tax has been provided for the year at a tax rate of 12% (2014: 12%) on the estimated assessable profits.

## NOTES TO THE FINANCIAL STATEMENTS

### 12. INCOME TAX CREDIT/(EXPENSE) (Continued)

A reconciliation of income tax (credit)/expense and accounting loss at applicable tax rate is as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Loss before income tax	<b>(43,402)</b>	(10,958)
Tax calculated at the domestic tax rate of 16.5%	<b>(7,161)</b>	(1,808)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(109)</b>	23
Tax effect of non-deductible expenses	<b>5,375</b>	4,747
Tax effect of non-taxable income	<b>(435)</b>	(1,426)
Tax effect of temporary difference not recognised	<b>(154)</b>	602
Tax effect of tax losses not recognised	<b>2,007</b>	–
Tax effect of utilisation of tax losses previously not recognised	–	(858)
Over provision in respect of prior years	–	(221)
Others	<b>(856)</b>	(834)
Income tax (credit)/expense	<b>(1,333)</b>	225

### 13. DIVIDEND

No dividend has been paid or declared by the Company for the year (2014: nil).

### 14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$42,035,000 (2014: approximately HK\$11,079,000) and on 800,000,000 (2014: 800,000,000) ordinary shares in issue during the year.

Diluted loss per share is the same as the basic loss per share because the Group has no dilutive potential shares during the year (2014: nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' remunerations

	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Defined contribution plans HK\$'000	Total HK\$'000
<b>2015</b>					
<i>Executive directors</i>					
Mr. Zeng Li	-	1,200	100	18	1,318
Mr. Winethan Chiu	-	800	67	18	885
Mr. Chan Ka Lun ( <i>Note</i> )	-	300	25	9	334
<i>Non-executive directors</i>					
Mr. Wu Bang Xing	120	-	-	-	120
Mr. Chan Ka Lun ( <i>Note</i> )	60	-	-	-	60
<i>Independent non-executive directors</i>					
Mr. Wan Tze Fan Terence	120	-	-	-	120
Mr. Tsui Robert Che Kwong	120	-	-	-	120
Ms. Yang Yan Tung Doris	120	-	-	-	120
	<b>540</b>	<b>2,300</b>	<b>192</b>	<b>45</b>	<b>3,077</b>

Note: Mr. Chan Ka Lun was re-designated from non-executive director to executive director on 1 July 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### (a) Directors' remunerations (Continued)

	Date of appointment/ resignation during the year	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Defined contribution plans HK\$'000	Total HK\$'000
<b>2014</b>						
<i>Executive directors</i>						
Mr. So Chung	Resigned on 23 December 2014	–	752	–	14	766
Miss. So Man	Resigned on 23 December 2014	–	752	–	14	766
Miss. So Wai	Resigned on 23 December 2014	–	752	–	14	766
Mr. Zeng Li	Appointed on 22 December 2014	–	32	–	2	34
Mr. Winerthan Chiu	Appointed on 22 December 2014	–	22	–	1	23
<i>Non-executive directors</i>						
Mr. Lam Woon Kun	Resigned on 23 December 2014	292	–	–	–	292
Mr. Wu Bang Xing	Appointed on 22 December 2014	3	–	–	–	3
Mr. Chan Ka Lun	Appointed on 22 December 2014	3	–	–	–	3
<i>Independent non-executive directors</i>						
Ms. Lo Miu Sheung Betty	Resigned on 23 December 2014	117	–	–	–	117
Mr. Ho Gar Lok	Resigned on 23 December 2014	117	–	–	–	117
Mr. Lam Cheung Shing	Resigned on 23 December 2014	117	–	–	–	117
Mr. Wan Tze Fan Terence	Appointed on 22 December 2014	3	–	–	–	3
Mr. Tsui Robert Che Kwong	Appointed on 22 December 2014	3	–	–	–	3
Ms. Yang Yan Tung Doris	Appointed on 22 December 2014	3	–	–	–	3
		658	2,310	–	45	3,013

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2014: nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: nil).



## NOTES TO THE FINANCIAL STATEMENTS

### 15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 director (2014: no director) whose emoluments are reflected in the analysis presented above. The emoluments payable to the 4 highest paid individuals for the year (2014: 5 individuals) are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other emoluments	4,559	7,911
Discretionary bonuses	795	691
Defined contribution plans	132	245
Compensation for loss of office: — contractual payments	—	2,013
	<b>5,486</b>	<b>10,860</b>

The emoluments of non-director highest paid individuals fell within the following bands:

	2015	2014
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$1,500,001 to HK\$2,000,000	1	2
HK\$4,500,001 to HK\$5,000,000	—	1

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: nil).

