大同機械企業有限公司

COSMOS MACHINERY ENTERPRISES LIMITED

Stock Code 股份代號: 118

Annual Report 2015 年報

5 years+
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Tang To *(Chairman)*
Wong Yiu Ming *(Executive Vice Chairman)*
Tang Yu, Freeman *(Chief Executive Officer)*

Non-Executive Directors
Kan Wai Wah
Qu Jinping

Independent Non-Executive Directors
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Huang Zhi Wei

Audit Committee
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem

Remuneration Committee
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Tang To

Committee of Executive Directors
Tang To
Wong Yiu Ming
Tang Yu, Freeman

Nomination Committee
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Tang To
Tang Yu, Freeman

CHIEF EXECUTIVE OFFICER

Tang Yu, Freeman

JOINT COMPANY SECRETARIES

Ho Kwong Sang *FCCA CPA FCS FCIS*
Mak Po Man *FCCA CPA*

REGISTERED OFFICE

10/F., Billion Plaza 2
No. 10 Cheung Yue Street
Cheung Sha Wan
Kowloon
Hong Kong
Tel: 2376-6188
Fax: 2375-9626
Website: www.cosmel.com
E-mail: cmel@cosmel.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai
Banking Corporation Limited
China Citic Bank International Limited
DBS Bank (Hong Kong) Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Ting Ho Kwan & Chan

SHARE REGISTRAR

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

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 118

CHAIRMAN'S STATEMENT

I am pleased to announce the annual results of Cosmos Machinery Enterprises Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2015.

RESULTS

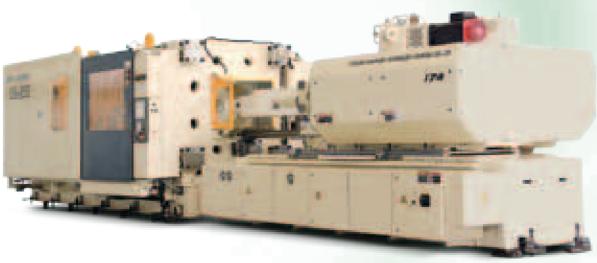
The Group's consolidated turnover was about HK$2,395,166,000 in the financial year, down by about 4% from approximately HK$2,492,729,000 of 2014. The consolidated operating loss for the year was about HK$24,681,000, as compared with the consolidated operating profit of approximately HK$7,123,000 of the same period last year. If exchange loss of approximately HK$19,000,000 and provision for inventories of approximately HK$11,700,000 are included, the after tax loss for the year was approximately HK$38,818,000, whereas the after tax loss for the same period last year was approximately HK$7,934,000.

For the year ended 31 December 2015, loss attributable to shareholders was approximately HK$49,601,000, up by 49% loss attributable to shareholders of the corresponding period of the prior year was approximately HK$33,301,000.

CHAIRMAN'S STATEMENT

Over the past year, the global economy has been experiencing stagnant growth. The recovery of the US economy was weak and uncertain. The European market was still sluggish, and Japan is adopting the negative interest rate in face of a re-emergence of recession. In China, the downward pressure on the economy continued to intensify. With a strong exchange rate and sharply increased labour costs, competitiveness of Chinese exports was challenged and negative growths for both import and export were recorded. The difficult situations of the mainland SMEs in financing showed little improvement. As the exchange rate of RMB plunged in last August and the adjustment continued until the end of the year, relatively substantial exchange loss was incurred when the exchange rate at the balance sheet date was used to account for RMB assets and liabilities, therefore further aggravated the loss of the Group on books. Despite a slight devaluation of the RMB exchange rate during the year, the exporting industry was not relieved of its plight. The real economy, especially the traditional industries were most hard-hit. The Group believes that most of the difficulties and the harsh economic environment will not be over during the year. We will continue with our prudent business strategy and maintain a healthy financial base on the one hand, and on the other hand actively we will explore new markets according to new market demands and new trends, and focus on the optimization of production processes and production structures.

With the economic downturn and overcapacity in mainland China, most enterprises are not eager to increase their investments in machineries and equipment. While the RMB exchange rate has remained strong, the government introduced policies that favoured import equipment and disregarded the fair competition by the domestic industries. And as a result, the sales of our high performance plastic injection moulding machine was affected, and the sales of the Group's Machinery Business contracted with loss recorded once again. The current difficulty in the market is not the result of economic cycle but the effect of the country's economic restructuring as well as the pursuit of innovative and cost effective products by the market. As such, the Machinery Business has actively cut its operating costs and maintain prudent credit terms. In addition to the focus on exploring the market for high quality customers, we also have increased investment in research and development in order to enhance the capabilities as well as appearances of different products.

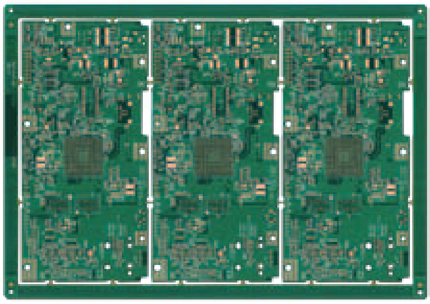


850UGe Large Size All Electric Type Injection Moulding Machine

CHAIRMAN'S STATEMENT

During the year under review, the Group's Machinery Business has submitted six patent rights applications for new inventions, obtained the approval of two patent rights in innovation, and continued patent rights for six innovations. Our in-house designed automatic rubber track moulding machine, which is the first in China, obtained the "Hong Kong Industrial Design Award" for the year. The business for rubber extruder machines and rubber injection moulding machines was also awarded the "Top Ten Enterprise of 2015 Chinese Plastic Extrusion Industry" for the first time. Capitalized on the advanced technology of Japan's UBE Machinery Industries, Ltd.'s large-scale all-electric plastic injection moulding machine, we co-produced the 850 tons all-electric plastic injection moulding machine, successfully launched in the China Plastic Exhibition (Chinaplas), which is an all-electric plastic injection moulding machine of the largest specifications produced in China. The Machinery Business will meet the new challenge of the ever-changing economy and market with more innovative, higher quality and higher performance products, as well as excellent leasing service, and superb pre-sale and post-sale technical support.

The Chinese labour costs have continued to hike vigorously over the years. Home appliances enterprises are facing significant pressure in loss of competitiveness, and the business of OEM production of injection moulded parts is facing challenges of price and service competition. The business of Plastic Products and Processing is streamlining its structure, adjusting its production scale composition and optimizing production processes, with an aim to reduce costs and respond to the customers' stringent requirements for products. Last year, the Group incorporated the production line of optical products into the injection moulding plant in Dongguan. The original sales team now focuses on market development and product design, and its efficiency will show in time. With its creativity, the Zhuhai Food Packaging and Cutlery Business has become a professional supplier of novel packaging design solutions and products.



8 Layers Printed Circuit Board

The overall market condition of 2015 electronic consumer products was sluggish. The competition among the corresponding printed circuit board contenders was extremely intense. In order to stay out of price competition, the Group's Printed Circuit Board Processing and Trading Business vigorously adjusted its production and reviewed its facilities, established a new team to take care of process management and prepared a complete operation manual. As such, the trackability of production processes was enhanced to a hundred percent and the business focus was redirected to the development of more advanced printed circuit boards market for Japanese electric automobile manufacturers who looked for impeccable specifications. The printed circuit board trading company acquired two years ago was reorganized, and obtained the relevant certification and the recognition of the customers. A new foundation was laid for market development as a new team was established to focus on the development of new customers and new markets.

During the year under review, traditional manufacturing businesses in mainland China faced a very difficult time. This had a significant impact on the Group's Industrial Consumables Trading Business in terms of its sales of industrial components and metal material. Faced with such severe business environment, the performance of Trading Business has somewhat deteriorated as it strived to maintain a prudent financial base and stringently controlled the accounts receivable so as to reduce the risk of bad debts. With the implementation of the government's "Made in China 2025" and the "13th Five Year Plan" policies, the team will seize the opportunity and focus on the promotion of high-end products in environmental protection, energy conservation and automated production facilities, with an aim to strive for desirable results.

CHAIRMAN'S STATEMENT

2016 is going to be a difficult year in which the global economy is full of uncertainties. The sluggish market in China is not the result of economic cycle. As China's economy is going through a process of structural reform, we should be careful with any unexpected changes in the market. Although China has continuously launched policies to reduce the burden of the enterprises, such as the provision of financing especially for the SMEs in the real economy, the results of such policies are yet to be seen. The Group is determined to meet the challenge, and will actively and pragmatically adjust our structure and scale, optimize the production processes and maintain a stable financial base. With the government's "Made in China 2025" and the "13th Five Year Plan" policies, we will seek for opportunities and explore new businesses.

Despite the severe challenge, I am sure the Board, the Management Team and all the staff will stay put in their positions, make their best efforts to meet various kinds of challenges with perseverance in order to strive for the success of the Group. I hereby express my heartfelt gratitude to all the directors for their supports and contributions, and to the shareholders, customers and business partners for their supports and cooperation.

On behalf of the Board
TANG To
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year 2015, the global economy continued to be sluggish. There was moderate recovery in the U.S. economy, but market conditions were still unstable. While economic conditions in Europe were stagnant, Japan once again entered into recession. China's economic growth experienced a notable slowdown, with decelerating GDP growth as compared with economic performances of the past several years. China's PMI continued to linger around the threshold, indicating its manufacturing industry was on its decline. Despite the several measures taken by the Chinese Government during the year to reduce interest rates and cash reserve ratios, Chinese SMEs still experienced difficulties in financing, and the efforts were of little help in improving real economy growth, or in reversing the weakening trend of the manufacturing industry. During the year, the Group's overall performance was affected by internal and external economic downturns, and fell short from satisfactory.

MANUFACTURING OPERATIONS

Machinery

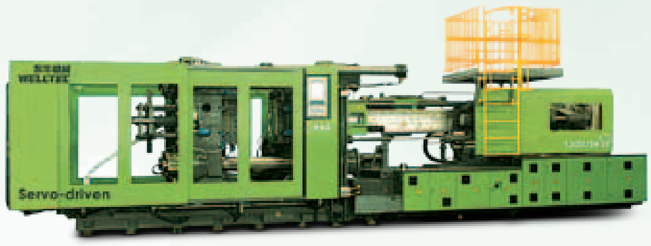
This year's Machinery Business recorded a turnover of approximate HK$720,835,000 (2014: HK$826,732,000), which was approximately 13% down from last year's figures, and contributed 30% to the Group's consolidated turnover. The business recorded an operating loss of approximately HK$30,503,000 (2014: HK$22,960,000), which was approximately 33% up from last year's figures. The operating loss this year included a provision for the slow moving stock of approximately HK$11,177,000.

