

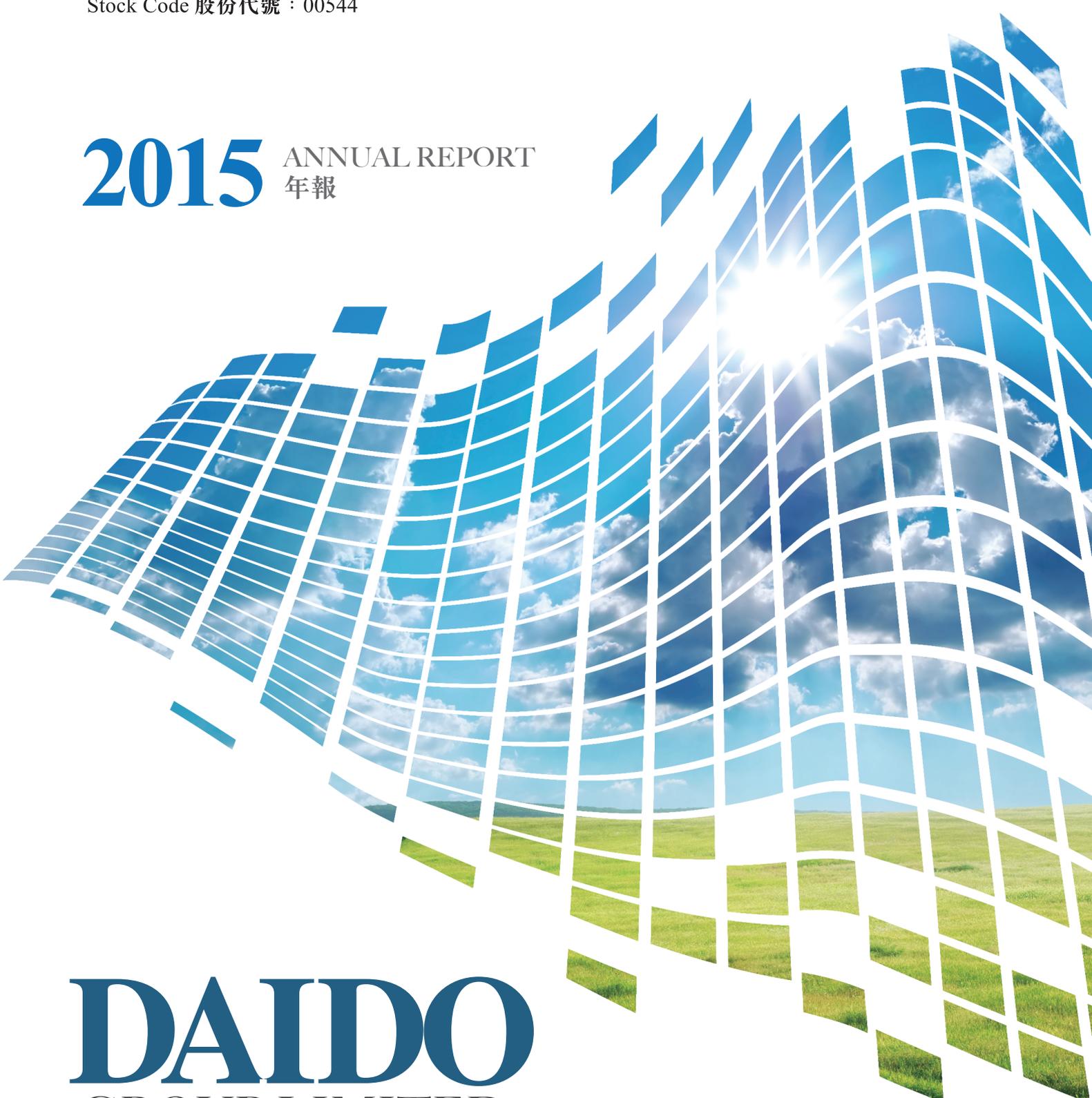


DAIDO

Stock Code 股份代號 : 00544

2015 ANNUAL REPORT

年報



DAIDO
GROUP LIMITED
大同集團有限公司

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai (*Chief Executive Officer*)
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip (resigned on 31st July, 2015)

Non-executive Director

Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung (*Chairman*)
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming (*Chairman*)
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

Remuneration Committee

Mr. Fung Siu Kit, Ronny (*Chairman*)
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

www.irasia.com/listco/hk/daido/index.htm
www.daidohk.com

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Construction Bank (Asia) Corporation Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors/Management, I am pleased to present the annual results of the Group for the financial year ended 31st December, 2015.

2015 was a tough year for Hong Kong. Affected by the global economic setback and the highly volatile financial markets, Hong Kong's merchandise imports showed 4% decrease year on year compared to 2014. Inbound tourism fell for the first time since 2003. Despite of the unfavourable economic environment, Daido has been fortunate to ride through with an increase in profit, brought about mainly by strategic management of our core cold storage business, a steady of income in industrial ice bar business, and tightening deficit in trading and related business in the PRC.

It has been ten years since our diversification into cold storage and logistics businesses. Our enterprising move – providing logistic services as a value-added support to our clients – has given us precious experience to venture into the PRC. Three years have passed since we started operating on the PRC, and we have since become the sole agent of Korea's largest combined dairy product company, entered into prominent supermarket chains, and further diversified our product range. We have yet to implement target measures to improve operations, however we remain optimistic about this initiative and are planning to expand the product types and also tap into the gigantic logistics market in the PRC.

Looking forward, we are seeing ourselves operating in an increasingly challenging economic climate. However, on the other hand, China's Belt and Road Initiatives and the National 13th 5-year plan should unleash new growth opportunities, and the many infrastructure projects in Hong Kong will keep our industrial ice bar sector prosperous.

In view of the shift of global economy towards the East with emerging markets playing an increasingly important role, and the widespread applications and advancements in information technology in reshaping businesses, we need to be more versatile, alert and creative than ever to capture new business opportunities. The Management is ready to take on new challenges.

On behalf of the Board of Directors/Management, I would like to give my great thanks to all our clients and shareholders for their continued trust and support. I would also like to extend my sincere gratitude to our team of dedicated staff for seeing us through all the challenges we faced in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the financial year ended 31st December, 2015, total revenue of the Group amounted to approximately HK\$276 million, up approximately 29% when compared to approximately HK\$214 million in the previous financial year.

Despite a slightly lower GDP growth in Hong Kong during the year (2.4% compared with 2.6% in 2014), and a decrease in tourism in Hong Kong especially in the second half of the year, The Group's core cold storage business fared well during 2015 and recorded a satisfactory increase in profit.

The overall revenue of the Group's operations has been steady. Net loss for the year attributable to owners of the Company during the period under review has been narrowed down to approximately HK\$6.4 million as compared to HK\$23.9 million in the previous year. Loss per share was HK0.26 cent.

The Management considers the reduction was mainly due to encouraging performance of cold storage and related business for the year; the decrease in continuous operating loss of the trading business in the PRC; and the slight profit generated from the Group's new service arm, the money lending services.

The Group is principally engaged in cold storage and related business in Hong Kong; trading and related business in the PRC, provision of money lending services and investment holding.

BUSINESS REVIEW

Cold storage and related services

Cold storage

This segment has continued to be the Group's principal income driver and recorded favourable profit increase in 2015 since the Group adjusted storage rental fee in the first half of the year. Furthermore, major festivals such as Mid-Autumn and Winter Solstice all happening in the second half of the year when many choose to eat out, cold storage business traditionally fares better during this period.

However, to further strengthen the flow of income, the Group has adopted a strategy of selecting quality clients and maintaining an optimal product portfolio, improving the turnover of storage inventory and thus a healthy flow of storage operation.

In spite of a downturn in visitor arrival in the second half of 2015, which has affected local retail industries including restaurant businesses, our cold storage business held up because most of our clients placed orders in 2014 for their 2015 needs, the slowdown in the economy last year therefore posed little effect on this line of business.

Logistics services

The Group's logistics service business has been stable in 2015. This arm of business provides value-added service to our customers, offering them a one stop shop service. This convenience translated into loyal cold storage customers, which account for 80-90% of the overall clientele of the logistic service arm.

Industrial ice bars (for construction use)

The revenue of our industrial ice bars business has been stable during the year. Increase in demand was seen during summer and early autumn, as industrial ice bars are seasonal products, being affected by climate and temperature. The majority of the ice bars is for construction use.

MANAGEMENT DISCUSSION AND ANALYSIS

Trading and related business in the PRC

The Group has been engaged in the trading of dairy products and Korean food in the PRC. Our products include milk, sour milk, probiotic drinks and imported products from Korea like kimchi and sticky rice cake.

It has been the third year since the Group's operating the business. Despite an improvement in business performance, we have yet to reach our business targets. The twin challenges of cultural differences and employing the right management personnel locally are major issues we need to tackle. The management will take active steps to implement targeted solutions to optimise operations and prepare us to penetrate into the vast market.

Money lending services

In 2014, Daido acquired a money lending company in Hong Kong, which offers mortgage to some of its higher quality cold storage clients and for other money lending opportunities. However, the low threshold in entering the lending industry means intense competition. Coupled with an adverse economic environment and banks inundated with liquidity, all this has limited the growth of our money lending services.

PLEDGE OF ASSETS

As at 31st December, 2015, banking facilities to the extent of HK\$3.5 million (2014: HK\$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK\$3.5 million (2014: HK\$3.5 million). The amount utilised at 31st December, 2015 was approximately HK\$3.5 million (2014: approximately HK\$3.5 million).

As at 31st December, 2015, bank deposits of approximately HK\$87 million (2014: approximately HK\$87 million) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2015, the Group had cash and bank balances of approximately HK\$125 million (2014: approximately HK\$149 million). The decrease was mainly due to increase in loans receivable in excess of proceeds from issue of bonds and the net cash used in investing activities.

The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 38.39% as at 31st December, 2015 (2014: approximately 16.56%). The increase was mainly attributable to the issue of bonds.

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. The Group may have relatively high exposure to exchange rate risk when more trading business to be operated in the PRC. The directors will review the exchange rate risks faced by the Group periodically.

During the year under review, the Group's capital expenditure was financed by finance leases and internal resources.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK\$500 million within the placing period. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014, 26th January and 23rd April, 2015. As at 31st December, 2015, it is noted that the bonds in an aggregate principal amount of HK\$100 million have been subscribed by the placees and issued by the Company (31st December, 2014: HK\$40,000,000).