#### (c) Senior management's emoluments

The emoluments paid or payable to 9 (2014: 17) members of senior management whose emoluments fell within the following bands:

	2015	2014
Nil to HK\$1,000,000	7	15
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$4,500,001 to HK\$5,000,000	—	1

# NOTES TO THE FINANCIAL STATEMENTS

## 16. PROPERTY, PLANT AND EQUIPMENT

	Land and building carried at fair value HK\$'000	Buildings carried at cost HK\$'000	Plant and machinery HK\$'000	Furniture and fixture HK\$'000	Office and other equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>At 1 January 2014</b>								
Cost or valuation	8,898	91,422	476,866	2,813	4,648	5,148	4,882	594,677
Accumulated depreciation	-	(5,265)	(164,254)	(2,478)	(3,945)	(2,443)	(415)	(178,800)
Net carrying amount	8,898	86,157	312,612	335	703	2,705	4,467	415,877
<b>Year ended 31 December 2014</b>								
Opening net carrying amount	8,898	86,157	312,612	335	703	2,705	4,467	415,877
Additions	-	-	58,947	126	155	596	121	59,945
Disposals	-	-	(713)	-	(4)	(58)	-	(775)
Depreciation	(262)	(4,187)	(43,566)	(111)	(344)	(996)	(156)	(49,622)
Written-off	-	-	(2,656)	-	-	-	-	(2,656)
Transfer to inventories	-	-	(12,844)	-	-	-	-	(12,844)
Valuation adjustment	862	-	-	-	-	-	-	862
Exchange differences	-	(3,138)	(10,186)	(9)	(16)	(101)	(218)	(13,668)
Closing net carrying amount	9,498	78,832	301,594	341	494	2,146	4,214	397,119
<b>At 31 December 2014</b>								
Cost or valuation	9,498	88,279	496,993	2,130	4,020	6,159	4,765	611,844
Accumulated depreciation	-	(9,447)	(195,399)	(1,789)	(3,526)	(4,013)	(551)	(214,725)
Net carrying amount	9,498	78,832	301,594	341	494	2,146	4,214	397,119
<b>Year ended 31 December 2015</b>								
Opening net carrying amount	9,498	78,832	301,594	341	494	2,146	4,214	397,119
Additions	-	-	33,307	119	401	3,830	182	37,839
Disposals	-	-	(118)	-	(2)	(5)	-	(125)
Depreciation	(288)	(3,988)	(40,187)	(133)	(285)	(1,042)	(177)	(46,100)
Written-off	-	-	(447)	(6)	-	-	-	(453)
Transfer to inventories	-	-	(22,948)	-	-	-	-	(22,948)
Valuation adjustment	1,288	-	-	-	-	-	-	1,288
Exchange differences	-	(3,954)	(12,299)	(9)	(14)	(87)	(252)	(16,615)
Closing net carrying amount	10,498	70,890	258,902	312	594	4,842	3,967	350,005
<b>At 31 December 2015</b>								
Cost or valuation	10,498	84,213	463,459	2,232	4,405	9,897	4,695	579,399
Accumulated depreciation	-	(13,323)	(204,557)	(1,920)	(3,811)	(5,055)	(728)	(229,394)
Net carrying amount	10,498	70,890	258,902	312	594	4,842	3,967	350,005

## NOTES TO THE FINANCIAL STATEMENTS

### 16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's land and building carried at fair value were valued at 31 December 2015 (2014: 31 December 2014) on an open market value basis by a firm of independent qualified professional surveyor, LCH (Asia-Pacific) Surveyors Limited ("LCH"), members of LCH are professional members of the Hong Kong Institute of Surveyors. Fair values were estimated based on recent market transactions, which were then adjusted for the time, floor and size relating to the land and building. The revaluation surplus was credited to other comprehensive income. The fair value of land and building is a level 2 recurring fair value measurement.

Had the land and building carried at fair value been measured on cost model, the net carrying amount would have been as follows:

	2015 HK\$'000	2014 HK\$'000
Cost	1,871	1,871
Accumulated depreciation	(821)	(787)
Net carrying amount	1,050	1,084

The Group's land and building carried at fair value was situated in Hong Kong and was held under medium term lease.