105GeII All Electric Injection Moulding Machine

Regarding the plastic injection moulding machines business, the manufacturing industry continued to be weak due to the sluggish domestic economic growth in China. At the same time, excess production capacities were still not appropriately exploited, and as such, it has been difficult to stimulate the need of the domestic manufacturers to acquire machinery equipment. The continual devaluation of the Japanese Yen led to a significant price reduction of the all-electric plastic injection moulding machines manufactured in Japan, which seriously affected the sales of similar machines produced domestically in China. In face of such adverse conditions, the business segment adopted a prudent sales strategy and focused on selecting quality customer orders so as to effectively control financial exposure. However, such measures led to a decrease in domestic sales orders. During the period, in response to the ferocious price competition among the contenders of the industry, this business segment has made some price adjustments, leading to a decrease in overall gross profit. Exports to Turkey, Korea, and the Americas saw significant growth, effectively compensated for some of the domestic sales decline. In terms of products, through intensified cooperation with Japan's UBE Machinery Industries, Ltd., the first and largest domestic all-electric plastic injection moulding machine, the UGe850, was successfully produced, thus laying our foundation for the long term development of medium to large scale high-end all-electric plastic injection moulding machines. Regarding the third generation medium to large scale two-platen plastic injection moulding machines, the clamping structure design and features were optimized to significantly enhance the precision of clamp structure, hence shortening the customers' production cycles and improving production efficiency. Its stability is highly recognized and accepted by high-end customers. Orders were received from industries such as auto parts, home electrical appliances, construction materials and gift items. Two-platen plastic injection moulding machines will be one of the key products with good market potentials in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Market conditions for hydraulic press machines were still severe, and production costs were continuously on the rise. To lower costs, reasonably priced and high quality parts were vigorously sought by the procurement team, not only to reduce production cost, but also to improve product quality. This business segment will focus on the development of industries such as gold ornament, auto parts, abrasives and abrasive tools, and emphasis on the promotion to these industries so as to enhance product visibility and improve sales.



1300JSeII Two-Platen Injection Moulding Machine

The CNC punching machine business focused its business on the sheet-metal processing industry. However, product homogenization was in serious condition, leading to ferocious market competition, and adversely affecting product sales. After three years of production and sales, the ESD series of all-electric servo CNC punching machines adequately demonstrated its advantages of energy saving, precision and environmental protection. Other series of all-electric servo CNC punching machines also went through performance and quality optimization, which have improved product aesthetics and enhanced user-interface. Product stability and reliability were also enhanced. Servo bending machine series went through product performance and structural optimization to enhance production efficiency.

The development of extrusion machine and rubber injection moulding machine businesses were mixed during the year. Extrusion machines' target customers were mainly the infrastructure industry, including fuel gas pipelines, underground heating pipes, absorption trenches, drainage pipelines, and telecommunication pipelines. Under the highly competitive market condition, sales of regular extrusion machines fell short of satisfactory. Regarding rubber injection moulding machines, automated rubber-track moulding machines won the year's Hong Kong Industrial Design Award. The advanced design attracted many sales orders from agricultural machinery rubber-track manufacturers, and sales performance was satisfactory. Furthermore, super-large, as well as medium and small regular, rubber injection moulding machines received many sales orders due to equipment quality and brand image enhancement. Target customers were basically from the power, auto parts, seals and food packaging industries.

4000JSe Ultra Large-Sized Servo-Driven
Two-Platen Injection Moulding Machine

MANAGEMENT DISCUSSION AND ANALYSIS

Plastic Products and Processing

The turnover of Plastic Products and Processing business for the year was approximately HK$449,469,000 (2014: HK$381,458,000), representing 18% growth year-on-year, and contributing 19% to the Group's consolidated turnover. An operating loss of HK$15,269,000 was recorded during the year (2014: HK$23,472,000), representing a year-on-year decrease of 35%.

The sales volume of Plastic Parts Processing Businesses in Dongguan during the year experienced a significant drop as compare with the previous year, and a loss was recorded. As the A/V product market has contracted significantly, this business segment has vigorously pursued the home appliance assembly, plastic processing and optical products markets. Meanwhile, down-sizing and merging of positions were implemented in an effort to reduce the burden of continuous rise in labour costs.

Humidifier

Sales volume of the Hefei Production Base had a major breakthrough this year as compared with previous years, and reasonable profit was achieved. Four optimization directions were vigorously implemented during the year; namely, management informatization, technology standardization, production automation, and product quality optimization. Through continuous improvement, costs were lowered, product quality was enhanced, delivery was punctual, and overall efficiency was improved during the year. Through measures including reorganization of production line, optimization of robotic arms, refining maintenance and repair molds, improvement of inventory logistics flow systems, establishment of the company test laboratory, development of new materials and seeking new clients, this business segment was able to acquire sustainable and stable development in the highly competitive market. In term of human resources, the management vigorously implemented innovative training modes, requiring all department head level leadership to take up the roles as trainers, and share work essentials and experience with the employees. This improved the work force's technical capabilities and work efficiency. Career steps for staff promotion were optimized to motivate team spirit, allowing talented staff from different positions and specializations to access fair and equal opportunities for development, with the aim to promote this business. In addition, through adoption of flattened management structure and streamlining functional departments, decision executions were expedited. In term of information systems, system platforms were optimized so that production, inventory and quality control departments were able to exchange and share important information to enhance operational efficiency, as well as to achieve the initial target of a paperless office.

The Zhuhai Specialized Food Packaging and Cutlery Business saw a slight improvement in turnover as compared to last year, and a profit was recorded. Injection moulding products such as folding cap seals for powder milk, ice-cream packaging and in-mould labeling provided impetus to overall sales, with the folding cap seals project still remained in the spotlight and recorded satisfactory performance. To further address the public requirements for hygienic food packaging products, injection and extrusion workshops went through optimization works. Robotic arms and automation equipment were added not only to enhance production efficiency and reduce risks of product contamination, but also to reduce the number of workers.


IML Automatic Machine

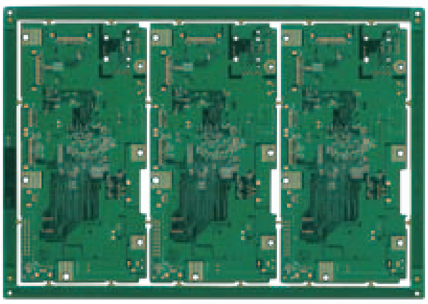
MANAGEMENT DISCUSSION AND ANALYSIS

Rechargeable Lighted Magnifer

The turnover of the Optic and Lighting Business for the year reported a decrease as compared with last year, and a loss was recorded. This business went through a restructuring this year, with the operating mode transformed to optical product design, development and trading. Production activities were transferred to the Group's plastic parts factory in Dongguan. The transfer of the production department and the re-establishment of production lines have affected production capacity, leading to delay in delivery of some of the sales orders, which in turn also affected the sales performance.

Printed Circuit Board ("PCB") Processing and Trading

The turnover of PCB Processing and Trading Business for the year was approximately HK$845,766,000 (2014: HK$856,609,000), representing a drop of approximately 1% as compared with last year, and 35% of the Group's consolidated turnover. Operating profit was approximately HK$35,815,000 (2014: HK$58,958,000), representing a year-on-year decrease of 39%.



8 Layers Printed Circuit Board

Due to the sluggish global market conditions, competition within the PCB processing industry grew more ferocious. Major customers' production and sales orders fell short of expectation, and adversely and significantly affected sales. For that reason, this business team stayed away from price competition and strived to develop the business for the European automotive market, and at the same time, vigorously extended domestic market sales channels, successfully bringing in new customer orders through providing the customers a full set of professional services from product development to product completion. After adjustments in sales strategy, over-concentration of customer orders for certain products eased, so did the associated business risks. Last year, this business segment added more advanced inspection facilities and automated production lines, and established a department to focus on new technologies in development and optimization of process flow, with an aim to develop high-end products market with excellent qualities and services.

The PCB Trading Business was adversely affected by increasing domestic production costs, and some customer's production lines were transferred to South East Asia, or returned to Japan. To alleviate the influence on sales caused by these transfers, this business segment has established a new sales department to focus on development of new customers, with an aim to improve sales turnover by extending sales channels and reinforcing communication with new customers.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL CONSUMABLES TRADING BUSINESS

The turnover for this year's Industrial Consumables Trading Business was approximately HK$356,085,000 (2014: HK$415,602,000), representing a decrease of 14% compared to last year, and contributing 15% to the Group's consolidated turnover. This year's operating profit was approximately HK$12,201,000 (2014: HK$25,683,000), which was a 52% decrease compared to last year.

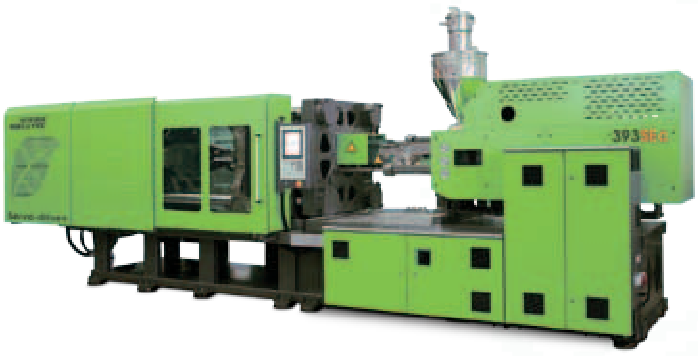
This year's overall business environment was worse than last year, and domestic machine manufacturers operated under extreme difficulties. With the significant fell of exchange rates in various currencies, part of the market was absorbed by the imports due to the improved pricing advantage. This also led to a visible decrease in the domestic sales of domestically manufactured machinery, and the operating environment of the machinery manufacturing sector fell into a situation where both internal and external pressures were brought to bear. Inevitably, this business was severely affected since it has always focused on the domestic machinery manufacturing industry, providing industrial parts and metallic materials. As the market shrank and competition became ferocious, gross profit rate declined. Fortunately, package sales strategy successfully increased new product sales, helping to minimizing the magnitude of sales decline. And to maintain healthy financial strength, slow moving inventories were gradually cleared out, while account receivables were rigorously kept at a reasonable level.