SHARE CAPITAL STRUCTURE

As at 31st December, 2015, the total issued share capital of the Company was HK\$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK\$0.01 each, which is the same as those as at 31st December, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2015, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 250 and 60 respectively (2014: approximately 250 Hong Kong employees; 50 PRC employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter, lunch box/lunch subsidy and professional tuition/training subsidy for employees' benefit.

PROSPECTS

Looking into 2016, despite an unfavourable global economic outlook, the Group envisages a stable operating environment for our core cold storage business. Supported by the stable labour market conditions in Hong Kong, private consumption expenditure (PCE) grew solidly by 4.8% in real terms in 2015, compared with 3.3% growth in 2014. As our clients mainly supply frozen food to local restaurants, stable domestic demand will benefit our core cold storage business.

Furthermore, a decrease of electricity tariffs for an average of 1% as announced by the China Light and Power, due to the significant drop in fuel prices and their cost control efforts will bring some relief to the increasing labour costs and a possible lowering in storage order as a result of a slackening in tourism in Hong Kong.

The industrial ice bar business will continue to remain stable with the many infrastructural and construction projects in Hong Kong.

The trading business in the PRC will see further growth, as we continue to improve operating in a different culture, and start to explore deeper into developing the enormous logistics market in China, presented by an accelerated use of online shopping. In the third quarter of 2015, the transaction values of China's B2C online market reached US\$78.58 billion with an increase of 49.7% compared to the same period in 2014.

Cold storage and related services

Cold storage

Despite the Group's optimism with the prospects of its cold storage business, we still have to face the challenges of shortage of manpower and an ageing workforce.

Cold storage is a labour intensive industry, it is also an industry that is difficult to attract young people to join the trade, and some positions have been hard to recruit workers despite a generally better basic salaries compared to other industries in Hong Kong. With the local unemployment rate stabilised at a low of 3.3%, the Group may consider improving training and further introducing the use of technologies to help streamline processes, retain workers and attract young people.

With a general slowdown in the global economic growth, the Group anticipates a drop in confidence of our clients towards the catering industry and may reduce order in the coming year. This may affect our cold storage business in 2016 to a certain extent.

However, as we stand by our strategy of choosing quality clientele and maintaining an optimal product mix to ensure storage capacity and improve throughput, and having clients who are suppliers from a variety of background: from high-class restaurants serving the high-end markets to restaurants and fast food chains serving the mass, this helps balance out the risks due to a weakening economy.

Industrial ice bars (for construction use)

The Group is very optimistic with this line of business, because of a number of large scale infrastructural projects, including the Hong Kong Express Rail Link, Hong Kong – Zhuhai – Macau Bridge, the third airport runway, over 40 major projects across HK, including the Kai Tak development, and the 2016-17 Land Sale Programme, which will see a supply of 19,200 private flats, the largest such number since 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Trading and related business in the PRC

Notwithstanding the challenges, the Group remains optimistic about the business. In 2014, China imported US\$122 billion worth of agricultural products, more than the aggregated value of imported copper ore, motor vehicles, aircrafts and pharmaceuticals combined according to the statistics by Cheung Kong Graduate School of Business.

The fact that China has 20% of the world's population but only 9% of the world's arable land, plus the general low confidence in local food products, has contributed to China becoming the number one food importing country in the world. We will continue to explore new products to achieve diversification, review the overall situation, implement targeted measures, and adjust our business strategy to expand this line of business.

Concurrently, the Group is jointly operating a logistic business with a Shanghai company. The joint venture currently supports the Group's food trading business, but the management is considering further developing this business as it sees huge potential in this industry.

China's logistics industry is expected to show double-digit growth over the next five years, continuing a trend of 21% compound annual growth since 1991. With online shopping expected to have a compound annual growth rate (CAGR) of 24.7% until 2027 according to China Internet Research company iResearch.

The rising trend of e-commerce and online shopping means substantial need for logistics services, and a big incentive for the Group to act on the right opportunity.

Money lending services

Considering the volatile market situation, the Group will take a cautious approach with this business. We will continue to choose high quality clients when offering the service.

CORPORATE STRATEGY AND A LONG-TERM BUSINESS MODEL

For more than 15 years, the Group has successfully consolidated cold storage as our core business. We have been creatively exploiting the potential of this business by diversifying into providing value-added logistic service to clients. Leveraging on our cold storage and logistic experience in Hong Kong, the Group has been further enabled to diversify geographically into China and business-wise into trading in food imports, and we are now looking into tapping the vast logistics market in the PRC.

Diversification whilst strengthening our core business is our long term business model. Being selective in our clientele and storage product mix, and maintaining high operation efficiency are our corporate strategies. The latter is achieved through providing and optimising one-stop service for our clients, from storage to transport, distribution to financing, cargo inspection to customs clearance, and employing latest technological innovation so as to attract and retain loyal quality clients, to help us stay in the forefront of the industry.

We are now in a position to expand our food trading and logistics business in the PRC, through increasing product types and strengthening distribution network on the PRC.

We endeavour to continuously improve our core business operation and performance. In tandem to this, we will formulate solutions targeting to improve our trading and logistics business on the PRC. With China's Belt and Road initiatives, there could be even more opportunities for us to explore. As we evolve with the new economic order, Daido will continue to focus on providing top notch services and aspire to become the most sought-after storage and logistics provider in Hong Kong. We sincerely thank our shareholders' continuous support and will pledge to work hard so we can return them with maximised gain.

DIRECTORS OF THE COMPANY

MR. AU TAT WAI, aged 43, has been an Executive Director and the Chief Executive Officer of the Company, since September 2009. He has also served as an authorised representative of the Company and a director of certain subsidiaries of the Company. Mr. Au has over 8 years of experience in information technology and e-commerce businesses, as well as in resort sector project development. He has, among ongoing efforts, promoted long term Chinese interests abroad – acting as a key liaison, bringing together in partnership Western and Chinese interests. Such efforts have led to the announcement of a \$2bn construction/loan agreement between the Abu Dhabi sovereign wealth fund Aabar Investments, ICBC and China State Construction Engineering Corporation, as well as the announcement of the formation of a consortium \$3bn rail/roadway project in Armenia, between Dubai Investment Bank Rasia and China Communication Construction Company, among others. Mr. Au has led international investment and partnership investments in Indonesia, Malaysia, and throughout Mainland China. Mr. Au graduated from Lakehead University, Ontario, Canada with a Bachelor of Business Administration and subsequently received his Master of Business Administration from The Hong Kong University of Science and Technology.

MR. CHOY KAI SING, aged 52, joined the Group in June 1998. Mr. Choy is currently the Chief Financial Officer and the Company Secretary of the Company and has also served as a director of certain subsidiaries of the Company. He was appointed as an Executive Director and an authorised representative of the Company in August 2009 and September 2009 respectively. He is responsible for the finance and accounting affairs of the Group. Mr. Choy is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant and has over 20 years working experience in auditing, accounting and investment banking.

MR. HO HON CHUNG, IVAN, aged 61, was appointed as an Executive Director of the Company in November 2009 and has also served as a director of certain subsidiaries of the Company. Mr. Ho has been in the travel industry and consultancy services for over 20 years, principally in the senior managerial position.

MR. FUNG WA KO, aged 54, is currently a Non-executive Director of the Company. Mr. Fung joined the Group as an Executive Director and the Chief Executive Officer of the Company in October 2003. He was appointed as the Deputy Chairman of the Company in April 2004 and has become the Chairman and an authorised representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an Executive Director to a Non-executive Director and resigned as the Chief Executive Officer and an authorised representative. He resigned as the Chairman of the Company in October 2011. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. FUNG SIU KIT, RONNY, aged 72, joined the Group as an Independent Non-executive Director of the Company in August 2009. He is also the chairman of remuneration committee and the member of audit committee and nomination committee of the Company respectively. Mr. Fung has worked for a local bank for 20 years and has over 30 years of experience in banking, finance, investment and securities. Currently, he is a director of Goldfield Asia Investment Limited, a company provides gold/silver trading in Hong Kong.

MR. LEUNG CHI HUNG, aged 60, joined the Group as an Independent Non-executive Director of the Company in September 2003. He is also the chairman of audit committee and the member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited. Mr. Leung is also an independent non-executive director of eForce Holdings Limited, Finet Group Limited and REF Holdings Limited, those companies listed on The Stock Exchange of Hong Kong Limited.

DIRECTORS OF THE COMPANY

MR. TSE YUEN MING, aged 48, joined the Group as an Independent Non-executive Director of the Company in August 2003. He is also the chairman of nomination committee and the member of audit committee and remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Heung. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is also an independent non-executive director of Celebrate International Holdings Limited and Inno-Tech Holdings Limited, both of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Tse is also the Chairman of Professional Service Committee of The Hong Kong Chamber of Small and Medium Business and the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, other than those changes in directors' biographical details as set out on pages 8 to 9, as well as their emoluments as set out in note 11 to the consolidated financial statements, of this annual report, there are no other changes in directors' information.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 7 of this Annual Report. The discussion forms part of this Directors' Report.

RESULTS

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

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2015, the Company's reserves consisted of contributed surplus of HK\$84,239,000 (2014: HK\$84,239,000) and accumulated losses of HK\$369,444,000 (2014: HK\$273,030,000).

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Mr. Au Tat Wai (*Chief Executive Officer*)
 Mr. Choy Kai Sing
 Mr. Ho Hon Chung, Ivan
 Mr. Tang Tsz Man, Philip (resigned on 31st July, 2015)

Non-executive Director

Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
 Mr. Leung Chi Hung
 Mr. Tse Yuen Ming

During the year, Mr. Tang Tsz Man, Philip (“Mr. Tang”) resigned as an Executive Director of the Company due to his other personal commitments. The resignation of Mr. Tang took effect on 31st July, 2015. All other Directors held office for the whole year.

In accordance with Bye-Law 87 of the Company’s Bye-Laws, Mr. Au Tat Wai, Mr. Ho Hon Chung, Ivan and Mr. Fung Siu Kit, Ronny retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company entered into letters of appointment with all directors for a period of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) terminated by either party given the other not less than 3 months’ notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS

As at 31st December, 2015, none of the Company’s directors or chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO; or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

The Company had a share option scheme which was adopted on 9th January, 2006 (the “2006 Scheme”). At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the termination of the 2006 Scheme and the adoption of a new share option scheme (the “2015 Scheme”). The 2015 Scheme is subsequently adopted on 2nd June, 2015 (the “Adoption Date”). There is no material difference between the terms of the 2006 Scheme and the 2015 Scheme.

Particulars of the share option scheme of the Company are set out in note 29 to the consolidated financial statements.