The Group's buildings carried at cost were situated in Singapore and the PRC and were held under medium term lease.

At 31 December 2015, the net carrying amount of the Group's plant and machinery included an amount of approximately HK\$169,323,119 (2014: approximately HK\$224,935,000) in respect of assets held under finance leases (Note 26).

At 31 December 2015, the net carrying amount of the Group's land and building carried at fair value with an amount of approximately HK\$10,498,000 (2014: approximately HK\$9,498,000) were pledged as security for banking facilities.

At 31 December 2015, the net carrying amount of the Group's buildings carried at cost with an amount of approximately HK\$70,890,000 (2014: approximately HK\$78,832,000) were pledged as security for bank borrowings (Note 24).

## NOTES TO THE FINANCIAL STATEMENTS

### 17. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	HK\$'000
At 1 January 2014	24,268
Amortisation charge	(607)
Exchange differences	(569)
At 31 December 2014	23,092
At 1 January 2015	<b>23,092</b>
Amortisation charge	<b>(582)</b>
Exchange differences	<b>(924)</b>
At 31 December 2015	<b>21,586</b>

The above land is held under medium term lease and is located in the PRC. At 31 December 2014 and 2015, the above land was pledged as security for bank borrowings (Note 24).

### 18. INVENTORIES AND CONSUMABLES

	2015 HK\$'000	2014 HK\$'000
Proprietary Chinese medicines and health products	<b>16,794</b>	14,098
Cranes and spare parts	<b>26,911</b>	37,698
	<b>43,705</b>	51,796

## NOTES TO THE FINANCIAL STATEMENTS

### 19. TRADE AND BILL RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables, gross	57,801	73,362
Bill receivables	–	250
Less: Provision for impairment	(1,580)	(3,066)
Trade and bill receivables, net	56,221	70,546

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 60 days or based on the terms agreed in the relevant sales and rental agreements.

The Directors consider that the fair values of trade and bill receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade and bill receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

	2015 HK\$'000	2014 HK\$'000
0–30 days	10,780	24,909
31–60 days	13,155	24,945
61–90 days	8,237	10,351
91–365 days	24,049	10,341
	56,221	70,546

## NOTES TO THE FINANCIAL STATEMENTS

### 19. TRADE AND BILL RECEIVABLES (Continued)

The movement in the provision for impairment of trade receivables during the year is as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>3,066</b>	2,105
Impairment loss recognised	-	1,065
Recovery of impairment	<b>(633)</b>	(5)
Written-off	<b>(672)</b>	-
Net exchange differences	<b>(181)</b>	(99)
At 31 December	<b>1,580</b>	3,066

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. During the year, the Group had not recognised impairment of trade receivables (2014: approximately HK\$1,065,000) as individually impaired. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of the Group's trade and bill receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	<b>8,013</b>	6,149
Not more than 3 months past due	<b>25,326</b>	54,393
Over 3 months past due	<b>22,882</b>	10,004
	<b>56,221</b>	70,546

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

Trade receivables that were past due but not impaired related to a number of customers that have a good track record of repayment with the Group. Based on past experience, management believes that no impairment provision 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Prepayments	5,187	8,482
Deposits	1,930	936
Other receivables	30,120	17,996
	<b>37,237</b>	27,414

At 31 December 2015, included in other receivables of approximately HK\$12,031,000 (equivalent to approximately Renminbi ("RMB") 10,026,000) (2014: approximately HK\$12,525,000 (equivalent to approximately RMB10,020,000)), represented advances made by the Group to a managerial staff of a subsidiary in the PRC. The balance due was unsecured, interest free and repayable on demand.

At 31 December 2015, included in other receivables of approximately HK\$13,492,000 (equivalent to approximately RMB11,243,000) (2014: approximately HK\$3,679,000 (equivalent to approximately RMB2,943,000)), represented advances made by the Group to a major customer of a subsidiary operated in the PRC. The balance due was unsecured, interest free and repayable on demand.

The Group did not hold any collateral as security or other credit enhancements over the other receivables.

The carrying amounts of deposits and other receivables of the Group approximate their fair values as this financial asset which is measured at amortised cost, is expected to be repaid within a short timescale, such that the time value of money is not significant.