Hydraulic Robot Arm

BUSINESS PROSPECTS

Machinery

It is expected that the overall domestic market remains to be gloomy in 2016, and financing for domestic SMEs will remain difficult. Despite of the difficulties, the injection moulding machines business will consolidate its resources to develop industries with growth potentials, and will continuously promote and optimize industry specific machines by way of customized proposals to customers. Focus for development include industries such as auto parts, food packaging, medical packaging, construction materials, high-end electronic products. Promotion and optimization of two-platen plastic injection moulding machines will continue, and efforts will be expanded and intensified to offer customised proposals to high-end customers. The overall product strategy is "quality over quantity". The all-electric injection moulding machine series will also have its supply chain and product design optimized to lower cost and expand sales. Direction of development for CNC punching machines, hydraulic press machines, extrusion machines and rubber injection moulding machines will be toward automated high-end equipment and industry specific machines. To alleviate impact on this business by the sluggish market, costs will be reduced and operational efficiency will be improved through proper streamlining of manpower structure and stringent cost control of supply chain for the year to come.



393SEc Servo Energy Saving Thin-Wall High Speed Special Injection Moulding Machine

MANAGEMENT DISCUSSION AND ANALYSIS

Plastic Products and Processing

Dongguan Plastic Parts Processing Business will focus on developing the small appliance assembling and plastic parts processing businesses, and vigorously improve the production lines of optical products to reduce wastes and ensure timely delivery. To reduce production costs, manpower will be continuously reduced. Its organizational structure will be streamlined and process mode will be optimized such that one position will serve multiple tasks so as to reduce labour costs.

Hefei Production Base will continue to strive to improve product quality, optimize management structure and implement lean production. Production efficiency and stability of product quality will be enhanced through investment on automated production facilities and implementation of complete standardized operations in materials, processing, molds and assembling. With the informatization of this business's management, timeliness and accuracy of inventory management were enhanced, and the implementation of a bar code control system is in progress.

Regarding the Zhuhai Specialized Food Packaging and Cutlery Business, as national income in China increases, the domestic food plastic packaging market continues to grow. This business in recent years has been focusing on the development of cap seals for milk powder and related products. The domestic baby milk powder market is at a stage of expansion while the two-child policy has just been announced, which is expected to directly stimulate demand for baby milk powder and have positive effects on the business in respect to the business segment's focus on cap seals for milk powder. In addition, the domestic ice-cream market continues to grow, which will lead to greater demand for in-mold labeling containers and will further benefit the development of this business.

Accessories for Milk Powder Container

The business of the Optic and Lighting Business mainly involves the promotion and development of reading glass products. This is a unique market for the elderly which will not be easily influenced by external economic factors. This business will also focus on developing creative optical products to satisfy different customer needs. To enhance capability in product development and design, the business will look for high quality design companies with whom cooperation partnership can be established to develop fashionable and creative optical products to meet the requirements of different customers.

Book Light Magnifer

MANAGEMENT DISCUSSION AND ANALYSIS

Printed Circuit Board ("PCB") Processing and Trading

The PCB Processing Business will concentrate on product diversification, quality stability and flexible production mode to alleviate production pressures arising from small batches of production of diversified products. It will focus on developing customers from the automotive products market, and capitalizing on the advantage of its long term cooperation with Japanese customers to step up its efforts to explore the market in Japanese automotive. In terms of production, it will adjust and optimize production lines and improve management systems according to compositions of sales orders to enhance production efficiency and to reduce production costs in an effort to lay solid foundation for this business's healthy development.

Regarding the PCB Trading Business, we anticipate that customers will conduct global sourcing to reduce production costs. This business will capitalize on its competitive advantage as a high-end PCB supplier to engage in the development and promotion of high-end product's market. At the same time it will select and promote PCBs produced by smaller scale suppliers with high and stable quality. The business will also vigorously implement the development of the newly established sales department, and bring its flexibility. The main target will be the development of new customers in an effort to increase sales volume and compensate for the exposure presented by the decrease in gross profit.

Industrial Consumables Trading Business

This business will act according to the policy directions of the "13th Five Year Plan" and the "Made in China 2025", which are believed to introduce numerous opportunities to the huge China market. China is still a developing country. This business will seize the opportunity to focus on environmental protection and energy saving, on upgrading of operations and on factory automation products. Established business development plans will be implemented. This business anticipates that in the coming year, it will take a further step to develop industry products with competitive advantages. These include as elevators, robotic arms, telecommunications, LED packaging machines and such other products. In the past year, this business has focused on the development of application software and hardware support for robotic arms, and is now equipped with the preliminary capability in assembling automated production systems. In the coming year, the business looks forward to a breakthrough and good performance in the area of system integration business.

Screws and Fasteners

CONCLUSION

Looking ahead, in 2016 there is little impetus for global economic growth. With the global stock market collapse early in the year, especially the China and Hong Kong markets, the investors are not optimistic about the future economic performance. All business teams of the Group will seize every opportunity to develop new businesses on the one hand, and make effort to reinforce the foundation of the core businesses on the other. We will stringently control costs, execute prudent financial policies and face the challenge with an unrelenting spirit.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang To, aged 67, Chairman and Executive Director of the Company, has served on the Board since the listing of the Company in 1988 and was appointed as Chairman and Executive Director of the Company in September 1997. Mr. Tang is responsible for the overall policy making and significant investments of the Group. Mr. Tang has over 42 years of experience in manufacturing and trading businesses in Hong Kong and the PRC. Mr. Tang is the father of Mr. Tang Yu, Freeman, the Chief Executive Officer and Executive Director of the Company and is a director of certain companies which are members of the Group and related to certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Tang is a director of Suzhou Sanguang Science and Technology Co., Ltd., which is an associate of the Company with its shares listed on the National Equities Exchange and Quotations on 24 January 2014.

Mr. Wong Yiu Ming, aged 62, Executive Vice Chairman and Executive Director of the Company, has 38 years of experience in sales, marketing and corporate management, is currently responsible for the overall strategic planning and management of the plastic products and processing business of the Group and is a director of some subsidiaries of the Group. Mr. Wong joined the Group in 1978 and was appointed as the General Manager of the Company on 1 February 1999 and had been re-designated as the Chief Executive Officer of the Company on 12 September 2005 until 30 June 2013. On 15 January 2015, Mr. Wong was appointed as the Executive Vice Chairman of the Company. He holds a Bachelor of Science degree in Engineering and a Master degree in Business Administration. Mr. Wong is a director of Suzhou Sanguang Science and Technology Co., Ltd., which is an associate of the Company with its shares listed on the National Equities Exchange and Quotations on 24 January 2014.

Mr. Tang Yu, Freeman, aged 38, the Chief Executive Officer and Executive Director of the Company. He joined the Group in 2006 and was appointed as the Chief Executive Officer on 1 July 2013. He is responsible for the strategic planning and general management of the Group. He is the son of Mr. Tang To, the Chairman and Executive Director of the Board and is also a director of a company which is related to certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Prior to joining the Group, he worked in commercial banking division and as an associate investment advisor in banks of Hong Kong from 2001 to 2006. Mr. Tang graduated from the University of Western Ontario (Canada) and holds a Bachelor of Arts degree in Economics and holds a Diploma in Financial Planning.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Kan Wai Wah, aged 58, Non-Executive Director of the Company, is the Managing Director of Super Harvest Consultancy Limited. He has over 34 years of experience in the management of catering operations. Mr. Kan holds a Higher Diploma in Accountancy. He joined the Company in May 1998. Mr. Kan is the son of Ms. Law Kit Fong, a substantial shareholder of the Company. Mr. Kan is a Director of certain companies which are related to certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Qu Jinping, aged 59, Non-Executive Director of the Company, was granted a Bachelor's degree in Engineering in 1982 by South China Institute of Technology (currently South China University of Technology), a Master's degree in Engineering in 1987 by South China University of Technology and a Doctoral degree in Engineering in 1999 by Sichuan University and was promoted to professor in 1992. He was recognized as a tutor of doctoral candidates in macromolecular material processing and light industry machinery in 1996. Since 1998, he has been serving as the chief officer of the National Engineering Research Center of Novel Equipment for Polymer Processing in South China University of Technology. He was the Vice President of South China University of Technology from December 1998 to November 2007. In March 1999, he was appointed as the special-term professor in Material Processing of the South China University of Technology by the Ministry of Education of the People's Republic of China under the Changjiang Scholars Award Program. He also served as the chief officer of the Key Laboratory of Polymer Processing Engineering of the Ministry of Education of the People's Republic of China in South China University of Technology since 2000. He was awarded a Member of the Chinese Academy of Engineering in 2011. He is concurrently a standing council member of Chinese Material Research Society, council member of Plastic Processing Association of China, council member of China Plastic Machine Association, Deputy Chairman of China Altered-Properties Plastics Association, academic committee member of State Key Laboratory of Macromolecular Materials, Chairman of Guangdong Mechanical Engineering Institute, Deputy Chairman of Guangdong Material Research Society, council member of Guangdong Inventor Association, Deputy Chief Editor of certain publications namely the World Plastics and Plastics Machinery, member of editorial committee of the Journal of South China University of Technology, the China Plastics, the Plastic Industry, the Plastics, the Engineering Plastics Application. Mr. Qu was appointed as Non-Executive Director of the Company on 8 September 2006.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yeung Shuk Fan, aged 50, Independent Non-Executive Director of the Company, has over 26 years of experience in the finance sector and holds a Master degree in Business Administration. She is a member of the American Institute of Certified Public Accountants and an associate of The Institute of Chartered Secretaries and Administrators. During the past 21 years, Ms. Yeung has served as financial controller and financial manager of various private groups of companies. She was appointed as Independent Non-Executive Director of the Company with effect from June 2004.

Mr. Cheng Tak Yin, aged 77, Independent Non-Executive Director of the Company, has over 44 years of experience in business management. Currently, he is the Vice-Chairman and Director of Hong Kong and Kowloon Machinery and Instrument Merchants Association Limited. He was appointed as Independent Non-Executive Director of the Company with effect from 30 January 2007.