No share options under the 2006 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2006 Scheme. Since the Adoption Date and up to 31st December, 2015, no share options have been granted pursuant to the 2015 Scheme.

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31st December, 2015, to the best knowledge of the Company's directors or chief executives of the Company, the following parties (other than the Company's directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Long positions of the substantial shareholders in the shares of the Company:

Name of shareholder	Capacity	No. of shares held	Approximate percentage of total issued share capital
Ever Achieve Enterprises Limited ^(Note 1)	Beneficial owner	202,323,133	8.32%
Yuen Kin Wing ^(Note 1)	Interest of controlled corporation	202,323,133	8.32%
Bingo Chance Limited ^(Note 2)	Beneficial owner	140,000,000	5.76%
Elite Plan Investments Limited ^(Note 2)	Interest of controlled corporation	140,000,000	5.76%
Wulglar Wai Wan ^(Note 2)	Interest of controlled corporation	140,000,000	5.76%

Notes:

- The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.
- Ms. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an Executive Director of the Company. She is the sole ultimate beneficial owner of Elite Plan Investments Limited ("Elite") and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

Save as disclosed above, as at 31st December, 2015, the Company's directors or chief executives of the Company are not aware of any other person (other than the Company's director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme", at no time during the year ended 31st December, 2015 was the Company or any of its subsidiaries, fellow subsidiaries or its parent company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2015, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 43% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 17% of the Group's total turnover.

For the year ended 31st December, 2015, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 58% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 23% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every director shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 15 to 27.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2015.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

AU TAT WAI

Executive Director

Hong Kong,
30th March, 2016

CORPORATE GOVERNANCE REPORT

The board of directors (the “Board”) believes that corporate governance is essential to the success of the Company and will bring long-term benefits to the shareholders of the Company (the “Shareholders”). For this reason, the Company is always committed to upholding high standards of corporate governance and has adopted a set of sound governance principles, practices and procedures, including the Internal Control Action Plan introduced in 2006 in order to systematically review the work procedures in different departments. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and complied with all the code provisions as set out in the CG Code, except the deviation in paragraph headed “Chairman and Chief Executive”.

Following sustained development of the Company, the Board and senior management will continue to monitor the corporate governance practices of the Company to ensure that daily business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE STRUCTURE

The Board is charged with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performances. Under the Board, there are currently 3 sub-committees, namely Audit Committee, Nomination Committee and Remuneration Committee. All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

BOARD OF DIRECTORS

Board Composition

The Board members for the year ended 31st December, 2015 and up to the date of this annual report are:

Executive Directors

Mr. Au Tat Wai (*Chief Executive Officer*)

Mr. Choy Kai Sing

Mr. Ho Hon Chung, Ivan

Non-executive Director

Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny

Mr. Leung Chi Hung

Mr. Tse Yuen Ming

The biographical details of all Directors and the relationships among them are set out in the “Directors of the Company” on pages 8 to 9 of this annual report.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors and in particular, between the Chief Executive.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed 3 Independent Non-executive Directors, representing more than one-third of the Board, of whom Mr. Leung Chi Hung is a certified public accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and now is the members of international accountancy bodies.

The Independent Non-executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also the members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Thus, the Board considers the current board size as adequate for its present operations.

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming are independent.

Role and Functions of the Board

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and overseeing management. The Board also focuses on overall strategies and policies with particular attention paid to the development and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations and management of the Group to Executive Directors and senior management, and certain specific responsibilities to the Board committees. The Board reserves certain key matters for its approval including the Group's long-term strategy, internal control, annual and half-yearly financial results and Shareholder communications, etc. Decisions of the Board are communicated to the management through Executive Directors who have attended the board meetings.

When the Board delegates certain aspects of its management functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances. The final decision still rests with the Board unless otherwise provide for in the terms of reference of relevant committees.

Board Meetings and Board Practices

The Board meets at least 4 times regularly a year to review the financial and operating performance of the Group. Throughout the year, 1 general meeting and 18 board meetings were held, in which 4 are regular board meetings. Details of the Directors' attendance are as follows:

	Attendance in general meeting	Attendance in board meetings
Executive Directors		
Mr. Au Tat Wai (<i>Chief Executive Officer</i>)	1/1	18/18
Mr. Choy Kai Sing	1/1	18/18
Mr. Ho Hon Chung, Ivan	1/1	12/18
Mr. Tang Tsz Man, Philip (resigned on 31st July, 2015)	0/1	6/13
Non-executive Director		
Mr. Fung Wa Ko	1/1	12/18
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	0/1	10/18
Mr. Leung Chi Hung	1/1	13/18
Mr. Tse Yuen Ming	1/1	13/18

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

Apart from the regular board meetings of the year, the Board had met on other occasions when a board level decision on a particular matter is required. Notice of at least 14 days has been given to all Directors for all regular board meetings and all the Directors can include matter for discussion in the agenda whenever they consider appropriate and necessary. The Directors will receive details of agenda items for decision at least 3 days before the meeting and minutes of the meeting will be received by those Directors within reasonable time after the meeting.

In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information. Where queries are raised by Directors, the management is responsible to respond as promptly and fully as possible. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in performing their duties to the Company. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that board procedures are being followed. The Company Secretary is also responsible for ensuring the procedures of the board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the board meetings. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The minutes are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board, a board meeting will be held to deal with such matter and the Independent Non-executive Director who or whose associates, have no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate. Any Director who or whose associates have any material interest in any proposed Board resolutions will not be counted as a quorum in the relevant board meeting or will be regarded as no vote for the board resolutions.

Continuing Professional Development

The Company Secretary is responsible to update the Board on governance and regulatory matters.

Introduction tailored kit will be given to newly appointed director to his individual needs. This includes introduction to Group activities, induction into their responsibilities and duties, and other regulatory requirements. The Board is regularly updated with management's strategic plans, lines of business, financial objectives, plans and actions.

The Company will arrange and/or introduce some Director's training courses for them to develop and explore their knowledge and skills.

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Continuing Professional Development (continued)

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31st December, 2015, the following Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company:

Directors	Topics on training covered (Note)
Executive Directors:	
Mr. Au Tat Wai (<i>Chief Executive Officer</i>)	(c)
Mr. Choy Kai Sing	(a), (b), (c), (d)
Mr. Ho Hon Chung, Ivan	(c)
Non-executive Director:	
Mr. Fung Wa Ko	(c)
Independent Non-executive Directors:	
Mr. Fung Siu Kit, Ronny	(b)
Mr. Leung Chi Hung	(a), (b), (c)
Mr. Tse Yuen Ming	(a), (b)

Notes:

- (a) corporate governance
- (b) regulatory
- (c) managerial
- (d) industry-specific

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

Appointment, Re-election and Removal

Mr. Choy Kai Sing, the Executive Director, and Mr. Fung Wa Ko, the Non-executive Director, who were re-elected by the Shareholders in the 2015 annual general meeting had entered into the letters of appointment with the Company on 29th May, 2015.

Mr. Ho Hon Chung, Ivan, the Executive Director, Mr. Leung Chi Hung and Mr. Tse Yuen Ming, the Independent Non-executive Directors, who were re-elected by the Shareholders in the 2014 annual general meeting had entered into the letters of appointment with the Company on 30th May, 2014.

Mr. Au Tat Wai, the Executive Director, and Mr. Fung Siu Kit, Ronny, the Independent Non-executive Director, who were re-elected by the Shareholders in the 2013 annual general meeting had entered into the letters of appointment with the Company on 30th May, 2013.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal (continued)

The current letters of appointment of all Directors are for an initial term of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) termination by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier. The appointment of each Director is subject to retirement by rotation and re-election as required by the Bye-Laws of the Company.

According to the Bye-Laws of the Company, any director so appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every 3 years, so as to comply with code provision A.4.2 of the CG Code.

Chairman and Chief Executive

According to the CG Code requirement, the chairman and chief executive of the Company should perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The chairman has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. The chairman ensures that the Board works effectively and performs its responsibilities, and all key and appropriate issues are discussed by the Board in a timely manner.

Upon the resignation of Mr. Fung Wa Ko as the Chairman on 14th October, 2011, there have been no Chairman in the Company. During the year ended 31st December, 2015, Mr. Au Tat Wai and Mr. Choy Kai Sing acted as the Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Au Tat Wai is responsible for all day-to-day corporate management matters and Mr. Choy Kai Sing is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31st December, 2015, there was no meeting held between the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present.

The Board does not have the intention to fill the position of Chairman at present and believes that the absence of a Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the Executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of Chairman. Appointment will be made to fill the post to comply with code provisions A.2.1 and A.2.7 of the CG Code if necessary.

COMMITTEES OF THE BOARD

Nomination Committee

The Nomination Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG Code, the terms of reference of the Nomination Committee were amended and approved on 28th March, 2012. They include making recommendations for all appointment and re-appointment of Directors to the Board and the relevant terms of reference are available on the websites of the Stock Exchange and the Company. The Nomination Committee currently comprises 3 members, all of whom are Independent Non-executive Directors and its members are:

Mr. Tse Yuen Ming (*Chairman*)

Mr. Fung Siu Kit, Ronny

Mr. Leung Chi Hung

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals. It is also responsible for assessing the independence of each Independent Non-executive Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating the Board's composition, the Nomination Committee considers a number of factors, including those set out in the CG Code.

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

In accordance with the Company's Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 87 of the Company's Bye-Laws, Mr. Au Tat Wai, Mr. Ho Hon Chung, Ivan and Mr. Fung Siu Kit, Ronny will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

During the year ended 31st December, 2015, the Nomination Committee has reviewed the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the Independent Non-executive Directors and made recommendation to the Board accordingly.

Mr. Tse Yuen Ming and Mr. Leung Chi Hung have been appointed as Independent Non-executive Directors since 6th August, 2003 and 4th September, 2003 respectively. Therefore, Mr. Tse Yuen Ming and Mr. Leung Chi Hung have accordingly served the Company for more than 9 years after 6th August, 2012 and 4th September, 2012 respectively. In order to comply with the code provision A.4.3 of the CG Code, separate resolutions have been passed by the Shareholders to approve the further appointments of Mr. Tse Yuen Ming and Mr. Leung Chi Hung in the annual general meeting held on 21st May, 2012, and both of them were subsequently re-elected in the annual general meeting held on 30th May, 2014.