### 21. CASH AND CASH EQUIVALENTS

	2015 HK\$'000	2014 HK\$'000
Cash at bank and in hand	74,338	97,505
Bank deposits maturing within three months	10,008	14,108
Cash and cash equivalents for the purpose of statement of cash flows	<b>84,346</b>	111,613

The Group had cash and cash equivalents denominated in RMB of approximately RMB2,313,000 (2014: approximately RMB11,696,000) of which the remittance out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

Cash and cash equivalents represent bank deposits and cash at bank and in hand. Bank deposits earn interest at a fixed rate at 0.4% (2014: 0.8%) per annum. They had maturities ranged from one month to three months (2014: one month to three months). Cash at bank earns interest at floating rates based on daily bank deposits rates. The Group's exposures to foreign currency risk were set out in note 37(c).

## NOTES TO THE FINANCIAL STATEMENTS

### 22. TRADE AND BILL PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables	59,869	50,453
Bill payables	17,639	12,425
	<b>77,508</b>	62,878

The credit period is, in general, ranging from 30 to 60 days or based on the terms agreed in purchase agreements. At 31 December 2015, there is no interest-bearing trade payables. At 31 December 2014, certain trade payables of approximately HK\$8,491,000 were interest-bearing at 5.5% per annum.

The ageing analysis of trade and bill payables as at the reporting date, based on invoice date, is as follows:

	2015 HK\$'000	2014 HK\$'000
0–30 days	34,685	26,580
31–60 days	9,756	12,048
61–90 days	18,504	12,767
Over 90 days	14,563	11,483
	<b>77,508</b>	62,878

The fair values of trade and bill payables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

### 23. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Current liabilities		
Receipt in advance	16,296	25,122
Accruals	67,311	51,847
Other payables	2,682	2,879
	<b>86,289</b>	79,848



## NOTES TO THE FINANCIAL STATEMENTS

### 23. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES *(Continued)*

The carrying amounts of accruals and other payables approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

	2015 HK\$'000	2014 HK\$'000
Non-current liability		
Other payables	9,142	9,523

### 24. BANK BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank borrowings repayable:		
Within one year	43,884	47,833
More than one year, but not exceeding two years	1,616	1,668
More than two years, but not exceeding five years	5,455	5,563
More than five years	11,728	14,354
	<b>62,683</b>	69,418
Portion classified as current liabilities	<b>(43,884)</b>	(47,833)
Non-current portion	<b>18,799</b>	21,585

Bank borrowings were denominated in Singapore Dollar (“S\$”) and RMB. Certain bank borrowings bore interest at fixed interest rates with effective interest rates at 31 December 2015 at 6.3% (2014: 6.6%) per annum. The other bank borrowings bore interest at variable interest rates. The effective interest rates of the Group’s bank borrowings were set out in note 37(a).

At 31 December 2014 and 2015, bank borrowings of the Group were secured by buildings carried at cost (Note 16) and payments for leasehold land held for own use under operating leases (Note 17) of the Group and corporate guarantees executed by the Company and certain subsidiaries.

The carrying values of the Group’s borrowings approximate their fair values.

At 31 December 2014 and 2015, the relevant loan agreements of outstanding bank borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. BONDS PAYABLE

The bonds carry interest at a rate of 12% per annum, which are repayable on 30 November 2016 and are secured by the equity interest of certain subsidiaries of the Group.

The original repayable date of the bonds was on 11 June 2014. The Group obtained consents from all bond holders to extend the maturity date of the bonds from June 2014 to November 2016 in prior year.

### 26. FINANCE LEASE PAYABLES

	2015 HK\$'000	2014 HK\$'000
Total minimum lease payments:		
Due within one year	44,886	59,681
Due in the second to fifth years	57,822	98,829
	<b>102,708</b>	158,510
Future finance charges on finance leases	(5,543)	(9,877)
Present value of finance lease liabilities	<b>97,165</b>	148,633
Present value of minimum lease payments:		
Due within one year	41,768	54,640
Due in the second to fifth years	55,397	93,993
	<b>97,165</b>	148,633
Less: Portion classified as current liabilities	(41,768)	(54,640)
Non-current portion	<b>55,397</b>	93,993

The Group has entered into finance leases for items of plant and machinery. The average lease term is 3 to 5 years (2014: 3 to 5 years). At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

Certain finance lease payables bore interest at fixed interest rates with effective interest rates at 31 December 2015 ranged from 1.5% to 7.0% (2014: from 2.8% to 7.0%) per annum. The other finance lease payables bore interest at variable interest rates. The effective interest rates on the Group's finance lease payables as at reporting date were set out in note 37(a).