Mr. Ho Wei Sem, aged 68, Independent Non-Executive Director of the Company. Mr. Ho has been working in various government institutions in Dongguan during the past 40 years and has extensive experience in management. He was the director-general of Dongguan City Municipal and Public Utilities Management Bureau (東莞市市政公用事業管理局) and Dongguan City Urban Integrated Management Bureau (東莞市城市綜合管理局) from 2000 to August 2007 before his retirement. During the period from 1996 to 2000, he was the officer of Dongguan City Management Committee (東莞市城市管理委員會). From 1990 to 1996, he was the deputy chief of Dongguan City Urban and Rural Construction Planning Bureau (東莞市城鄉建設規劃局), and was the deputy supervisor of the Preparation Committee of Dongguan City Government (東莞市城區政府籌備組) during the period from 1988 to 1990. He was appointed as Independent Non-Executive Director of the Company with effect from 21 December 2010.

Mr. Huang Zhi Wei, aged 76, Independent Non-Executive Director of the Company, is currently the Executive Vice President of Guangdong General Chamber of Commerce. Mr. Huang has spent over ten years in economic-related government sectors in China. He served as the Deputy Director General of Guangdong Department of Foreign Trade & Economic Cooperation and the Director of General of Guangdong Board of Investment from 1993 to 2000 respectively. He also served as the Executive Officer of Foshan Economic Committee from 1984 to 1992. Prior to this, he worked as an engineer in Foshan Power Plant for almost 10 years and served as the Chief Engineer and Deputy General Manager of Foshan Household Electrical Appliances Corporation from 1981 to 1984. Mr. Huang graduated from the Central China University of Science and Engineering, majored in electric engineering. In the past three years, Mr. Huang had been an Independent Director of Keda Clean Energy Co. Ltd. (Forma name: Keda Industrial Co. Ltd.), a company listed on The Shanghai Stock Exchange and resigned his position on 19 August 2015. He also had been an Independent Non-executive Director of Lerado Group (Holding) Company Limited, a company listed on the Stock Exchange of Hong Kong Limited and resigned his position on 6 February 2015. He was appointed as Independent Non-Executive Director of the Company with effect from 2 November 2012.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Ho Kwong Sang, aged 60, joined the Group in 1981, is the Chief Financial Officer of the Group. He is responsible for the financial management of the Group. Mr. Ho is an accountancy graduate of the Hong Kong Polytechnic University and holds a Master of Arts degree in Management. Professionally, he is a Certified Public Accountant (Hong Kong), Fellow Chartered and Certified Accountant (United Kingdom), Certified Tax Adviser (Hong Kong) and Fellow Chartered Secretary (United Kingdom and Hong Kong). He is also qualified as a Certified Insurance Professional and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

Mr. Yip Kar Shun, aged 69, has over 36 years of experience in electronic production and management. He joined the Group in 1994. Mr. Yip is the Managing Director of the subsidiaries which are engaged in the manufacture of printed circuit boards.

Mr. Man Wai Hong Bernard, aged 53, joined the Group in 2000. He has 29 years of experience in manufacturing, marketing and general administrative management. He graduated from the Hong Kong Polytechnic University in Electrical Engineering. He also holds a Diploma in Computer Programming, a Diploma in Management Studies and a Master degree in Business Administration. He is currently the General Manager of a subsidiary of the Group which is engaged in the trading of industrial consumables and machinery components.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 44 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 50 of the annual report.

FINAL DIVIDEND

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Sustainability Review" from pages 3 to 5, pages 6 to 12 and pages 36 to 47 respectively. Description of the risks and uncertainties facing the Company can be found throughout this Annual Report.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2015, the Group's shareholders' funds were approximately HK$1,335,312,000, compared with approximately HK$1,442,800,000 as at 31 December 2014.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's debt ratio as at 31 December 2015 was approximately 0.47 (2014: 0.46), and the liquidity ratio was approximately 1.55 (2014: 1.57), both were maintained at a healthy level. As at 31 December 2015, cash, bank balances and time deposits amounted to approximately HK$353,871,000. All these reflect that the Group is in sound financial position.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi or United States Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group had no fixed interest rate borrowings. Foreign exchange risks arising from fluctuation of exchange rates of foreign currencies are managed by the Group using foreign exchange forward contracts when necessary.

FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the past five financial years is set out on page 144 of the annual report.

REPORT OF THE DIRECTORS

LEASEHOLD LAND AND BUILDINGS, PLANT AND EQUIPMENT

The leasehold land and buildings of the Group were revalued on 31 December 2015. The resulting surplus and deficit arising on revaluation of leasehold land and buildings held for own use attributable to the Group have been recognised in other comprehensive income and accumulated separately in the property revaluation reserve or consolidated income statement as appropriate.

During the year, the Group spent, in aggregate approximately HK$44,176,000 on the acquisition of property, plant and equipment for the purpose of expanding business.

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

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Company during the year under review are set out in note 34 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2015, calculated in accordance with the Companies Ordinance, amounted to approximately HK$552,797,000.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's turnover and purchases for the year respectively.

DIRECTORS

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

Executive Directors
Tang To *(Chairman)*
Wong Yiu Ming *(Executive Vice Chairman)*
Tang Yu, Freeman *(Chief Executive Officer)*

Non-Executive Directors
Kan Wai Wah
Qu Jinping

Independent Non-Executive Directors
Yeung Shuk Fan
Cheng Tak Yin
Ho Wei Sem
Huang Zhi Wei

REPORT OF THE DIRECTORS

In accordance with Articles 102 of the Company's Articles of Association, Mr. Kan Wai Wah, Mr. Qu Jinping and Mr. Huang Zhi Wei will retire from office and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

No director has a service contract with the Company or any of its subsidiaries, which is not terminable within one year without payment of compensation (other than statutory compensation).

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Non-Executive Directors and the Independent Non-Executive Directors were appointed for a specific term of three years commencing from 8 September 2015, 30 January 2016, 1 June 2013, 21 December 2013 and 1 January 2014 respectively. Every director including those appointed for a specific term is subject to retirement by rotation and re-appointment at least once every three years.

DIRECTORS OF SUBSIDIARIES

Other than the Directors of the Company, the persons who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2015 and up to the date of this report included. Mr. Cao Xiao Wei, Mr. Chen Lei Ming, Ms. Ching Shuk Kwan, Mr. Diao Jun De, Mr. Du Jiang, Ms. He Ya Lin, Mr. Ho Kwong Sang, Mr. Ho Ping Lim, Mr. Hu Ping, Mr. Hui Wai Kee, Mr. Jiang Shu Feng, Mr. Law Moon Wah, Mr. Li Xiang Dong, Mr. Lu Hank, Mr. Man Wai Hong Bernard, Mr. Miao Hong Liang, Mr. Tse Ip Wing, Ms. Wan Ming, Ms. Xiao Yan Fang, Ms. Yan Dong, Mr. Ye Yue Ran, Mr. Yip Kin Keung, Mr. Yip Kar Shun and Mr. Zhai Chi.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to the statutes, every Director shall be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

REPORT OF THE DIRECTORS

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

During the year under review, the interests and short positions of the Directors and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (the "SFO")) as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), to be notified to the Company and the Stock Exchange are as follows:

Interests in the Shares

	Number of shares held					Approximate % of total
Name of Directors	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Issued Shares of the Company
Tang To	4,970,000	2,000 *(Note 2)*	300,617,458 *(Note 1)*	224,000 *(Note 3)*	305,813,458	42.66
Wong Yiu Ming	9,306,000	–	–	–	9,306,000	1.30
Kan Wai Wah	136,400	–	–	–	136,400	0.02
Cheng Tak Yin	1,406,000	–	–	–	1,406,000	0.20

Notes:

1. As at 31 December 2015, 3,460,406 Shares of those 300,617,458 Shares were held by Ginta Company Limited ("Ginta") which is wholly owned by a company which in turn is owned as to 50% by Mr. Tang and 50% by his spouse. Mr. Tang was deemed to be interested in the remaining 297,157,052 Shares of those 300,617,458 Shares under the SFO through his deemed interests in Codo Development Limited ("Codo").

   As at 31 December 2015, Codo through its wholly owned subsidiaries, Cosmos Machinery (Holdings) Limited ("Cosmos Holdings") and Tai Shing Agencies Limited ("Tai Shing"), was deemed to be interested in 297,157,052 Shares. Codo is incorporated in Hong Kong and is owned as to (i) 25.06% by Keepsound Investments Limited ("Keepsound"), a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust, (ii) 8.37% by Elegant Power Enterprises Limited ("Elegant Power"); (iii) 30.25% by Friendchain Investments Limited ("Friendchain"), a Hong Kong company controlled as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin Limited ("Fullwin"); (iv) 16.09% by Yik Wan Company Limited ("Yik Wan"); and (v) 20.23% by five individuals and two limited companies.

2. As at 31 December 2015, 2,000 Shares were held by the spouse of Mr. Tang.

3. As at 31 December 2015, 224,000 Shares were jointly held by Mr. Tang and his spouse.

REPORT OF THE DIRECTORS

The percentage shown was calculated based on the number of issued shares of the Company as at 31 December 2015.

As at 31 December 2015, other than as disclosed above and certain nominee shares held in trust for the Group, none of the Directors or Chief Executive or their associates had any interests and short positions in the shares, underlying shares of the Company and its associated corporations (within the meaning of the SFO) to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, to be entered in the register referred to therein.

Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement subsisting as at 31 December 2015 which is significant in relation to the business of the Company and its subsidiaries.

As at 31 December 2015, none of the Directors had any direct interests or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the following interests in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests and short positions required to be kept under Section 336 of Part XV of the SFO:

Interests in the Shares

Name of Substantial Shareholders	Number of shares held Direct Interests	Deemed Interests	Total	Approximate % of total Issued Shares of the Company
Law Kit Fong	–	297,157,052 *(Note 1)*	297,157,052	41.45
Codo	–	297,157,052 *(Note 2)*	297,157,052	41.45
Cosmos Holdings	127,052,600	170,104,452 *(Note 3)*	297,157,052	41.45
Tai Shing	170,104,452	–	170,104,452	23.73
Saniwell Holding Inc.	–	297,157,052 *(Note 4)*	297,157,052	41.45
China Resources (Holdings) Company Limited	169,649,046 *(Note 5)*	–	169,649,046	23.66

REPORT OF THE DIRECTORS

Notes:

1. Ms. Law Kit Fong is deemed to be interested in the block of 297,157,052 Shares through her direct and indirect interests in Elegant Power and Codo. As at 31 December 2015, Codo through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing, was deemed to be interested in 297,157,052 Shares. As at 31 December 2015, Codo is owned as to 30.25% by Friendchain (which is owned as to 40% by Elegant Power) and 8.37% by Elegant Power (which is wholly owned by Ms. Law Kit Fong).