The Nomination Committee formulated the board diversity policy of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

In designing Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee reviews the composition of the Board from diversified angles up to the date of this annual report and summarised as follows:

		No. of Director
Age group:	40-50	2
	51-60	3
	≥ 61	2
Gender:	Male	7
	Female	0
Educational background:	Hong Kong	4
	Overseas	3
Professional experience:	Professional associated	3
	Entrepreneur/Merchant	4
Length of service (year):	1-10	2
	≥ 11	5
Designation:	Executive Director	3
	Non-executive Director	1
	Independent Non-executive Director	3

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one third of the members of the Board shall be independent non-executive directors; and
2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives under board diversity policy for the year ended 31 December 2015.

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD (continued)

Remuneration Committee

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy of the Company, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the board diversity policy of the Company and reports to the Board on the achievement of the measurable objectives for achieving diversity under the board diversity policy of the Company.

The Remuneration Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG code, the terms of reference of the Remuneration Committee were amended and approved on 28th March, 2012. The latest terms of reference are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Fung Siu Kit, Ronny (*Chairman*)
 Mr. Leung Chi Hung
 Mr. Tse Yuen Ming

The Remuneration Committee performed the responsibility of making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment and advising the Board on the remuneration of all Non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account of the corporate goals and objectives of the Group as well as the performance of those individual Directors and senior management.

Remuneration package for Executive Directors:

1. The remuneration for the Executive Directors comprises basic salary, annual bonus, other benefits and retirement benefits scheme.
2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.
3. In addition to basic salary, Executive Directors and employees of the Company and its subsidiaries are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.
4. In order to attract, retain and motivate executives and key employees of the Group, the Company has adopted a share option scheme on 2nd June, 2015 (the “Share Option Scheme”). Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimise their contributions to the Group.

Details of the amount of Directors’ emoluments during the financial year ended 31st December, 2015 are set out in note 11 to the consolidated financial statements and details of the Share Option Scheme are set out in the Directors’ Report and note 29 to the consolidated financial statements.

During the year ended 31st December, 2015, the significant matters discussed by the Remuneration Committee are summarised as follows:

- Reviewed and approved the current remuneration policy of the Group; and
- Reviewed the remuneration package of the board members and senior management of the Group and made recommendation to the Board.

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD (continued)

Audit Committee

The Audit Committee was established on 12th January, 2000 with reference to “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the requirements of the CG Code, the latest terms of reference of the Audit Committee were adopted on 1st January, 2016 and are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Leung Chi Hung (*Chairman*)

Mr. Fung Siu Kit, Ronny

Mr. Tse Yuen Ming

The primary duties of the Audit Committee are to review, supervise and ensure the objectivity and credibility of financial reporting system, risk management and internal control systems as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year ended 31st December, 2015, the Audit Committee had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2014 and the unaudited financial statements for 3 months ended 31st March, 2015, 6 months ended 30th June, 2015 and 9 months ended 30th September, 2015;
2. reviewed the accounting principles and practices adopted by the Group;
3. reviewed the auditing and financial reporting matters;
4. reviewed the re-appointment of external auditors of the Company;
5. reviewed the daily operation work-flow of the major departments and divisions for sub-group; and
6. reviewed the effectiveness of internal control system.

Each member of the Audit Committee has unrestricted access to the auditors and all senior management of the Group. During the year ended 31st December, 2015, the Audit Committee had met twice with the external auditors of the Company.

The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu, Certified Public Accountants (“Deloitte Touche Tohmatsu”), be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 24th March, 2016, the Audit Committee reviewed the internal control report, the Directors’ report and audited financial statements for the year ended 31st December, 2015 together with the annual results announcement, with a recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD (continued)

Attendance Record at Board Committee Meetings

The following table shows the attendance of the Board Committee meetings during the year:

	Number of meetings attended/ Number of meetings held		
	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Fung Siu Kit, Ronny	4/6	1/1	1/1
Mr. Leung Chi Hung	6/6	1/1	1/1
Mr. Tse Yuen Ming	6/6	1/1	1/1

The Board has ensured that the Board Committees are provided with sufficient resources to perform their duties.

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board on 28th March, 2012. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Group's compliance with the corporate governance code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report in annual report of the Company.

During the year ended 31st December, 2015, the Board has held 2 meetings for discussing corporate governance functions.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's audited financial statements for the year ended 31st December, 2015. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 28.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a written securities dealing policy which contains a set of code of conduct regarding securities transactions by Directors, the terms of which are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Securities Dealing Policy").

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the year under review. No incident of non-compliance was noted by the Company during the year under review.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2015 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31st December, 2015 have been audited by Deloitte Touche Tohmatsu.

The Audit Committee is responsible for considering the appointment of the external auditors and also reviews any non-audit functions performed by the external auditors of the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest. The Audit Committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with Deloitte Touche Tohmatsu to discuss the scope of their audit.

For the year ended 31st December, 2015, the external auditors of the Group provided the following services to the Group:

	2015 HK\$'000	2014 HK\$'000
Audit service	930	930
Non-audit service – review on interim results	230	230
Total:	1,160	1,160

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Company's assets and Shareholders' interest, as well as for reviewing its effectiveness of the internal control system through the Audit Committee. The Group has an effective financial reporting system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget.

The system of the internal control is designed to ensure that the financial and operational function, compliance control system, material control, asset management and risk management function are in place and functioning effectively to achieve business objective of the Group and prevent damage to the public image.

The Group has adopted a set of internal control procedures and policies for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial reporting used for business and publication, and ensuring the compliance with the relevant legislation and regulations.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

The Company has adopted a whistleblowing policy since 28th March, 2012, which intended to encourage and enable employees to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters. No case of whistleblowing was noted by the Audit Committee during the year under review.

The Board, through the Audit Committee, has conducted the internal control review. The Company has been putting a lot of effort on improvement of its internal control and risk management, an Internal Control Action Plan has been developed for facilitating the internal control of the Group.

The Internal Control Action Plan included the following stages:

In stage one, a high-level risk assessment was conducted by an external advisor to review the internal control system of the Group was completed.

In stage two, the review was conducted on each department and which included the following steps:

1. Document the work-flow of each department of Company's major subsidiaries to review their existing internal control system;
2. Carry out walk through test for the internal control system on each department and verify the effectiveness of such control;
3. Carry out detailed sample testing on the internal control system of each department and make recommendations to those weaknesses identified; and
4. Re-test the control implementation.

Apart from the Internal Control Action Plan, the Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the internal control system, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of each department. The senior management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

During the year under review, the formal employee handbook of China trading subsidiary has been established and approved by the management. Such handbook clearly set out the policies and procedures which apply to all China trading subsidiary's businesses and staff under their obligations as to duty, integrity and principles under which its businesses operate.

Meanwhile, the Company has fine-tuned the policies of the Company's employee handbook for compliance with the relevant updated ordinances. Both employee handbooks have been properly circulated to staff and enforced.

Following the internal control review of the purchase, sales and inventory ("PSI") processes of China trading subsidiary in 2014, the Management has started to develop an enterprise resource planning ("ERP") system for its businesses during the year under review. Through ERP system we can optimise the procurement and sales processes as well as inventory management, and maintain data quality, data validation & authentication to improve financial & accounting system tracking & budget controlling effectiveness.

The framework of ERP system is basically completed in the first half of 2015. The completed ERP system has been finished in the second half of 2015 and is in test period. It is expected to be implemented in due course after the test period.

All internal control procedures will be properly followed up to ensure that they are implemented and will be monitored in an on-going basis.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

During the year ended 31st December, 2015, the Board was satisfied that the internal control system is effective and that nothing has come to its attention to cause the Board to believe the Group's internal control system is inadequate. Moreover, the system will continue to be reviewed, added on or updated to provide for changes in the operating environment.

COMPANY SECRETARY

All Directors have access to the advice and services of our Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, our Company Secretary is responsible for facilitating communications among Directors as well as with the management. Mr. Choy Kai Sing has been appointed as the Company Secretary of the Company since 6th August, 2003. The biographical details of Mr. Choy Kai Sing are set out under the section headed "Directors of the Company". According to the Rule 3.29 of the Listing Rules, Mr. Choy Kai Sing has taken no less than 15 hours of relevant professional training for the year ended 31st December, 2015.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. The Company values communication with Shareholders and investors. Enquiries and suggestions from Shareholders or investors are welcomed, and enquiries from Shareholders may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's head office at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;
2. By telephone at telephone number (852) 3107 8600;
3. By fax at fax number (852) 2111 1438; or
4. By email at irelations@daidohk.com.

The annual general meeting is the principal forum for formal dialogue with Shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the business of the Group. According to the CG Code requirement, the chairman of the Board should arrange for the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. According to the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 29th May, 2015 (the "AGM"). The chairmen of Audit and Nomination Committees had attended the AGM. In absence of the chairman of Remuneration Committee, the Board had invited another member of Remuneration Committee to attend the AGM to comply with code provision E.1.2 of the CG Code. The management will ensure the external auditors of the Company to attend the forthcoming annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors independence.

According to the Company's Bye-Laws, Shareholders may request the Board at all times to call special general meetings if Shareholder(s) holds not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company at the date of deposit of the requisition. Shareholders shall request the Board to call special general meetings by written requisition to the Board or the Company Secretary of the Company through the above channels for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the act of Bermuda.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

If a Shareholder wishes to propose a person (the "Candidate") other than the retiring Directors, for election as a Director at a general meeting, a written notice (the "Notice") shall be deposited at the Company's head office in Hong Kong at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data.