At 31 December 2014 and 2015, certain finance lease payables of the Group were secured by land and building carried at fair value (Note 16) and corporate guarantees executed by the Company and certain subsidiaries.

Finance lease payables are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. DEFERRED TAX

The movement on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation HK\$'000	Revaluation of properties arising from acquisition of a subsidiary HK\$'000	Total HK\$'000
At 1 January 2014	(9,529)	(11,445)	(20,974)
Recognised in the profit or loss ( <i>Note 12</i> )	47	–	47
Exchange differences	375	268	643
At 31 December 2014 and 1 January 2015	(9,107)	(11,177)	(20,284)
Recognised in the profit or loss ( <i>Note 12</i> )	1,369	–	1,369
Exchange differences	452	426	878
At 31 December 2015	<b>(7,286)</b>	<b>(10,751)</b>	<b>(18,037)</b>

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Hong Kong amounted to approximately HK\$66,424,000 (2014: approximately HK\$54,263,000) can be carried forward indefinitely under the current tax legislation.

### 28. SHARE CAPITAL

	Number '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	<b>200,000,000</b>	<b>2,000,000</b>
<i>Issued and fully paid:</i>		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	<b>800,000</b>	<b>8,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 29. RESERVES

### Merger reserve

The merger reserve of the Group arose as a result of the group reorganisation which was completed on 25 June 2010, represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group and (b) the nominal value of the share capital of the Company.

### Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value transferred from certain subsidiaries to the Company pursuant to the group reorganisation and the nominal value of share capital and share premium of the Company.

### Share premium

The share premium account represented the premium arising from the issue of shares of the Company.

### Group

Details of the movements on the Group's reserve are as set out in the consolidated statement of changes in equity.

### Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2014	63,968	41,572	(22,208)	83,332
Loss and total comprehensive income for the year	–	–	(7,104)	(7,104)
Balance at 31 December 2014 and 1 January 2015	63,968	41,572	(29,312)	76,228
Loss and total comprehensive income for the year	–	–	(6,491)	(6,491)
Balance at 31 December 2015	<b>63,968</b>	<b>41,572</b>	<b>(35,803)</b>	<b>69,737</b>

## 30. OUTSTANDING CLAIM IN PRIOR YEAR

The Group had received a letter dated 3 February 2014 in relation to a common law claim lodged by a customer (the "Customer") of the Group for the damage to luffing jib of the tower crane (the "Damaged Tower Crane") at Singapore in July 2013 in the course of a routine servicing of the crane by the Group. As at 31 December 2013, in the opinion of the Directors, the Group made provision on the outstanding legal claim of approximately HK\$3,323,000 with reference to maximum exposure as consulted with its legal advisers.

In September 2014, the Group reached a settlement agreement (the "Settlement Agreement") with the Customer. Pursuant to the Settlement Agreement, the Group made cash settlement in approximately S\$200,000 (equivalent to approximately HK\$1,170,000) and purchased the Damaged Tower Crane from the Customer at cash consideration of approximately S\$220,000 (equivalent to approximately HK\$1,287,000). Accordingly, reversal of over provision of legal claim of approximately HK\$1,991,000 had been recorded and included in other income and gains during the year ended 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

### 31. SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company has adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing incentive and/or reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group; and (c) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015. As at 31 December 2015, no option has been granted by the Company under the Share Option Scheme since its adoption.

### 32. COMMITMENTS

#### (a) Operating lease commitment — as lessor

The Group had future aggregate minimum lease receipts in respect of plant and machinery owned by the Group under non-cancellable operating leases as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	35,938	45,838
In the second to fifth years, inclusive	4,623	3,161
	<b>40,561</b>	48,999

The Group had future aggregate minimum lease receipts in respect of plant and machinery subletted by the Group under non-cancellable operating leases as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	396	4,114
In the second to fifth years, inclusive	1,584	–
	<b>1,980</b>	4,114

The Group leases its plant and machinery under operating leases arrangements which run for an initial period of one to two years. All leases are on a fixed rental basis and do not include contingent rentals. The terms of leases generally require the lessee to pay security deposits.

## NOTES TO THE FINANCIAL STATEMENTS

### 32. COMMITMENTS (Continued)

#### (b) Operating lease commitment — as lessee

The total future minimum lease payments of the Group in respect of plant and machinery, and properties under non-cancellable operating leases are as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	3,426	4,691
In the second to fifth years, inclusive	–	2,248
	<b>3,426</b>	<b>6,939</b>

The leases run for a period of one to two years. All rentals are fixed over the lease terms and do not include contingent rentals.