2. As at 31 December 2015, Codo is interested in 297,157,052 Shares through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing. As at 31 December 2015, Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power, which is wholly-owned by Ms. Law Kit Fong; (iii) 30.25% by Friendchain, which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% by five individuals and two limited companies.

3. Cosmos Holdings was deemed to be interested in 170,104,452 Shares through its subsidiary, Tai Shing.

4. As at 31 December 2015, Saniwell Holding Inc. was deemed to be interested in the block of 297,157,052 Shares under the SFO through its deemed interests in Codo. Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power; (iii) 30.25% by Friendchain which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% by five individuals and two limited companies.

5. As shown by the latest interest disclosure information maintained pursuant to Part XV of the SFO provided to the Company by China Resources Corporation, China Resources Co., Limited and CRC Bluesky Limited, the above three companies were deemed to be interested in the Shares owned by China Resources (Holdings) Company Limited.

The percentage shown was calculated based on the number of issued shares of the Company as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company and the Stock Exchange pursuant to Part XV of the SFO.

DIRECTOR'S AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed above, at no time during the year under review was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Chief Executive to acquire benefits by means of the acquisition of shares or any underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of SFO); and none of the Directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its controlling shareholders, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, that subsisted at the end of the year under review or at any time during the year under review.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

In order to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants for their contributions and/or potential contributions to the Group and for such other purposes as the Board may approve from time to time, the Company has adopted the share option scheme at the Annual General Meeting of the Company held on 30 May 2005, and unless otherwise terminated or amended, this scheme will remain in force for 10 years from that date.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

The offer of the grant of option may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 by the grantee. The option period of the share options is determined by the directors at their absolute discretion and notified by them to each grantee as being the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date of offer. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Further details of share option scheme are set out in note 33 to the financial statements.

The Company did not grant any share option during the year under review.

AUDIT COMMITTEE

The audit committee of the Company comprises the three Independent Non-Executive Directors. It has adopted terms of reference which are in line with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The audited financial statements of the Company for the year ended 31 December 2015 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee comprises three Independent Non-Executive Directors and the Chairman of the Board of the Company. It has adopted terms of reference which are in line with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of Executive Directors and senior management and making recommendations to the Board as regards the remuneration packages from time to time.

NOMINATION COMMITTEE

The nomination committee of the Company comprises three Independent Non-Executive Directors and two Executive Directors. It has adopted terms of reference which are in compliance with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The main functions of the nomination committee are to make recommendations to the Board on the appointment or re-appointment of directors based on their skill, knowledge and experiences. Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, culture and educational background) of the Board at least annually to complement the Company's corporate strategy.

REPORT OF THE DIRECTORS

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the three Executive Directors and meets frequently as when necessary and is responsible for the management and day-to-day operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group has approximately 4,611 employees (2014: approximately 4,566), remunerations were formulated in accordance with market trends and performance of employees. Benefits have included schemes of insurance, retirement, share option and so on.

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

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2015.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015 except for the deviation from code provision A.6.7 as mentioned below:

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the 2015 annual general meeting of the Company. However, the Board believes that the presence of independent non-executive director at such general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report in this annual report.

COMPLIANCE WITH MODEL CODE

Throughout the year ended 31 December 2015, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code based on the enquiry of all the Directors of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10A of the Listing Rules, the Company has appointed sufficient independent non-executive directors. The Company has received from each of the Independent Non-Executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the Independent Non-Executive Directors are independent.

REPORT OF THE DIRECTORS

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

PUBLICATION OF ANNUAL REPORT
This annual report is published on the Company's website at www.cosmel.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

On behalf of the Board
TANG To
Chairman

Hong Kong, 30 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Corporate Governance Code ("the CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance practices. The Directors consider that the Company has complied with the CG Code during the financial year ended 31 December 2015, except for the deviation from code provision A.6.7 as mentioned below:

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the 2015 annual general meeting of the Company. However, the Board believes that the presence of independent non-executive director at such general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Committee of Executive Directors, Audit Committee, Remuneration Committee and Nomination Committee. Further details of these committees are set out in this report.

CORPORATE GOVERNANCE REPORT

The Board has at least four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31 December 2015, the Board held four meetings and one general meeting. The attendance of the Directors at the Board meetings and the general meeting are as follows:

	Number of attendance for the year ended 31 December 2015	
Name of Directors	Board Meetings	2015 Annual General Meeting
Executive Directors		
Tang To *(Chairman)*	4/4	1/1
Wong Yiu Ming *(Executive Vice Chairman)*	4/4	1/1
Tang Yu, Freeman *(Chief Executive Officer)*	3/4	0/1
Non-Executive Directors		
Kan Wai Wah	4/4	1/1
Qu Jinping	2/4	0/1
Independent Non-Executive Directors		
Yeung Shuk Fan	4/4	1/1
Cheng Tak Yin	4/4	0/1
Ho Wei Sem	4/4	0/1
Huang Zhi Wei	3/4	0/1

Board Minutes are kept by the Company Secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

The Directors are enabled, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board has resolved to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties to the Company.

Appropriate insurance cover has been arranged in respect of legal action against the Directors.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance function. The Board is responsible for performing the corporate governance duties including (a) to develop and review the Company's policy and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual to employees and Directors; and (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

In order to preserve independence and to have balanced judgment of views, there is a clear separation of the roles and responsibilities of the Chairman and CEO and the two positions are held by two different members of the Board. The Board has appointed a Chairman, Mr. Tang To, who is an Executive Director and is responsible for the Company's overall strategic planning and provides leadership to the Board so that the Board works effectively and all important issues are discussed in a timely manner. The CEO, Mr. Tang Yu, Freeman, is an Executive Director and is responsible for the daily operation and business directions of the Group.

BOARD COMPOSITION

As at the date of this report, the Board comprises three Executive Directors, being Tang To, Wong Yiu Ming and Tang Yu, Freeman, two Non-Executive Directors, being Kan Wai Wah and Qu Jinping and four Independent Non-Executive Directors, being Yeung Shuk Fan, Cheng Tak Yin, Ho Wei Sem and Huang Zhi Wei.

Except Mr. Tang To, the Chairman and an Executive Director and Mr. Tang Yu, Freeman, the CEO and an Executive Director are father and son, the other Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out in pages 13 to 15 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the four Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

APPOINTMENTS, RE-ELECTION, REMOVAL AND NOMINATION OF DIRECTORS

Every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and that any Director appointed to fill a casual vacancy on the Board shall be subject to re-election by shareholders at the first general meeting after the appointment and any Director appointed as an addition to the Board shall hold office until the next following annual general meeting of the Company.

Each of the Non-Executive Director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, subject to the rotational retirement provision of the Articles of Association of the Company.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS AND NOMINATION COMMITTEE

Regarding the nomination of Directors, the Company established the Nomination Committee on 29 March 2012 which comprises three Independent Non-Executive Directors namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin and Mr. Ho Wei Sem and two Executive Directors namely Mr. Tang To (being the Chairman) and Mr. Tang Yu, Freeman. The Nomination Committee will review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations regarding any proposed changes, identify suitable individual qualified to become board members and makes recommendation on relevant matters relating to the appointment or re-appointment of Directors if necessary, in particular, to those candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result in the constitution of strong and diverse Board.

Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, cultural and educational background) of the Board at least annually to complement the Company's corporate strategy.

Meeting of the Nomination Committee shall be held at least once a year. Two meetings were held during the year 2015. The Nomination Committee is of the opinion that the current size and composition of the Board is adequate to facilitate effective decision-making, and is also satisfied that the existing composition of the Board, which as a group provides the core competencies necessary to guide the Group. Terms of Reference of the Nomination Committee is currently available on the HKExnews website and the Company's website.

The attendance of each member of Nomination Committee at the meeting is set out as follows:

Directors	**Number of attendance/ Number of meetings held**
Ms. Yeung Shuk Fan	2/2
Mr. Cheng Tak Yin	2/2
Mr. Ho Wei Sem	2/2
Mr. Tang To	2/2
Mr. Tang Yu, Freeman	1/2

RESPONSIBILITIES OF DIRECTORS

The Directors are continually updated with statute, common law, the Listing Rules, legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The Independent Non-Executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgment on issues of strategy, policy, performance, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various committees and examine the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to the senior management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the senior management include execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors of the Company are encouraged to attend to Continuous Professional Development training. All the Directors have been supplied with relevant reading materials regarding corporate governance or attend relevant forum or training courses organized by qualified professionals on relevant topics to develop and enhance their knowledge and skill in relation to their contribution to the Board.

The Directors also disclose to the Company their interests as Directors or other offices in other public companies in timely manner and provide updates to the Company on any subsequent changes.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code and its code of conduct regarding directors' securities transactions.

SUPPLY OF AND ACCESS TO INFORMATION

All the Directors are supplied with board papers and relevant materials within a reasonable period of time in advance of the intended meeting date. All Directors have unrestricted access to the management for enquiries and are entitled to have unlimited access to the board papers and relevant materials when required. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a Remuneration Committee in June 2005. When determining the remuneration packages the Remuneration Committee will consider factors such as the salaries paid by comparable companies, time commitment of Directors and senior management, job responsibilities, performance of the individual and performance of the Company. The Remuneration Committee has adopted the approach under B.1.2(c)(i) of the code provisions to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. It will also review and approve performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time. Its work for the year ended 31 December 2015 is summarized as follows:

(i) To determine the policy for remuneration of Directors and to make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company for approval by the Board;

(ii) To oversee performance of the Executive Directors; and

(iii) To review the remuneration package and recommend salaries, bonuses, including the incentive awards for both Executive and Non-Executive Directors and the senior management.

CORPORATE GOVERNANCE REPORT

As at the date of this report, the chairman of the Remuneration Committee is an Independent Non-Executive Director, Mr. Cheng Tak Yin and the remaining members are Ms. Yeung Shuk Fan and Mr. Ho Wei Sem, being Independent Non-Executive Directors and the Chairman of the Board of the Company, Mr. Tang To.

The Remuneration Committee annually sets out its recommendation on the remuneration package of the Executive Directors. For the financial year ended 31 December 2015, the Remuneration Committee has reviewed and recommended to the Board the salaries and bonuses of the Executive Directors and the senior management of the Company.