The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

Extensive information about the Group's activities is provided in its annual reports and interim reports which are sent to Shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the website of the Stock Exchange. In order to provide effective disclosure to the Shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

The Board has established a Shareholders communication policy on 28th March, 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (www.irasia.com/listco/hk/daido/index.htm) which discloses the latest information relating to the Group and its businesses.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF DAIDO GROUP LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Daido Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 30 to 80, which comprise the consolidated statements of financial position as at 31st December, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 applicable disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 judgment, 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 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 31st 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 applicable disclosure requirements of Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30th March, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2015

	NOTE	2015 HK\$'000	2014 HK\$'000
Revenue	5	275,783	213,752
Direct costs		(226,661)	(193,793)
Gross profit		49,122	19,959
Other income	6	2,161	2,413
Selling and distribution expenses		(13,251)	(10,268)
Administrative expenses		(33,547)	(30,490)
Other gains and losses	7	616	(793)
Share of loss of a joint venture		(3,875)	(2,828)
Finance costs	8	(7,670)	(1,844)
Loss before tax		(6,444)	(23,851)
Taxation	9	–	–
Loss for the year	10	(6,444)	(23,851)
Other comprehensive (expense) income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of the foreign operations		(730)	182
Total comprehensive expense for the year		(7,174)	(23,669)
Loss for the year attributable to:			
Owners of the Company		(6,444)	(23,851)
Non-controlling interests		–	–
		(6,444)	(23,851)
Total comprehensive expense attributable to:			
Owners of the Company		(7,174)	(23,669)
Non-controlling interests		–	–
		(7,174)	(23,669)
Loss per share – basic	13	(HK0.26 cent)	(HK0.98 cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2015

	NOTE	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	14,482	9,888
Goodwill	15	8,581	8,581
Interest in a joint venture	16	7,947	8,181
Available-for-sale investments	17	38,502	38,502
Rental deposits paid		21,783	21,780
Pledged bank deposits	22 & 31	90,000	90,000
Loans receivable	18	54,650	–
		235,945	176,932
CURRENT ASSETS			
Inventories		2,200	1,636
Trade and other receivables, deposits and prepayments	19	64,986	51,809
Loans receivable	18	17,850	–
Amount due from non-controlling interests of a subsidiary	20	9,760	5,949
Held for trading investments	21	698	834
Bank balances and cash	22	125,214	149,151
		220,708	209,379
CURRENT LIABILITIES			
Trade and other payables	23	25,641	20,674
Amount due to an investee	24	39,042	23,795
Amount due to a joint venture	24	–	1,270
Obligations under finance leases	25	1,924	578
Promissory notes	26	4,762	4,762
		71,369	51,079
NET CURRENT ASSETS		149,339	158,300
TOTAL ASSETS LESS CURRENT LIABILITIES		385,284	335,232
CAPITAL AND RESERVES			
Share capital	27	24,323	24,323
Share premium and reserves		243,300	250,474
Equity attributable to owners of the Company		267,623	274,797
Non-controlling interests		14,923	14,923
		282,546	289,720
NON-CURRENT LIABILITIES			
Obligations under finance leases	25	2,738	1,081
Promissory notes	26	–	4,431
Bonds	28	100,000	40,000
		102,738	45,512
		385,284	335,232

The consolidated financial statements on pages 30 to 80 were approved and authorised for issue by the Board of Directors on 30th March, 2016 and are signed on its behalf by:

AU TAT WAI
Director

CHOY KAI SING
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2015

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Accumulated losses	Translation reserve	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2014	24,323	374,226	39,984	(140,037)	(30)	298,466	14,923	313,389
Loss for the year	-	-	-	(23,851)	-	(23,851)	-	(23,851)
Other comprehensive income for the year	-	-	-	-	182	182	-	182
Total comprehensive expense for the year	-	-	-	(23,851)	182	(23,669)	-	(23,669)
At 31st December, 2014	24,323	374,226	39,984	(163,888)	152	274,797	14,923	289,720
Loss for the year	-	-	-	(6,444)	-	(6,444)	-	(6,444)
Other comprehensive expense for the year	-	-	-	-	(730)	(730)	-	(730)
Total comprehensive expense for the year	-	-	-	(6,444)	(730)	(7,174)	-	(7,174)
At 31st December, 2015	24,323	374,226	39,984	(170,332)	(578)	267,623	14,923	282,546

Note: On 24th November, 2009, every five issued and unissued existing shares of HK\$0.01 each in share capital of the Company consolidated into one consolidated share of HK\$0.05 (the "Share Consolidation"). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK\$0.05 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.04 on each issued consolidated share (the "Capital Reduction") and the credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

	NOTE	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES			
Loss for the year		(6,444)	(23,851)
Adjustments for:			
Allowance for trade receivables		517	1,314
Depreciation of property, plant and equipment		4,950	4,167
Finance costs		7,670	1,844
Gain on disposal of property, plant and equipment		(1,269)	(636)
Interest income		(567)	(1,510)
Change in fair value of held for trading investments		136	115
Share of loss of a joint venture		3,875	2,828
Operating cash flows before movements in working capital		8,868	(15,729)
Increase in rental deposits paid		(3)	(2,965)
Increase in trade and other receivables, deposits and prepayments		(13,694)	(9,476)
(Increase) decrease in inventories		(564)	931
Increase in loans receivable		(72,500)	–
Increase in trade and other payables		2,110	4,832
NET CASH USED IN OPERATING ACTIVITIES		(75,783)	(22,407)
INVESTING ACTIVITIES			
Interest received		567	1,510
Purchase of property, plant and equipment		(5,176)	(2,601)
Proceeds from disposal of property, plant and equipment		1,270	646
Net cash outflow from acquisition of a subsidiary	34	–	(50)
Capital injection to a joint venture		(3,641)	(7,560)
Increase in pledged bank deposits		–	(11,282)
Advance to non-controlling interests of a subsidiary		(3,811)	(3,949)
NET CASH USED IN INVESTING ACTIVITIES		(10,791)	(23,286)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

	NOTE	2015 HK\$'000	2014 HK\$'000
FINANCING ACTIVITIES			
Interest paid		(4,244)	(833)
Advance from an investee		15,247	15,795
(Repayment of) advance from a joint venture		(1,270)	1,270
Repayment of promissory notes		(5,000)	(5,000)
Repayment of obligations under finance leases		(1,371)	(488)
Proceeds from issue of bonds	28	60,000	40,000
NET CASH FROM FINANCING ACTIVITIES		63,362	50,744
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(23,212)	5,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		149,151	143,980
Effect of foreign exchange rate changes		(725)	120
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		125,214	149,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate information” in the annual report.

The principal activities of the Group are provision of cold storage and related services, trading and related services in the People’s Republic of China (the “PRC”), money lending services and investment holding.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

The Group has applied the following amendments HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant for the preparation of the Group’s consolidated financial statements:

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

The application of these amendments to HKFRSs has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

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

¹ Effective for annual periods beginning on or after 1st January, 2016

² Effective for annual periods beginning on or after 1st January, 2018

³ Effective for annual periods beginning on or after a date to be determined

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” and required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to financial liabilities’ credit risk are not subsequently reclassified to profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors of the Company will assess the impact on the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

The Directors of the Company are in the process of assessing the potential impact of the remaining new and revised standards, and at this stage have not yet determined the effect of the application of these standards on the results and financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

Goodwill

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)

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

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

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

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Storage income is recognised on a time proportion basis over the period in which storage services are provided.

Logistics service income and related services are recognised when services are provided.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. 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 on a straight-line basis over the lease terms.

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

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

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

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

Retirement benefit costs

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in profit or loss and are reported separately as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

Property, plant and equipment

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease terms, assets are depreciated over the shorter of the lease term and their useful lives.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets

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

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

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

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

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss (“FVTPL”), loans and receivables and available-for-sale (“AFS”) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the “other gains and losses” line item. Fair value is determined in the manner described in note 40(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

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

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as financial assets at FVTPL, held-to-maturity investments, or loans and receivables.

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

Impairment losses on AFS equity investments carried at cost will not be reversed through profit or loss in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, amount due to an investee, amount due to a joint venture, promissory notes and bonds) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount is higher of value in use and fair value less costs of disposal. When the value in use calculation is adopted, it requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or fair value less costs of disposal are less than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss may arise. As at 31st December, 2015, the carrying amount of goodwill is HK\$8,581,000 (2014: HK\$8,581,000) (net of accumulated impairment loss of HK\$6,400,000 (2014: HK\$6,400,000)). Details of the recoverable amount calculation are disclosed in note 15.

Estimated impairment of available-for-sale financial assets

Available-for-sale investments of the Group are stated at cost less impairment. Determining whether the available-for-sale investments are impaired requires an estimation of the expected future cash flows of the investments. The calculation required the management of the Group to estimate the returns to be generated from the investments and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows, a further impairment loss may arise. As at 31st December, 2015, the carrying amount of available-for-sale financial assets is HK\$38,502,000 (2014: HK\$38,502,000) (net of accumulated impairment loss of HK\$110,618,000 (2014: HK\$110,618,000)).

Estimated impairment of property, plant and equipment

The management conducted a review and determined that any indication of impairment by considering the recoverable amount of the individual property, plant and equipment or the cash-generating units to which the property, plant and equipment is allocated. The amount of impairment loss is measured as the difference between the carrying amounts of the relevant property, plant and equipment or the cash-generating units and their respective recoverable amounts. The recoverable amount is higher of value in use and fair value less costs of disposal. The calculation of value in use required the management of the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or fair value less costs of disposal are less or more than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss previously made may arise. As at 31st December, 2015, the carrying amount of property, plant and equipment is HK\$14,482,000 (2014: HK\$9,888,000). Details are set out in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

5. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

1. Cold storage and related services in Hong Kong ("Cold storage and related services")
2. Trading and related services in the PRC ("Trading and related services")
3. Money lending services in Hong Kong ("Money lending services")

During the year ended 31st December, 2015, the Group has commenced its money lending business in Hong Kong and an operating segment regarding this money lending services was reported.

Segments revenues and results

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

For the year ended 31st December, 2015

	Cold storage and related services HK\$'000	Trading and related services HK\$'000	Money lending services HK\$'000	Total HK\$'000
Revenue	227,890	42,403	5,490	275,783
Segment profit (loss)	21,238	(11,059)	1,179	11,358
Unallocated income				2,161
Unallocated expenses				(8,282)
Change in fair value of held for trading investments				(136)
Share of loss of a joint venture				(3,875)
Finance costs				(7,670)
Loss before tax				(6,444)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

5. REVENUE AND SEGMENT INFORMATION (continued)

Segments revenues and results (continued)

For the year ended 31st December, 2014

	Cold storage and related services HK\$'000	Trading and related services HK\$'000	Money lending services HK\$'000	Total HK\$'000
Revenue	198,583	15,169	–	213,752
Segment profit (loss)	3,187	(14,028)	–	(10,841)
Unallocated income				2,409
Unallocated expenses				(10,632)
Change in fair value of held for trading investments				(115)
Share of loss of a joint venture				(2,828)
Finance costs				(1,844)
Loss before tax				(23,851)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) from each segment without allocation of interest income, sundry income, central administration costs including part of auditor's remuneration and directors' remuneration, change in fair value of held for trading investments, share of loss of a joint venture and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2015 HK\$'000	2014 HK\$'000
ASSETS		
Cold storage and related services	87,639	81,370
Money lending services	75,439	–
Trading and related services	11,714	11,000
Total segment assets	174,792	92,370
Unallocated assets	281,861	293,941
Consolidated assets	456,653	386,311
LIABILITIES		
Cold storage and related services	19,555	16,538
Money lending services	75,262	–
Trading and related services	5,745	4,416
Total segment liabilities	100,562	20,954
Unallocated liabilities	73,545	75,637
Consolidated liabilities	174,107	96,591