### 33. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of Directors and other members of key management during the year was as follows:

	2015 HK\$'000	2014 HK\$'000
Short-term employee benefits	5,610	6,977
Post employment benefits	81	141
Termination benefits	–	2,013
	<b>5,691</b>	<b>9,131</b>

### 34. SIGNIFICANT NON-CASH TRANSACTIONS

Additions to property, plant and equipment of approximately HK\$7,884,000 (2014: approximately HK\$48,765,000) were financed by finance leases during the year.

For the year ended 31 December 2014, the Group had received dividend income of approximately HK\$124,000 from its financial assets at FVTPL, by way of cash dividend income of approximately HK\$108,000 and scrip dividends amounting to approximately HK\$16,000.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>208</b>	6
Investments in subsidiaries		–	–
		<b>208</b>	6
<b>Current assets</b>			
Amounts due from subsidiaries		<b>46,566</b>	42,710
Prepayments		<b>829</b>	211
Cash and cash equivalents		<b>30,565</b>	43,278
		<b>77,960</b>	86,199
<b>Current liabilities</b>			
Accruals		<b>431</b>	629
Amounts due to subsidiaries		–	1,348
		<b>431</b>	1,977
<b>Net current assets</b>		<b>77,529</b>	84,222
<b>Total assets less current liabilities and net assets</b>		<b>77,737</b>	84,228
<b>EQUITY</b>			
Share capital	28	<b>8,000</b>	8,000
Reserves	29	<b>69,737</b>	76,228
<b>Total equity</b>		<b>77,737</b>	84,228

**Zeng Li**  
*Executive Director*

**Winerthan Chiu**  
*Executive Director*

# NOTES TO THE FINANCIAL STATEMENTS

## 36. INVESTMENTS IN SUBSIDIARIES

At 31 December 2015, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
<b>Interests held directly</b>					
Alpha Chance Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of United States Dollar ("US\$")1 each	100%	Investment holding
Chief Key Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of US\$1 each	100%	Investment holding
Eagle Legend Investment (Hong Kong) Limited	Limited liability company	Hong Kong	HK\$1	100%	Investment holding
Lucky Boom Investments Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of US\$1 each	100%	Investment holding
<b>Interests held indirectly</b>					
Chief Strategy Limited	Limited liability company	BVI/Hong Kong	300 ordinary shares of US\$1 each	100%	Investment holding
Forever Treasure Asia Limited	Limited liability company	Hong Kong	HK\$1	100%	Investment holding
Gold Lake Holdings Limited	Limited liability company	BVI/Hong Kong	100 ordinary shares of US\$1 each	100%	Investment holding
Manta Engineering and Equipment Company, Limited	Limited liability company	Hong Kong	HK\$24,014,366	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited	Limited liability company	Hong Kong	HK\$36,094,913	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment (S) Pte Ltd	Limited liability company	Singapore	10,000,000 ordinary shares of S\$ 1 each	100%	Trading and leasing of construction machinery and provision of repair and maintenance services



# NOTES TO THE FINANCIAL STATEMENTS

## 36. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Manta Equipment Services Limited	Limited liability company	Hong Kong	HK\$10,875,287	100%	Investment holding
Manta-Vietnam Construction Equipment Leasing Limited ("Manta-Vietnam")	Limited liability company	Vietnam	Owner invest equity Vietnamese Dong ("VND") 10,649,879,390	67%	Inactive
Manta Engineering and Equipment (Macau) Company Limited	Limited liability company	Macau	1 quota with nominal value of MOP25,000	100%	Leasing of construction equipment
Manta Services (S) Pte Limited	Limited liability company	Singapore	10,000 ordinary shares of S\$1 each	100%	Inactive
江西半邊天藥業有限公司, Jiangxi Newomen Pharmaceutical Co., Ltd.* ("JXN")	Wholly foreign-owned enterprise	PRC	RMB30,000,000	100%	Research and development, manufacturing and sales of proprietary Chinese medicines and health products
Manta Services Management Limited	Limited liability company	Hong Kong	HK\$5,000	100%	Inactive
Focus Spring Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of US\$1	100%	Inactive

\* The English translation of the company name is for reference only. The official name of this company is in Chinese.