The Remuneration Committee held two meetings during the financial year ended 31 December 2015 and the attendance of each member at these meetings are set out as follows:

Directors	**Number of attendance/ Number of meetings held**
Ms. Yeung Shuk Fan	2/2
Mr. Tang To	2/2
Mr. Cheng Tak Yin	2/2
Mr. Ho Wei Sem	2/2

The terms of reference of the Remuneration Committee is currently made available on the HKExnews website and the Company's website.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2005. Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Group's business and operations.

Details of the amount of Directors emoluments are set out in note 10 to the accounts and details of the 2005 Share Option Scheme are set out in the Report of the Directors and note 33 to the accounts. Remuneration of senior management disclosed by band is set out as follows:

The remuneration of senior management were within the following bands	**Number of employees 2015**
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	–
HK$3,000,001 to HK$4,000,000	2
HK$4,000,001 to HK$5,000,000	–
HK$5,000,001 to HK$6,000,000	–
	3

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statement, and announcements to shareholders. The responsibilities of the Directors in relation to the financial statement, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 48 which acknowledges the reporting responsibilities of the Group's auditors. The Directors aim to present a balanced and understandable assessment of the Group's, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

COMPANY SECRETARY

The Joint Company Secretaries of the Company are Ms. Mak Po Man and Mr. Ho Kwong Sang, the chief financial officer of the Group. They are employees of the Company and responsible for providing advices to the Board for ensuring the Board procedures are followed and that the applicable laws and regulations are complied with.

The Joint Company Secretaries of the Company have complied with all the proposed qualifications, experience and training requirements under the Listing Rules.

INTERNAL CONTROLS

(1) Internal Control

The Board acknowledges its responsibility in maintaining a sound and effective system of internal control for the Group to safeguard interests of the shareholders and assets of the Company at all times.

The Group's system of internal control which includes a defined management structure with limit of authority is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for external publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in the operational systems and achievement of the Group's objectives.

Management has conducted regular reviews during the year on the effectiveness of the internal control system covering all material factors related to financial, operational and compliance controls, various functions for risk management and physical and information systems security. The audit committee had been reported during the audit committee meetings of key findings identified by the Company's external auditor and discussed findings and actions or measures taken in addressing those findings relating to the Group's internal controls. No material issues on the system of internal control have been identified during the year ended 31 December 2015 which required significant rectification works.

The Board has, working in conjunction with senior management, conducted a review on the audit work carried out by the internal audit team during the year with a view to enhancing the Group's internal control system.

(2) Internal Audit Function

The Group's internal audit team is responsible for conducting regular review of the Group's internal control procedures, including accounting system and operational procedures, and will make recommendations to the relevant department management for necessary actions. The management considers the present work arrangement of the internal audit functions is effective having taking into account the current organizational structure, lines of responsibility, authority of the management team and the risks associated with the operations of the Group. The management and audit committee review and monitor closely the works of the internal audit team and are committed to strengthening the functions of the Group's internal audit team. In addition to its agreed scheduled work, the internal audit team may conduct other review and investigative work of the Group's businesses on an ad hoc basis as and when necessary.

AUDIT COMMITTEE

During the year under review and up to the date of this report, the Audit Committee comprises all three Independent Non-Executive Directors namely, Ms. Yeung Shuk Fan (being the Chairman of the Audit Committee), Mr. Cheng Tak Yin and Mr. Ho Wei Sem, who among themselves possess a great deal of management experience in the accounting profession and commercial sectors.

The Audit Committee meets the external auditors at least twice a year to discuss any areas of concerns during the audits. As considered necessary and requested by any one or more of the Independent Non-Executive Directors, the Audit Committee shall meet with the external auditors without the presence of the executive Board members. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The terms of reference of the Audit Committee is currently made available on the HKEXnews website and the Company's website.

For the financial year ended 31 December 2015, the Audit Committee has performed the following duties:

1. reviewed with the management the accounting principles and practices adopted by the Group;

2. reviewed the audited financial statement for the year ended 31 December 2014 and the unaudited interim financial statement for the six months ended 30 June 2015 with recommendation to the Board for approval; and

3. reviewed principles and procedures on internal control system covering financial, operational and risk management functions.

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the financial year ended 31 December 2015. The attendance of each member's attendance at such meetings is set out as follows:

Directors	Number of attendance/ Number of meetings held
Ms. Yeung Shuk Fan *(Chairman of the Audit Committee)*	2/2
Mr. Cheng Tak Yin	2/2
Mr. Ho Wei Sem	2/2

Full minutes of Audit Committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comment and records respectively. First version should be sent out to all members for comment within approximately 30 days and final version will be used for minutes recording purpose.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. Ting Ho Kwan & Chan, is set out as follows:

	Fee paid/payable HK$
Services rendered	
Audit services	2,278,000
Non-audit services	–
	2,278,000

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the three Executive Directors of the Board and meets frequently as when necessary and is responsible for the management and day to day operations of the Group.

CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company were amended on 21 May 2015. Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its Articles of Association on the respective websites of the Stock Exchange and the Company.

SHAREHOLDERS' RIGHT

The Company follows a policy of disclosing information to shareholders in a timely manner. Members of the Board meet and communicate with shareholders at the Annual General Meeting of the Company ("AGM"). The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and accompanying circular also set out details of each proposed resolution and other relevant information as required under the Listing Rules. The Chairman proposes separate resolution for each issue to be considered and put each proposed resolution to the vote by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the AGM, to ensure that shareholders are familiar with such procedures. Voting results are available in the Company's website at www.cosmel.com on the day after the AGM. The Chairman of the Board has attended at the annual general meeting to be available to answer questions from shareholders.

CORPORATE GOVERNANCE REPORT

In accordance with the Company's Article and the Companies Ordinance, any members holding at the date of the deposit of the requisition not less than one-twentieth of such paid up capital of the Company (which carries the right of voting at the general meetings), is entitled to deposit a requisition to the registered office of the Company to convene an extraordinary general meeting ("EGM") of the Company in accordance with the following procedures.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong for the attention of the Board or the Company Secretary. The documents may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified by the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Board will convene the EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified as not in order, the requisitionist will be advised of this outcome and the EGM will not be convened as requested.

If within twenty-one days from the date of deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM in the same manner, all reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly convene the EGM shall be reimbursed by the Company to the requisitionist(s).

The Board has established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness. Our corporate website www.cosmel.com contains an investor relations section which offers timely access to the Company's corporate information, interim and annual reports, announcements and circulars issued by the Company.

SUSTAINABILITY REVIEW

The Group is pleased to publish this Sustainability Review ("Review") to demonstrate its efforts toward sustainable development. This Review has been prepared in accordance with the standards set forth by the Hong Kong Exchanges and Clearing Limited in its Environmental, Social and Governance ("ESG") Reporting Guide, which covers the subject areas of environmental protection, workplace quality, operating practices, and community investment.

In January 2016, the Group commissioned the Hong Kong Productivity Council ("HKPC") to conduct the "Stakeholders Engagement Programme for Cosmos Machinery Enterprises Limited". Through the programme, staff members and the supply chain were consulted on pertinent topics and their feedback was collected in order to better understand their particular interests with regard to the development of Cosmos Machinery Enterprises. Having consolidated and analysed their opinions, we identified 12 material issues which were of the foremost concern to stakeholders and the corresponding key performance indicators ("KPIs"). (See Table 1)

TABLE 1. ANALYSIS RESULTS OF MATERIAL ISSUES

Environmental Protection	Workplace Quality
• Wastewater management • Efficient use of energy • Policies and initiatives to mitigate impacts on the environment and natural resources	• Staff remuneration and benefits • Occupational health and safety • Staff development and training • Compliance with labour standards and regulations
Operating Practices	**Community Investment**
• Supply chain management • Product responsibility • Anti-corruption	• Staff recreational activities • Community and charitable events

This Review focuses on our business activities in machinery manufacturing, plastic products and processing manufacturing. The reported information and data in the Review originate from the Hong Kong headquarters of Cosmos Machinery Enterprises Limited, Dong Hua Machinery Limited in Dongguan, Dongguan Cosmos NC Machinery Limited, Dekuma Rubber and Plastic Technology (Dongguan) Limited, and Cosmos Machinery (Dongguan) Trading Company Limited. We will continue to improve our data collection mechanism and may widen our scope of disclosure in future.

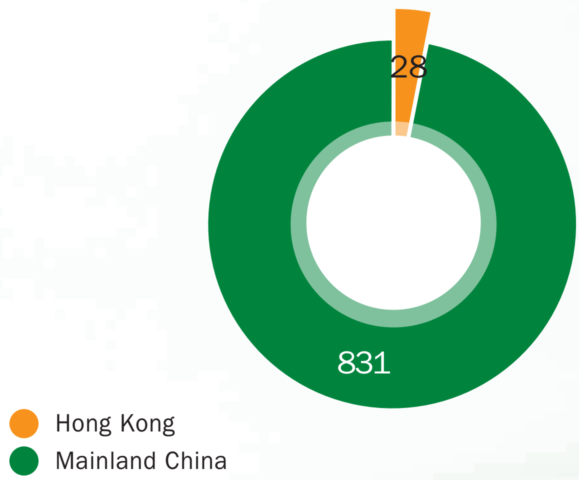
SUSTAINABILITY REVIEW

PEOPLE-ORIENTED PHILOSOPHY

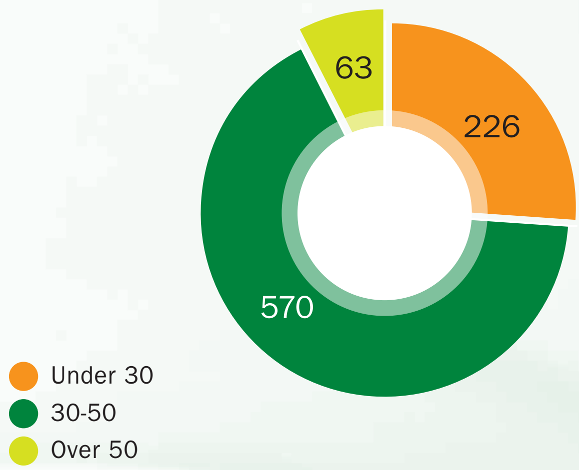
The Group upholds the values of “people-oriented, pragmatism and continuous learning culture” in its business operations. Understanding that staff is our most valuable asset, we have established comprehensive staff policies and welfare guidelines to attract and retain talent. We strive to ensure a safe and healthy workplace, which also serves as a platform for staff to excel in career and personal growth.