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

- all assets are allocated to operating segments other than available-for-sale investments, interest in a joint venture, amount due from non-controlling interests of a subsidiary, held for trading investments, pledged bank deposits, bank balances and cash, certain property, plant and equipment, and certain other receivables. Goodwill is allocated to cold storage and related services as described in note 15; and
- all liabilities are allocated to operating segments other than amount due to an investee, promissory notes, bonds and certain other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

2015

	Cold storage and related services HK\$'000	Trading and related services HK\$'000	Money lending services HK\$'000	Segments total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (Note)	8,092	193	–	8,285	1,268	9,553
Depreciation	4,651	175	–	4,826	124	4,950
Gain on disposal of property, plant and equipment	1,269	–	–	1,269	–	1,269

2014

	Cold storage and related services HK\$'000	Trading and related services HK\$'000	Money lending services HK\$'000	Segments total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (Note)	6,665	687	–	7,352	84	7,436
Depreciation	3,860	238	–	4,098	69	4,167
Gain (loss) on disposal of property, plant and equipment	640	–	–	640	(4)	636

Note: Additions to non-current assets represented additions to property, plant and equipment, goodwill and rental deposits paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information (continued)

Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit (loss) or segment assets:

	Unallocated	
	2015	2014
	HK\$'000	HK\$'000
Interest in a joint venture	7,947	8,181
Share of loss of a joint venture	(3,875)	(2,828)
Interest income	567	1,510
Finance costs	(7,670)	(1,844)
Change in fair value of held for trading investments	(136)	(115)

Geographical information

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

Information about of the Group's non-current assets by geographical location of the assets (excluding available-for-sale investments, interest in a joint venture and pledged bank deposits) are set out below:

	2015		2014	
	HK\$'000		HK\$'000	
Hong Kong	98,887		39,667	
PRC	609		582	
	99,496		40,249	

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2015		2014	
	HK\$'000		HK\$'000	
Cold storage and logistic services	223,873		197,073	
Trading and related services	42,403		15,169	
Manufacturing and trading of ice	4,017		1,510	
Money lending services	5,490		–	
	275,783		213,752	

Information about major customer

Revenues from customer of the corresponding years contributing over 10% of the total revenue of the Group from cold storage and related services are as follows:

	2015		2014	
	HK\$'000		HK\$'000	
Customer A	45,848		30,756	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

6. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Bank interest income	567	1,510
Government subsidy	1,018	226
Sundry income	576	677
	2,161	2,413

7. OTHER GAINS AND LOSSES

	2015 HK\$'000	2014 HK\$'000
Gain on disposal of property, plant and equipment	1,269	636
Change in fair value of held for trading investments	(136)	(115)
Allowance for trade receivables	(517)	(1,314)
	616	(793)

8. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on obligations under finance leases	245	33
Imputed interest expense on promissory notes	569	876
Interest on bonds	5,256	135
Bond placing commission	1,600	800
	7,670	1,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

9. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Tax (“EIT”) is calculated at the applicable tax rate of 25%.

No provision for Hong Kong Profits tax and EIT is required as the individual companies comprising the Group either incurred a loss or had tax losses to offset the assessable profit.

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

	2015 HK\$'000	2014 HK\$'000
Loss before tax	(6,444)	(23,851)
Tax at the Hong Kong Profits Tax rate of 16.5%	(1,063)	(3,935)
Effect of share of results of joint venture	639	466
Tax effect of expenses not deductible for tax purpose	187	261
Tax effect of income not taxable for tax purpose	(157)	(262)
Tax effect of tax losses not recognised	3,356	4,640
Utilisation of tax losses previously not recognised	(2,145)	(203)
Tax effect of deductible temporary differences not recognised	10	158
Effect of different tax rates of subsidiaries operating in other jurisdictions	(827)	(1,125)
Taxation for the year	–	–

Details of deferred taxation are set out in note 30.

10. LOSS FOR THE YEAR

	2015 HK\$'000	2014 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor’s remuneration		
– audit service	930	930
– non-audit service	230	230
Depreciation for property, plant and equipment	4,950	4,167
Exchange gain, net	(126)	(29)
Minimum lease payments for operating leases in respect of rented premises	88,631	87,235
Total staff costs (including directors’ emoluments)	65,686	61,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 8 (2014: 8) directors were as follows:

	Fung Wa Ko HK\$'000	Tang Tsz Man, Philip HK\$'000 (note)	Leung Chi Hung HK\$'000	Tse Yuen Ming HK\$'000	Fung Siu Kit, Ronny HK\$'000	Choy Kai Sing HK\$'000	Ho Hon Chung, Ivan HK\$'000	Au Tat Wai HK\$'000	Total 2015 HK\$'000
Fees	120	70	90	90	80	132	132	72	786
Other emoluments									
Salaries and other benefits	–	–	–	–	–	1,240	1,020	1,270	3,530
Contributions to retirement benefits scheme	–	3	–	–	–	94	22	52	171
Total emoluments	120	73	90	90	80	1,466	1,174	1,394	4,487

	Fung Wa Ko HK\$'000	Tang Tsz Man, Philip HK\$'000 (note)	Leung Chi Hung HK\$'000	Tse Yuen Ming HK\$'000	Fung Siu Kit, Ronny HK\$'000	Choy Kai Sing HK\$'000	Ho Hon Chung, Ivan HK\$'000	Au Tat Wai HK\$'000	Total 2014 HK\$'000
Fees	120	120	90	90	80	132	132	72	836
Other emoluments									
Salaries and other benefits	–	420	–	–	–	1,147	1,015	1,171	3,753
Contributions to retirement benefits scheme	–	17	–	–	–	94	20	48	179
Total emoluments	120	557	90	90	80	1,373	1,167	1,291	4,768

Note: Mr. Tang Tsz Man, Philip resigned on 31st July, 2015.

Mr. Au Tat Wai is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Neither the Chief Executive nor any of the directors waived any emoluments in the years ended 31st December, 2015 and 31st December, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2014: three) were directors of the Company whose emoluments are included in the disclosures in the table above. The emoluments of the remaining two (2014: two) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,565	1,433
Contribution to retirement benefits scheme	36	34
	1,601	1,467

Their emoluments were within the following band:

	2015 Number of employees	2014 Number of employees
Nil to HK\$1,000,000	2	2

12. DIVIDEND

No interim dividend is paid during the year (2014: Nil), nor has any dividend been proposed since the end of the reporting period (2014: Nil).

13. LOSS PER SHARE

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

	2015 HK\$'000	2014 HK\$'000
Loss for the purpose of basic loss per share, attributable to owners of the Company	(6,444)	(23,851)
	'000	'000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,432,304	2,432,304

No dilutive effect to the loss per share as there were no potential ordinary shares in issue for year ended 31st December, 2015 and 31st December, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Plant and machinery and equipment HK\$'000	Total HK\$'000
COST					
At 1st January, 2014	20,639	1,561	6,368	19,260	47,828
Additions	378	143	2,096	1,784	4,401
Disposals/write off	–	–	(1,301)	(725)	(2,026)
Exchange realignment	–	–	–	3	3
At 31st December, 2014	21,017	1,704	7,163	20,322	50,206
Additions	–	63	7,412	2,075	9,550
Disposals/write off	–	(7)	(2,890)	(731)	(3,628)
Exchange realignment	–	–	–	(1)	(1)
At 31st December, 2015	21,017	1,760	11,685	21,665	56,127
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2014	16,171	1,552	5,832	14,612	38,167
Provided for the year	1,118	71	503	2,475	4,167
Eliminated on disposals	–	–	(1,301)	(715)	(2,016)
At 31st December, 2014	17,289	1,623	5,034	16,372	40,318
Provided for the year	997	64	1,832	2,057	4,950
Eliminated on disposals	–	(6)	(2,890)	(731)	(3,627)
Exchange realignment	1	–	–	3	4
At 31st December, 2015	18,287	1,681	3,976	17,701	41,645
CARRYING VALUES					
At 31st December, 2015	2,730	79	7,709	3,964	14,482
At 31st December, 2014	3,728	81	2,129	3,950	9,888

The above items of property, plant and equipment are depreciated using the straight-line method at the following rates per annum:

Leasehold improvements	Over the shorter of terms of the leases and 10%
Furniture and fixtures	10% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 33 $\frac{1}{3}$ %
Plant and machinery and equipment	5% – 50%

The carrying value of motor vehicles includes an amount of HK\$5,477,000 (2014: HK\$1,801,000) in respect of assets held under finance leases.

If there is any indication that property, plant and equipment may be impaired, the recoverable amount is estimated for the individual property, plant and equipment. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the cash-generating unit to which the property, plant and equipment belong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

15. GOODWILL

	2015 HK\$'000	2014 HK\$'000
COST		
At 1st January	14,981	14,913
Arising on acquisition of a subsidiary (note 34)	–	68
At 31st December	14,981	14,981
IMPAIRMENT		
At 1st January and at 31st December	6,400	6,400
CARRYING VALUES		
At 31st December	8,581	8,581

Goodwill arising from acquisition of subsidiaries amounting to HK\$14,913,000 in 2006 was allocated to one cash generating unit (“CGU”), which comprises two wholly-owned subsidiaries of the Company engaging in the cold storage and logistics services of which accumulated impairment loss of HK\$6,400,000 (2014: HK\$6,400,000) has been recognised.

Due to the effects caused by the mix of warehouse facility in 2014 and 2015, the Group has prepared its cash flow projections for the CGU by slightly increasing the projected revenue generated from the cold storage and related services. Based on the above cash flow projections, the recoverable amount of this CGU exceeded the carrying amount of goodwill at 31st December, 2014 and 31st December, 2015. No further impairment loss was necessary for both years.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2014: 5-year period), and discount rate of 15.77% (2014: 15.54%) per annum. The cash flows beyond 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU’s past performance and management’s expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of CGU.