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and fair value risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Directors.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

#### (a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has bank deposits, cash at bank balances, bank borrowings, trade payables and finance leases payables which bore interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

#### (i) Exposure

The following table details the interest rate profile of the Group's financial instruments at the reporting date:

	Effective interest rate		Carrying amount	
	per annum		2015	2014
	2015	2014	2015	2014
	%	%	HK\$'000	HK\$'000
<b>Variable rate instruments</b>				
Financial assets				
Cash and cash equivalents	<b>0–0.5</b>	0–0.5	<b>74,338</b>	97,505
Financial liabilities				
Bank borrowings	<b>5.3</b>	5.3	<b>21,605</b>	23,168
Finance lease payables	<b>3.1–5.3</b>	3.1–5.8	<b>21,030</b>	39,652
			<b>42,635</b>	62,820
Net exposure			<b>31,703</b>	34,685

The policies to manage interest rate risk have been followed by the Group consistently throughout the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

### (a) Interest rate risk *(Continued)*

#### (ii) Sensitivity analysis

The following table illustrates the sensitivity of loss after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2014: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2015 HK\$'000	2014 HK\$'000
Effect on loss after income tax for the year and accumulated losses	273	277

A -1% (2014: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

### (b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business. As at 31 December 2015, the five largest trade debtors, in aggregate, contributed approximately HK\$39,927,000 or 71% (2014: HK\$40,498,000 or 57%) to the Group's total trade and bill receivables. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

The Group's management considers that all the above financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### (c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has operations in Hong Kong, Singapore, Vietnam, Macau and the PRC. Income and expenses of the Group are primarily denominated in HK\$, S\$, US\$, VND and RMB. Thus, it is exposed to foreign currency risk from currency exposures.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

### (c) Foreign currency risk *(Continued)*

The Group's sales are mainly denominated in HK\$, S\$, US\$ and RMB while purchases are mainly denominated in HK\$, S\$, US\$ and RMB. US\$ is not the functional currency of the group entities to which these transactions relate.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The policies to manage foreign currency risk have been followed by the Group consistently throughout the year and are considered to be effective.

Since HK\$ are pegged to US\$, there is no significant exposure expected on US\$ transactions and balances arising in Hong Kong.

### (i) Exposure

Foreign currency denominated financial assets and liabilities, translated into HK\$ at the closing rates, are as follows:

	RMB HK\$'000	US\$ HK\$'000
<b>2015</b>		
Trade receivables	–	8
Cash and cash equivalents	3	17,298
Trade and bill payables	–	14,356
<b>2014</b>		
Cash and cash equivalents	3	8,359
Trade and bill payables	–	12,409

### (ii) Sensitivity analysis

The Directors considered a reasonably possible change of 1% in US\$ exchange rates on sensitivity analysis would have insignificant impact on the Group's loss before tax and there would be no impact on the Group's equity.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

### (d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand HK\$'000	Less than one year HK\$'000	More than one year HK\$'000
<b>2015</b>					
<b>Financial liabilities</b>					
— Trade and bill payables	77,508	77,508	–	77,508	–
— Accruals and other payables	79,135	79,135	69,993	–	9,142
— Bank borrowings	62,683	70,035	–	45,757	24,278
— Bonds payable	100,000	100,000	–	100,000	–
— Finance lease payables	97,165	102,708	–	44,886	57,822
	<b>416,491</b>	<b>429,386</b>	<b>69,993</b>	<b>268,151</b>	<b>91,242</b>
<b>2014</b>					
<b>Financial liabilities</b>					
— Trade and bill payables	62,878	62,878	–	62,878	–
— Accruals and other payables	64,249	64,249	54,726	–	9,523
— Bank borrowings	69,418	82,285	–	51,678	30,607
— Bonds payable	100,000	100,000	–	–	100,000
— Finance lease payables	148,633	158,510	–	59,681	98,829
	445,178	467,922	54,726	174,237	238,959

## NOTES TO THE FINANCIAL STATEMENTS

### 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

#### (e) Fair value

##### (i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade, bill and other receivables, trade and bill payables, accruals and other payables, bank borrowings, bonds payable and finance lease payables.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

#### (f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>		
Loans and receivables		
— Trade and bill receivables	56,221	70,546
— Other receivables and deposits	32,050	18,932
— Cash and cash equivalents	84,346	111,613
	<b>172,617</b>	201,091
<b>Financial liabilities</b>		
At amortised cost		
— Trade and bill payables	77,508	62,878
— Accruals and other payables	79,135	64,249
— Bank borrowings	62,683	69,418
— Bonds payable	100,000	100,000
— Finance lease payables	97,165	148,633
	<b>416,491</b>	445,178