As of 31 December 2015, the total staff headcount, composition, and turnover rate of the Group are illustrated as follows:

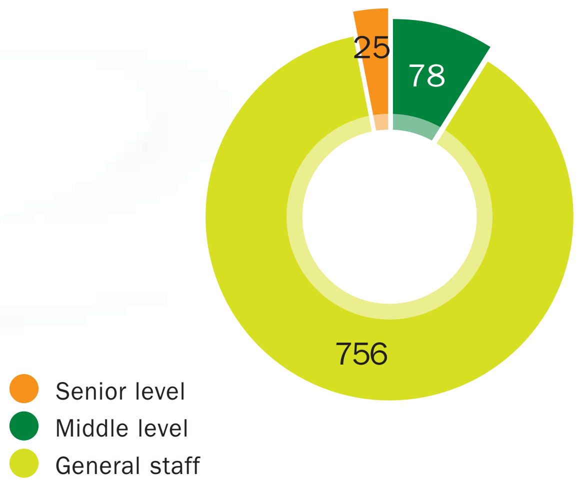
STAFF HEADCOUNT BY REGION



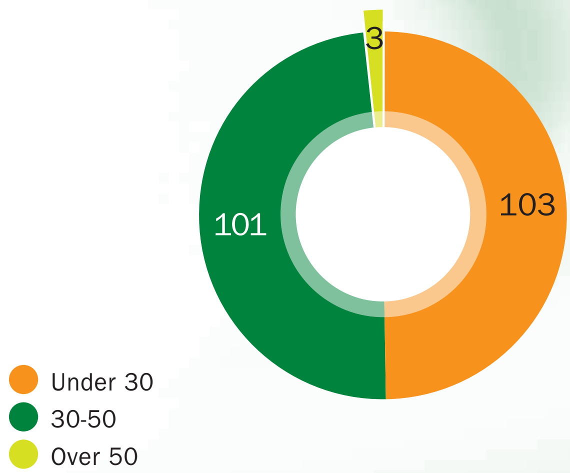
STAFF HEADCOUNT BY AGE GROUP



STAFF HEADCOUNT BY RANK



STAFF TURNOVER BY AGE GROUP



SUSTAINABILITY REVIEW

POLICY AND WELFARE [1]

The Group advocates a merit-based principle based on staff competency, to assemble a highly-efficient team. We offer a fair workplace by establishing clear staff policies and management controls, which respects equal opportunities, eliminates sexual harassment, provides grievance mechanisms, promotes anti-corruption, and ensures personal data confidentiality. The Group is fully compliant with labour legislations and adheres to all applicable codes of practice on employment terms. No violation of labour law was recorded in the reporting period.

Based on staff performance appraisal outcome, the Group offers different promotion opportunities and adjusts remuneration levels to motivate employees to reach their full potential. The Group also provides comprehensive benefit packages in accordance with local government regulations. In addition to annual leave and insurance coverage, we provide staff with benefits such as maternity or paternity leave, marriage leave, bereavement leave, examination leave, and injury leave, enabling staff relaxation time to rest their mind and body. To cater for staff's healthy development needs and maintain a work-life balance, the Group has established the Home of Staff, providing recreational facilities for employees.

Recreational Facilities at the Home of Staff

[1] With reference to ESG Reporting Guide Aspect – B1 Employment, B4 Labour standards

PROMOTING OCCUPATIONAL HEALTH AND SAFETY [2]

The Group is committed to guarding its staff's health and safety. Various guidelines on work safety and emergency response, with regard to daily operations, have been in place for staff to ensure their compliance. Notices are also posted in work place to constantly remind staff of wearing applicable personal safety equipment, and maintain an accident-free working environment together. The Group organises various training modules on occupational health and safety (OHS) to raise safety awareness amongst staff. Working environment is reviewed and evaluated on a regular basis, and improvement updates are consolidated in "Safety Weekly Reports" and shared with staff in a timely manner.

OHS Posts

TABLE 2. OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE SUMMARY

Occupational Health and Safety Performance	2015
Days lost due to injuries	6
Number of fatalities	0
Number of injuries	6

[2] With reference to ESG Reporting Guide Aspect – B2 Health and safety

SUSTAINABILITY REVIEW

DEVELOPING TALENTS [3]

The Group is dedicated to staff development, and allocates annual training budgets as necessary to support employees' all-round training programmes. Staff is encouraged to participate in internal and external training opportunities according to their duties. These training courses and seminars cover a wide range of topics, such as management skills, communication skills, and specific technical skills, which help strengthen their knowledge and professionalism in the field. The Group also fosters a culture of continuous education and self-learning, and arranges dedicated subsidies to support employees' personal development. A culture of internal training is well promoted throughout the Group, where staff is encouraged to become internal trainers. Upon the successful completion of external training and assessment, suitable candidates are appointed as internal trainers to be in charge of internal staff training. During the year, the total amount of staff training time was 4,517 hours.

TABLE 3. STAFF TRAINING HOURS BY RANK

Total training hours by rank	2015
Senior level	45
Middle level	264
General staff	4,208

[3] With reference to ESG Reporting Guide Aspect – B3 Development and training

Corporate Culture Succession

The Group believes that a sound corporate-wide culture can benefit from internal cultural exchanges, in which internal trainers play an important role in promoting knowledge succession. In view of this, a variety of internal cultural training activities have been organised, which on one hand help cultivate a harmonious working environment, on the other hand foster a sense of belonging amongst employees, and subsequently contribute to the sustainable development of the Group. On 14 January 2015, the Group conducted an Internal Trainer and Correspondent Exchanges Programme. Besides discussion and views exchanged on themed topics, the programme included an award ceremony to recognise outstanding performers.

Group Photo for Outstanding Performers

Cultivating Young Talents for Industry

In recognition of the importance of the development of young generations, the Group has ongoing collaboration with various universities. On 5 January 2015, a student delegation from Columbia University visited the Group's Dongguan factories, where they attended a practical briefing on injection moulding machines. Through the visit, the Group offered students a valuable learning opportunity, as well as aroused their interest in the industry, technological research, and development.

University Student Delegation

SUSTAINABILITY REVIEW

ENVIRONMENTAL MANAGEMENT

As a responsible corporate citizen, the Group understands the vital importance of environmental protection and endeavours to take it into account in major operational decisions. In the course of business development, the Group is committed to minimising any possible impacts that may have on the environment. For the daily operations, the Group has implemented a number of measures to improve its green performance and realised its commitment to protecting the environment. In addition, we have joined hands with our suppliers to improve production processes in accordance with regional regulatory requirements, while exploring green innovation opportunities.

GREEN PRODUCTION [4]

Potential environmental impacts may be induced by industrial operations, for instance, the energy consumption of an equipment also generates carbon emissions and aggravates climate change. The design and performance of our products can also contribute to the overall impact on the environment. With different countries ramping up their efforts to cut down energy use and emissions, our clients have become increasingly concerned with the green performance of our products. Taking these considerations into account, we have placed proactive efforts to promote innovation, in order to provide high quality green products through conducting research on new techniques and improving production process management. The Group will continue to focus on the latest development of green technologies, so as to infuse more environmentally friendly elements into the design and production of new-generation products.

Honourable Recognition received by the Group's Innovative Products/Technologies

Dong Hua Machinery Ltd is the first company in the Chinese injection moulding machinery industry to be accredited both as a national high-tech enterprise and with ISO 9001 Quality Management Systems and the associated series of quality assurance standards.

[4] With reference to ESG Reporting Guide Aspect – A3 The environment and natural resources, B6 Product responsibility

All-electric Injection Moulding Machine

As another collaboration with Japan's UBE Machinery, the Group introduced the high-end manufacturing technology in the joint Cosmos-UBE development of the UGe850 all-electric plastic injection moulding machine (UGe850), the largest of its kind in China. Thanks to the research and development team's efforts, UGe850 had passed product testing and was launched successfully. The new model retains the efficient, precise, and environmentally friendly features of the original UBE models, and features a significant boost in energy efficiency. Every movement driven by the all-electric plastic injection moulding machine is controlled by a separate electric motor to avoid energy conversion losses and thus achieves energy savings in the operation.

UGe850 All-Electric Injection Moulding Machine

Wastewater Treatment

Shenzhen Gainbase PCB Co. Ltd., a subsidiary of the Group, runs a production line involving dozens of processes which require the use of water, consuming about 2,400 tonnes of water daily. In order to conserve water, the Group has spent over HK$10 million to introduce a wastewater treatment and reuse system, which enables half of the wastewater to be reused in the production line and reduced fresh water consumption. To carry on the success of this project, the Group partnered with HKPC again in another initiative, in which the advanced treatment technology from the Europe was introduced to decompose organic matters in the discharge with microbes. After deploying this technology, the chemical oxygen demand (COD) of the industrial wastewater discharge at the facility fell to ~50-60mg/L, significantly lower than the government-mandated maximum of 90mg/L and setting new standards in green manufacturing for the industry.

Wastewater Treatment and Reuse System

COLLABORATING WITH SUPPLIERS [5]

The Group works closely with its suppliers, who are in turn important partners for continuous improvement of the Group's sustainability performance. The Group actively promotes its philosophy of sustainable development across the supply chain in an effort to raise the bar for the entire industry. To this end, the Group has set up policies and mechanisms governing supply chain management, selecting responsible suppliers, and advocating green procurement, ensuring that suppliers meet the standards in environmental protection and social responsibility set forth by the Group, and facilitating mutual development.

On the management front, the Group ensures the regulatory compliance of suppliers by establishing policies and guidelines associated with product health and safety, advertisement labelling, customer privacy protection, anti-corruption, and intellectual property rights. The Group also works with suppliers to optimise production processes in day-to-day operations, leveraging each party's technical advantage to limit the amount of production-related waste.

iSee Mobile Apps

As part of the Group's information technology drive, an intelligent remote monitoring system, called "iSee Mobile Apps", stores, transmits, and analyses information in one go, when used in conjunction with a designated server. Users can acquire real-time production status of an injection moulding machine by simply connecting the machine with the server.

App Interface

[5] With reference to ESG Reporting Guide Aspect – B5 Supply chain management, B7 Anti-corruption

SUSTAINABILITY REVIEW

SUSTAINABLE WORKPLACE [6]

In addition to environmentally friendly manufacturing technologies, the Group also infuses green concepts and practices across factories, offices and staff living quarters in order to reduce the overall environmental footprint. A host of measures have been implemented to improve comfort levels in the workplace, while reminding staff of resource conservation in daily operations and raising their green awareness.