In 2014, the Group acquired a subsidiary resulting in an increase in goodwill of HK\$68,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

16. INTEREST IN A JOINT VENTURE

	2015 HK\$'000	2014 HK\$'000
Cost of investment in a joint venture – unlisted	14,979	11,338
Share of loss	(7,032)	(3,157)
	7,947	8,181

Notes:

- (a) As at 31st December, 2014 and 31st December, 2015, the Group had the following joint venture:

Name of joint venture	Place of establishment/operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			2015	2014	2015	2014	
上海皆騰國際物流有限公司 (“上海皆騰”)	PRC	Paid up capital	60%	60%	67%	67%	Provision of logistics services

- (b) The summarised financial information below represents the aggregate amount of the Group's share of its interest in a joint venture which are not individually material:

	2015 HK\$'000	2014 HK\$'000
The Group's share of loss and total comprehensive expense for the year	3,875	2,828

- (c) The Group holds 60% interests in 上海皆騰. However, the Group has 67% (2014: 67%) voting rights in 上海皆騰 while all decisions of relevant activities of 上海皆騰 require unanimous consent from all the shareholders. Therefore, the directors of the Company consider that it is a joint venture of the Group.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Unlisted shares, at cost	149,120	149,120
Less: Impairment	(110,618)	(110,618)
	38,502	38,502

The Group, through a 75% owned subsidiary hold the above available-for-sale investments which represent 40% of the issued ordinary shares of Richbo Enterprises Limited (“Richbo”), a private entity incorporated in the British Virgin Islands. The Group does not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group has no right to nominate any director to the board of Richbo and accordingly, the investments are not classified as associate.

The available-for-sale investments represent 6% effective equity interest in a hotel resort complex operation in Macau.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

17. AVAILABLE-FOR-SALE INVESTMENTS (continued)

On 4th May, 2013, the indirectly owned investee, which holds the hotel resort complex operation in Macau, and its major shareholder entered into an assets purchase agreement with some subsidiaries of Galaxy Entertainment Group Limited, an independent third party and a listed company on the Main Board of the Stock Exchange, to dispose of the underlying properties of hotel resort complex and other assets in some subsidiaries of its major shareholders at a cash consideration of HK\$3,250,000,000. The disposal of these assets was completed on 17th July, 2013. According to the assets purchase agreement, the first payment for the disposal of HK\$2,600,000,000 was received on 17th July, 2013 and the second payment of HK\$650,000,000 was received on 16th January, 2015.

The Group re-assessed the recoverable amount of the available-for-sale investments taking into account the expected future cash flows of the investments including the cashflows generated from the aforesaid disposal. No further impairment loss was recognised for the year ended 31st December, 2014 and 2015.

The investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At 31st December, 2015 and 31st December, 2014, the Group has equity interest in Richbo:

Name	Form of business structure	Place of incorporation	Place of operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activity
Richbo	Incorporated	British Virgin Islands	Macau	Ordinary	40% (note)	Investment holding

Note: 40% equity interest in Richbo is held by Brilliant Gold International Limited, a subsidiary in which the Company has 75% equity interest. None of the directors of the Company have beneficial interest in Richbo or being a board member of Richbo.

18. LOANS RECEIVABLE

	2015 HK\$'000	2014 HK\$'000
Secured loans	56,500	–
Unsecured loans	16,000	–
	72,500	–
Less: Amount due within one year and classified under current assets	(17,850)	–
Amount due after one year	54,650	–

The secured loans with aggregated carrying amount to HK\$56,500,000 (2014: Nil) are secured by the properties of the borrowers. The loans bear interests ranging from 11% to 22% per annum and with maturity ranged from 6 months to 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Trade receivables	51,710	48,545
Less: allowance for doubtful debts	(1,832)	(1,315)
	49,878	47,230
Interest receivable	2,944	33
Other receivables	214	82
Deposits and prepayments	11,950	4,464
	64,986	51,809

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015 HK\$'000	2014 HK\$'000
0–30 days	22,272	23,774
31–60 days	17,475	12,559
61–90 days	8,775	7,705
91–120 days	1,088	2,796
More than 120 days	268	396
	49,878	47,230

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and logistics services. No interest is charged on any outstanding trade receivables.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$26,634,000 (2014: HK\$23,526,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Aging of trade receivables which are past due but not impaired:

	2015 HK\$'000	2014 HK\$'000
1–30 days	20,038	14,942
31–60 days	5,698	7,220
61–90 days	898	1,364
	26,634	23,526

The movement in the allowance for doubtful debts during the year is as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	1,315	1
Increase in allowance recognised in profit or loss	517	1,314
At end of the year	1,832	1,315

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors of the Company believe that there is no further credit provision required in excess of the allowance for doubtful debts.

20. AMOUNT DUE FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

21. HELD FOR TRADING INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Listed securities:		
– Equity securities listed in Hong Kong	698	834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

22. OTHER FINANCIAL ASSETS

Bank balances and cash comprise short-term bank deposits at average prevailing market interest rates of 0.7% (2014: 0.9%) per annum. The pledged deposits bears interest at average prevailing market interest rate of 0.5% (2014: 1.0%) per annum.

Pledged bank deposits have been pledged to secure the long-term operating lease commitment and are therefore classified as non-current assets.

23. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables with independent outsiders	7,749	6,981
Trade payables with joint venture	690	–
	8,439	6,981
Accrued for staff costs	4,413	3,447
Bond interest payable	2,992	135
Other payables	9,797	10,111
	25,641	20,674

The following is an aged analysis of trade payables presented based on the invoice dates.

	2015 HK\$'000	2014 HK\$'000
0–30 days	6,650	5,102
31–60 days	1,280	1,716
61–90 days	92	78
91–120 days	86	85
More than 120 days	331	–
	8,439	6,981

No credit period is generally allowed by creditors and no interest is charged on trade creditors.

24. AMOUNT DUE TO AN INVESTEE/A JOINT VENTURE

The amount due to an investee is unsecured, interest-free and repayable within one year.

The amount due to a joint venture is unsecured, interest-free and is repaid during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payment	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within one year	2,090	646	1,924	578
In the second to fifth year inclusive	2,839	1,128	2,738	1,081
	4,929	1,774	4,662	1,659
Less: future finance charges	(267)	(115)		
Present value of lease obligations	4,662	1,659		
Less: Amount due for settlement within one year shown under current liabilities			(1,924)	(578)
Amount due for settlement after one year			2,738	1,081

The obligations under finance leases represent the finance leases for ten (2014: three) motor vehicles. The term of the leases ranged from three to five years (2014: three years) at a rate ranged from 1.4% to 2.5% (2014: 2.5%) per annum. The obligations are secured by the lessor's charge over the leased assets.

26. PROMISSORY NOTES

	2015 HK\$'000	2014 HK\$'000
The promissory notes are repayable as follows:		
Within one year	4,762	4,762
In the second year	–	4,431
	4,762	9,193
Less: Amounts due for settlement within one year shown under current liabilities	(4,762)	(4,762)
Amounts due for settlement after one year	–	4,431

The fair value of promissory notes at 31st December, 2015 and 31st December, 2014 determined based on the present value of the estimated future cash outflow discounted at the current market interest rate of 13.9% (2014: 13.9%) per annum was HK\$4,589,000 (2014: HK\$8,618,000).

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FOR THE YEAR ENDED 31ST DECEMBER, 2015

26. PROMISSORY NOTES (continued)

The major terms of the promissory notes are summarised below:

Principal amount:	Ten promissory notes with a principal amount of HK\$5 million each
Issue price:	HK\$50,000,000
Interest:	Zero-coupon
Original effective interest rate:	7.5% per annum
Maturity:	Repayable by ten equal installments of HK\$5 million each on the consecutive anniversary of the date of issue of the promissory notes i.e. 8th September, 2006
Early repayment	The Company could, at its option, repay the promissory notes in whole or in part in multiples of HK\$1 million by giving a prior ten business days' written notice to the vendor, commencing on the date three months after the completion date of acquisition in 2006 and up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligations under the promissory notes for any early repayment.
Assignment:	With the prior notification to the Company, the promissory notes may be transferred or assigned by the holder(s) of the promissory notes. The promissory notes are not transferable to any connected persons of the Company.

The promissory notes contain two components, liability and the issuer's early repayment option.

The fair value of the early repayment option of the promissory notes was considered as insignificant at the date of issue and at the end of the reporting period.

27. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares				
At 1st January, 2014, 31st December, 2014 and 31st December, 2015	60,000,000	600,000	2,432,304	24,323

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28. BONDS

On 13th November, 2014, the Company and the placing agent entered into the placing agreement, pursuant to which placing agent has agreed to, on a best effort basis, to procure independent places to subscribe in cash for the bonds in an aggregated principal amount of up to HK\$500,000,000.

The principal terms of the bonds are summarised below:

Aggregate principal amount:	Up to HK\$500,000,000
Denomination:	In denomination of HK\$10,000,000 each in the minimum (or for any amount over HK\$10,000,000, in integral multiples of HK\$10,000,000 each).
Interest:	6% per annum, accrued daily on a 360-day basis and payable annually in arrears, up to the maturity date of the relevant bonds.
Maturity date:	The seventh anniversary of the date of issue of the relevant bond.
Early redemption:	The Company may at any time before the maturity date and from time to time by serving at least ten days' prior written notice to the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the bonds (in whole or in part) at 100% of the total amount of such bonds together with payment of interests accrued up to the date of such early redemption.

During the year ended 31st December, 2015, the Company issued bonds with total principal amount of HK\$60,000,000 (2014: HK\$40,000,000). Interest on bonds payables at par value of HK\$100,000,000 (2014: HK\$40,000,000) is payable annually and the principal is repayable in full upon maturity.

29. SHARE OPTION SCHEME

The Company had a share option scheme which was adopted on 9th January, 2006 (the "2006 Scheme"). At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the termination of the 2006 Scheme and the adoption of a new share option scheme (the "2015 Scheme"). The 2015 Scheme is subsequently adopted on 2nd June, 2015 (the "Adoption Date"). There is no material difference between the terms of the 2006 Scheme and the 2015 Scheme.

The Company currently operates the 2015 Scheme, under which the Board may, at its discretion, grant share options to any eligible participant to subscribe for ordinary shares (the "Shares") of the Company subject to the terms and conditions stipulated therein.

Summary of the 2015 Scheme as required to be disclosed under Chapter 17 of the Listing Rules are set out below:

(a) Purpose:

The purpose of the 2015 Scheme is to provide incentives and rewards to the eligible participants who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group in recognition of their contribution to the Group.

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29. SHARE OPTION SCHEME (continued)

(b) Eligibility:

Eligible participants include any full time or part time employees of the Group or any invested entity (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary or any invested entity); any holder of any securities issued by the Group; and 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 or any invested entity or any person who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group eligible for options under the 2015 Scheme.

(c) Shares in the capital of the Company available for issue under the 2015 Scheme as at end of the reporting period:

- (1) Total number of Shares: 243,230,400
- (2) Percentage of the issued share capital that it represents: 10%

(d) Maximum entitlement of each eligible participant under the 2015 Scheme:

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to:

- (1) each eligible participant must not exceed 1.0% of the total number of Shares in issue; and
- (2) a substantial shareholder of the Company or an independent non-executive Director must not exceed 0.1% of the total number of Shares in issue and not exceed HK\$5 million in aggregate value.