# NOTES TO THE FINANCIAL STATEMENTS

## 38. EVENT AFTER THE REPORTING DATE

On 21 March 2016 (the “Agreement Date”), the Company entered into a loan agreement with an independent third party (the “Lender”) in relation to the provision of loan facility of HK\$175.0 million bearing interest at the rate of 12% per annum (the “Facility”). Drawdown under the Facility (the “Loan”) may be made at any time from the Agreement Date to 31 December 2016 upon request of the Company, subject to the fulfillment (or waiver from the Lender at its absolute discretion) of certain conditions precedent. The Loan, if drawn, will be due for repayment on 30 April 2017, or such other date as agreed in writing between the Company and the Lender. The Loan is secured by the debenture incorporating fixed and floating charge over the undertaking, property and assets of the Company made by the Company in favour of the Lender.

## 39. CAPITAL MANAGEMENT

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group’s stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of bank borrowings, bonds payable and finance lease payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2015 HK\$'000	2014 HK\$'000
Bank borrowings	62,683	69,418
Bonds payable	100,000	100,000
Finance lease payables	97,165	148,633
<b>Total debts</b>	<b>259,848</b>	318,051
<b>Total equity</b>	<b>142,240</b>	190,803
<b>Total debt to equity ratio</b>	<b>1.8</b>	1.7

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below:

	Year ended 31 December				2015 HK\$'000
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
<b>Revenue</b>	154,139	201,104	290,972	305,278	<b>239,755</b>
Cost of sales and services	(79,230)	(95,572)	(155,717)	(166,939)	<b>(145,375)</b>
<b>Gross profit</b>	74,909	105,532	135,255	138,339	<b>94,380</b>
Other income and gains	5,033	7,646	13,186	6,415	<b>2,983</b>
Selling and distribution expenses	(2,316)	(4,833)	(4,687)	(4,842)	<b>(3,487)</b>
Administrative expenses	(41,899)	(53,449)	(63,458)	(76,268)	<b>(65,739)</b>
Operating expenses	(33,230)	(39,767)	(45,813)	(47,721)	<b>(45,061)</b>
Finance costs	(6,024)	(15,687)	(22,987)	(26,881)	<b>(26,478)</b>
<b>(Loss)/profit before income tax</b>	(3,527)	(558)	11,496	(10,958)	<b>(43,402)</b>
Income tax credit/(expense)	2,351	(1,399)	(2,559)	(225)	<b>1,333</b>
<b>(Loss)/profit for the year</b>	(1,176)	(1,957)	8,937	(11,183)	<b>(42,069)</b>
<b>Other comprehensive income</b>					
Item that will not be reclassified to profit or loss:					
Gain on revaluation of properties held for own use, net of tax	1,775	1,444	1,226	862	<b>1,288</b>
Items that may be reclassified subsequently to profit or loss:					
Loss on revaluation of available-for-sale investments	–	–	(91)	–	–
Reclassification adjustment on disposal of available-for-sale investments	–	–	–	91	–
Exchange differences on translating foreign operations	(771)	4,813	(930)	(6,139)	<b>(7,782)</b>
<b>Other comprehensive income for the year</b>	1,004	6,257	205	(5,186)	<b>(6,494)</b>
<b>Total comprehensive income for the year</b>	(172)	4,300	9,142	(16,369)	<b>(48,563)</b>
<b>(Loss)/profit for the year attributable to:</b>					
Owners of the Company	(1,071)	(1,677)	9,254	(11,079)	<b>(42,035)</b>
Non-controlling interests	(105)	(280)	(317)	(104)	<b>(34)</b>
	(1,176)	(1,957)	8,937	(11,183)	<b>(42,069)</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company	(67)	4,580	9,459	(16,265)	<b>(48,529)</b>
Non-controlling interests	(105)	(280)	(317)	(104)	<b>(34)</b>
	(172)	4,300	9,142	(16,369)	<b>(48,563)</b>



## FIVE YEARS FINANCIAL SUMMARY

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
TOTAL ASSETS	410,258	584,418	774,151	681,879	<b>593,100</b>
TOTAL LIABILITIES	(216,528)	(386,388)	(566,979)	(491,076)	<b>(450,860)</b>
NON-CONTROLLING INTERESTS	(1,287)	(1,007)	(690)	(586)	<b>(552)</b>
	192,443	197,023	206,482	190,217	<b>141,688</b>