(e) Period within which the Shares must be taken up under an option:

An option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the particular option but subject to the provisions for early termination of the 2015 Scheme.

(f) Minimum period for which an option must be held before it can be exercised:

No specified minimum period for which an option must be held, unless otherwise specified by the Board at the time of grant.

- (g) (1) Price payable on application or acceptance of the option: A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option.
- (2) The period within which payments or calls must or may be made: 21 days after the offer date of an option (the "Offer Date").
- (3) The period within which loans for the purposes of the payments or calls must be repaid: Not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. SHARE OPTION SCHEME (continued)

(h) Basis of determining the subscription price:

The subscription price for Shares under the 2015 Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of:

- (1) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the Offer Date, which must be a business day;
- (2) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the Offer Date; and
- (3) the nominal value of the Share on the Offer Date.

(i) The remaining life of the 2015 Scheme: Approximately 9 years (expiring on 1st June, 2025)

No share options under the 2006 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2006 Scheme. Since the Adoption Date and up to 31st December, 2015, no share options have been granted pursuant to the 2015 Scheme.

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	Tax losses HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1st January, 2014	49	(49)	–
Credit (charge) for the year	85	(85)	–
At 31st December, 2014	134	(134)	–
Credit (charge) for the year	352	(352)	–
At 31st December, 2015	486	(486)	–

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

At the end of the reporting period, the Group has deductible temporary difference of HK\$2,481,000 (2014: HK\$2,873,000) in respect of which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of HK\$113,832,000 (2014: HK\$104,371,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK\$2,945,000 (2014: HK\$812,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$110,887,000 (2014: HK\$103,559,000) due to the unpredictability of future profit streams. Tax losses are carried forward indefinitely.

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FOR THE YEAR ENDED 31ST DECEMBER, 2015

31. PLEDGE OF ASSETS

As at 31st December, 2015, bank facilities to the extent of HK\$3,500,000 (2014: HK\$3,500,000) of the Group were secured by bank deposits amounting to HK\$3,500,000 (2014: HK\$3,500,000). The amount utilised at 31st December, 2015 was approximately HK\$3,480,000 (2014: approximately HK\$3,480,000).

As at 31st December, 2015, bank deposits of HK\$86,500,000 (2014: HK\$86,500,000) are pledged to a bank which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of cold storage warehouses, office premises and premises for the operation of trading and related services in the PRC in the future which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	88,334	87,838
In the second to fifth year inclusive	1,404	10,813
	89,738	98,651

Included in the above, the major lease contracts are negotiated for terms of fourteen years commencing from February 2005 and can be terminated by providing one year notice after the first ten years of tenancy. Monthly rentals are fixed up to February 2017 and rentals subsequent to February 2017 will be adjusted based on the relevant terms of the leases.

33. CAPITAL COMMITMENT

	2015 HK\$'000	2014 HK\$'000
(i) Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	–	1,460
(ii) Share of capital expenditure contracted for but not provided its joint venture in respect of		
– acquisition of property, plant and equipment	3,679	3,473
– capital injection to joint venture	–	3,810

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FOR THE YEAR ENDED 31ST DECEMBER, 2015

34. ACQUISITION OF A SUBSIDIARY

On 4th November, 2014, the Group acquired 100% of the share capital of Mayfair Pacific Finance (HK) Limited (“Mayfair”) for a cash consideration of HK\$250,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK\$68,000. Mayfair was acquired for the operation of money lending business in Hong Kong.

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

	HK\$'000
Other receivables	5
Bank balances and cash	200
Other payables	(23)
	182

Goodwill arising on acquisition:

	HK\$'000
Consideration transferred	250
Less: net assets acquired	(182)
Goodwill arising on acquisition	68

Net cash outflow on acquisition:

	HK\$'000
Cash consideration paid	250
Less: cash and cash equivalent balances acquired	(200)
	50

The revenue and financial results attributable to Mayfair for the year ended 31st December, 2014 is not significant to the Group.

35. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2015, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value of the inception of the leases of HK\$4,374,000 (2014: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSET		
Investment in a subsidiary	1	1
CURRENT ASSETS		
Trade and other receivables, deposits and prepayments	552	583
Amounts due from subsidiaries	274,095	256,882
Bank balances and cash	16,593	60,516
	291,240	317,981
CURRENT LIABILITIES		
Trade and other payables	3,884	1,211
Amounts due to subsidiaries	29,267	17,836
Promissory notes	4,762	4,762
	37,913	23,809
NET CURRENT ASSETS	253,327	294,172
NET ASSET	253,328	294,173
CAPITAL AND RESERVES		
Share capital	24,323	24,323
Share premium and reserves	129,005	225,419
	153,328	249,742
NON-CURRENT LIABILITIES		
Promissory notes	–	4,431
Bonds	100,000	40,000
	100,000	44,431
	253,328	294,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: Movement of the Company's reserves are set out below:

	Attributable to owners of the Company				Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	
At 1st January, 2014	374,226	39,984	84,239	(252,351)	246,098
Loss for the year and total comprehensive expense for the year	–	–	–	(20,679)	(20,679)
At 31st December, 2014	374,226	39,984	84,239	(273,030)	225,419
Profit for the year and total comprehensive income for the year	–	–	–	(96,414)	(96,414)
At 31st December, 2015	374,226	39,984	84,239	(369,444)	129,005

37. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including directors in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of the independent trustee. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme.

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF Scheme.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK\$3,251,000 (2014: HK\$3,056,000) represents contributions payable to the MPF Scheme and the state-managed retirement benefit schemes, there were no forfeited contributions available to reduce future contributions at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

38. RELATED PARTY TRANSACTIONS

During the year, the Group incurred logistics service fee to a joint venture of HK\$4,704,000 (2014: HK\$2,148,000).

The Group did not enter into any other transactions with its related parties.

The key management of the Group comprises all directors and the senior management, details of their remuneration are disclosed in note 11. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of debts, which includes the promissory notes, bonds and equity attributable to owners of the Company, comprising issued capital, share premium and reserves as disclosed in consolidated statement of changes in equity.

The directors of the Company review the capital structure on a semi-annual basis. As a part of this review, the directors considers the cost of capital and the risks associated with the issued share capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
<i>Financial assets</i>		
Held for trading investments	698	834
Loans and receivables (including cash and cash equivalents)	341,506	287,052
Available-for-sale financial assets	38,502	38,502
<i>Financial liabilities</i>		
At amortised cost	159,349	88,087

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amount due from non-controlling interests of a subsidiary, pledged bank deposits, loans receivable, held for trading investments, bank balances and cash, trade and other payables, amount due to an investee, promissory notes and bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

(ii) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Since the interest rate risk and price risk are not significant, no sensitivity analysis is presented accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

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

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group has concentration of credit risk as 23% (2014: 19%) and 55% (2014: 51%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the cold storage and related services segment. In order to minimise the concentration risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds are limited because the counterparties are banks with good reputation.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and will continuously monitor the forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	6 months or less HK\$'000	6–12 months or less HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows amount HK\$'000	Carrying amount HK\$'000
2015								
Non-interest bearing	–	54,587	–	–	–	–	54,587	54,587
Finance lease obligations								
– fixed rate	2.29	1,045	1,045	1,929	910	–	4,929	4,662
Promissory notes	7.5	–	5,000	–	–	–	5,000	4,762
Bonds	6	3,600	2,400	6,000	18,000	109,600	139,600	100,000
		59,232	8,445	7,929	18,910	109,600	204,116	164,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	6 months or less HK\$'000	6-12 months or less HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows amount HK\$'000	Carrying amount HK\$'000
2014								
Non-interest bearing	-	38,894	-	-	-	-	38,894	38,894
Finance lease obligations								
– fixed rate	2.5	323	323	645	483	-	1,774	1,659
Promissory notes	7.5	-	5,000	5,000	-	-	10,000	9,193
Bonds	6	-	2,400	2,400	7,200	44,800	56,800	40,000
		39,217	7,723	8,045	7,683	44,800	107,468	89,746

(c) Fair value measurements of financial statements

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

	2015		Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	
Held for trading investments			
– Listed equity securities (note)	698	-	698
	2014		Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	
Held for trading investments			
– Listed equity securities (note)	834	-	834

Note: The fair value of listed equity securities is determined with reference to quoted market bid price from the Stock Exchange.

There were no transfers between Levels 1 and 2 during the year.

Except for the promissory notes as disclosed in note 26, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost (including pledged bank deposits, trade and other receivables, loan receivable, bank balances and cash, trade and other payables, amount due from non-controlling interests of a subsidiary, amount due to an investee, amount due to a joint venture and bond) in the consolidated financial statements approximate their fair values.

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41. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31st December, 2015 and 2014 are as follows:

Name	Place of incorporation/ operation	Issued and paid-up registered capital	Proportion of ownership interest held by the Company		Principal activities
			2015	2014	
Direct subsidiary:					
Daido (BVI) Limited	British Virgin Islands	US\$2 Ordinary shares	100%	100%	Investment holding
Indirect subsidiary:					
Autoyield Limited	Hong Kong	HK\$1 Ordinary share	100%	100%	Investment holding
Brilliant Cold Storage Management Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Provision of cold storage and related services
Brilliant Gold International Limited	British Virgin Islands	US\$1,000 Ordinary shares	75%	75%	Investment holding
Brilliant Giant Trading Limited	Hong Kong	HK\$1 Ordinary shares	100%	100%	Provision of engineering service
Brilliant Top In Logistics Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Provision of cold storage, logistic and packaging services
Diamond Sparkling Limited	Hong Kong	HK\$10 Ordinary shares	100%	100%	Sub-leasing of properties
Lubrano Properties Limited	British Virgin Islands	US\$50,000 Ordinary shares	100%	100%	Investment holding
Mayfair Pacific Finance (HK) Limited	Hong Kong	HK\$5,000,000 Ordinary shares	100%	100%	Money lending services
Sanson Investments Limited	Hong Kong	HK\$1 Ordinary share	100%	100%	Investment holding and trading of food and beverage
Topgain Investments Limited	British Virgin Islands	US\$1 Ordinary share	100%	100%	Investment holding
Win System Investments Limited	Hong Kong	HK\$1 Ordinary share	100%	100%	Financial Investment
同瞬貿易(上海)有限公司	PRC [#]	RMB50,000,000 Registered capital RMB25,062,210 paid-up capital	100%	100%	Trading and related services

[#] Wholly foreign owned enterprise

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess length.