The Group makes a great effort to promote the reuse of resources, and engages qualified contractors in recovering useful materials from factories to reduce waste.

TABLE 4. OVERVIEW OF MATERIALS RECYCLED IN 2015

Material	Unit	Amount
Scrap metal (e.g. steel, aluminium, welding slag)	kg	639,350
Waste oil	kg	16,980
Packaging materials (e.g. cardboard, paint bucket)	kg	24,820
Others (e.g. electrical wiring, scrap)	kg	84,730

The Group will put up slogans and posters in staff living quarters, including dormitories and canteens, to promote energy conservation. To avoid unnecessary consumption, separate electric metres have been installed to monitor the rate of consumption and remind staff of saving energy. Staff is encouraged to order food in portion in canteens to minimise food waste. Collection points have been also set up in canteens to facilitate reduction of food waste.

During daily office operations, the Group actively encourages staff to reduce waste and conserve resources. Some examples of green office measures in place include:

- Maximising the use of natural light and energy-saving fluorescent lamps;
- Adjusting the setting of air-conditioners and maintaining indoor temperature at 25.5°C or above;
- Switching off unused lighting and computer monitors during lunch breaks;
- Switching off air-conditioners and lighting in the working area after work; and
- Using the stairs instead of taking lifts or escalators.

General office work will normally generate paper waste. In view of this, the Group has taken multiple measures to reduce waste. For example, the Group has encouraged staff to develop a habit of reading documents on digital screen, practise double-sided printing, reuse paper printed on one side only, and set up waste paper collection points in the office to encourage recycling.

[6] With reference to ESG Reporting Guide Aspect – A1 Emissions, A2 Use of resources

SUSTAINABILITY REVIEW

COMMUNITY CARE [7]

Over the years, the Group has been dedicating itself to serving the society with care, passion, integrity, and respect, which also constitutes an important part of the Group's mission. To fulfil its corporate responsibility, the Group promotes staff volunteerism and supports various community social events, and encourages staff participation in these initiatives. With the aim to cultivate a culture of volunteering within the company and fostering team cohesion, the Group's volunteer team has led and joined volunteer activities on a regular basis. These services benefit different beneficiaries and contribute to the sustainable development of society at large.

SUPPORTING PEOPLE IN NEED AND PARTICIPATING IN COMMUNITY EVENTS

The Group allocates resources to support the youth development in the remote areas in China. The Group's volunteer team organised care-giving trips to deliver living supplies to students in deprived rural areas, in order to support their healthy growth.

The volunteer team in Hong Kong organised various visits to elderly and other social inclusive events, spreading love and care with collection and generous donations of supplies for the needy. As of 2015, the accumulative voluntary service hours by the Hong Kong volunteer team alone equalled to 64 hours.

28 March 2015 Visit to the Hong Kong Museum of History in Tsim Sha Tsui with service users of the Father Tapella Home, Fu Hong Society	6 June 2015 Visit to seniors living alone at Cho Yiu Chuen with living supplies
7 November 2015 Sharing fun and preparing dumplings together with people recovering from stroke	29 November 2015 Assisting Fu Hong Society in organising stall games at the event of "Education Project for Primary Students Fun Day"

[7] With reference to ESG Reporting Guide Aspect – B8 Community investment

SUSTAINABILITY REVIEW

The Group is also an active participant in charitable community events and flag-selling activities. By encouraging staff and the public to support charity causes, collected donations and goods are delivered to those in need.

Community Chest Dress Casual Day 2015

The Group participated in the Community Chest Dress Casual Day on 8 October 2015, giving a hand to raise funds for people in need. All funds were donated to the 155 social welfare agencies sponsored by the Community Chest, benefiting the community at large.

Fu Hong Society Flag-selling Day

The Group's volunteer team is actively involved in fundraising for Fu Hong Society. From 22 to 24 October, 2015, in addition to the funds raised from staff, we reached out to the public on street for their generous donations.

The Group continually encourages staff to organise and participate in volunteer activities, as well as make charity donations. In recognition of our dedicated effort to practise corporate responsibility, the Group was once again awarded the "Caring Company Logo" by the Hong Kong Council of Social Service in 2015, marking the eighth consecutive year for receiving such an honour.

INDEPENDENT AUDITOR'S REPORT

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

香港德輔道中249－253號
東寧大廈9字樓

丁何關陳會計師行

TO THE MEMBERS OF COSMOS MACHINERY ENTERPRISES LIMITED
大同機械企業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Cosmos Machinery Enterprises Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 143, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

TING HO KWAN & CHAN
Certified Public Accountants (practising)

Hong Kong, 30 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December, 2015

	Notes	2015 HK$	2014 HK$
Revenue	6	**2,395,165,726**	2,492,728,637
Cost of sales		**(2,016,147,389)**	(2,059,153,897)
Gross profit		**379,018,337**	433,574,740
Other income and gains, net	6	**37,476,688**	21,640,356
Distribution costs		**(145,461,435)**	(152,479,161)
Administrative expenses		**(293,674,327)**	(289,183,666)
Allowance for impairment of bad and doubtful debts, net		**(2,040,207)**	(6,429,205)
(Loss) Profit from operations		**(24,680,944)**	7,123,064
Finance costs	7	**(20,808,764)**	(21,267,359)
Investment income	8	**15,569,847**	11,804,104
Share of profits (losses) of associates		**680,151**	(48,118)
Gain on disposal of associates		**2,577,429**	2,036,867
Loss before taxation	9	**(26,662,281)**	(351,442)
Taxation	11	**(12,155,667)**	(7,583,345)
Loss for the year		**(38,817,948)**	(7,934,787)
Attributable to:			
– Equity shareholders of the Company	12	**(49,601,376)**	(33,301,502)
– Non-controlling interests		**10,783,428**	25,366,715
		(38,817,948)	(7,934,787)
Loss per share for loss attributable to the equity shareholders of the Company during the year	13		
– Basic		**(6.92 cents)**	(4.65cents)

Details of the dividends payable and proposed for the year are disclosed in note 15 to the consolidated financial statements.

The notes on pages 58 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2015

	Note	2015 HK$	2014 HK$
Loss for the year		**(38,817,948)**	(7,934,787)
Other comprehensive income (expense) for the year, net of tax:	*14*		
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of financial statements of foreign operations		**(78,732,403)**	(5,272,572)
Changes in fair value of available-for-sale financial assets		**126,912**	112,137
Share of other comprehensive expense of associates		**(1,756,579)**	(102,687)
Release of translation reserve upon disposal of associates		**1,142,729**	(1,588,938)
		(79,219,341)	(6,852,060)
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of properties held for own use		**14,391,892**	7,996,358
		(64,827,449)	1,144,298
Total comprehensive expense for the year		**(103,645,397)**	(6,790,489)
Attributable to:			
– Equity shareholders of the Company		**(107,487,651)**	(31,554,291)
– Non-controlling interests		**3,842,254**	24,763,802
Total comprehensive expense for the year		**(103,645,397)**	(6,790,489)

The notes on pages 58 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December, 2015

	Notes	2015 HK$	2014 HK$
Non-current Assets			
Property, plant and equipment	16	**691,750,234**	788,843,708
Leasehold land and land use rights	18	**47,666,917**	54,501,021
Goodwill	19	**53,483,406**	53,483,406
Intangible assets	20	**10,603,531**	11,986,600
Interests in associates	21	**36,692,667**	41,173,704
Available-for-sale financial assets	22	**733,440**	606,528
Finance lease receivables	23	**46,922,708**	14,102,642
Deferred tax assets	24	**41,413,771**	39,608,462
		929,266,674	1,004,306,071
Current Assets			
Inventories	25	**562,522,741**	656,310,264
Finance lease receivables	23	**61,934,578**	22,395,929
Trade and other receivables	26	**774,466,796**	743,336,806
Other financial assets	27	**9,012,270**	174,809,893
Current tax recoverable		**1,450,668**	2,120,550
Cash and bank balances	28	**607,566,940**	510,269,608
		2,016,953,993	2,109,243,050
Current Liabilities			
Trade and other payables	29	**749,829,372**	843,881,817
Amounts due to associates		**–**	480,940
Bank borrowings – due within one year	30	**526,574,693**	478,112,359
Obligations under finance leases	31	**8,285,843**	8,752,156
Deferred consideration payable		**8,122,834**	4,811,140
Current tax payable		**6,307,286**	6,738,326
		1,299,120,028	1,342,776,738
Net Current Assets		**717,833,965**	766,466,312
Total Assets less Current Liabilities		**1,647,100,639**	1,770,772,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December, 2015

	Notes	2015 HK$	2014 HK$
Non-current Liabilities			
Bank borrowings – due after one year	30	**45,225,000**	55,275,000
Obligations under finance leases	31	**8,133,955**	8,179,508
Deferred tax liabilities	24	**25,922,267**	26,630,527
Deferred consideration payable		**–**	3,065,834
		79,281,222	93,150,869
Net Assets		**1,567,819,417**	1,677,621,514
Equity			
Capital and reserves attributable to equity shareholders of the Company:			
Share capital	32	**532,903,191**	532,903,191
Reserves		**802,408,985**	909,896,636
		1,335,312,176	1,442,799,827
Non-controlling Interests		**232,507,241**	234,821,687
Total Equity		**1,567,819,417**	1,677,621,514

The consolidated financial statements on pages 50 to 143 were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

TANG TO
DIRECTOR

TANG YU, FREEMAN
DIRECTOR

The notes on pages 58 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2015

	Attributable to equity shareholders of the Company										
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Property revaluation reserve HK$	Translation reserve HK$	Others HK$	Proposed final dividend HK$	Retained profits HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2014	286,772,277	246,094,114	36,800	42,101,448	171,433,081	(822,711)	10,753,960	728,739,109	1,485,108,078	213,417,885	1,698,525,963
(Loss) Profit for the year	–	–	–	–	–	–	–	(33,301,502)	(33,301,502)	25,366,715	(7,934,787)
Other comprehensive income for the year:											
Fair value gain:											
– Available-for-sale financial assets	–	–	–	–	–	112,137	–	–	112,137	–	112,137
Share of reserves of associates	–	–	–	–	(102,687)	–	–	–	(102,687)	–	(102,687)
Surplus on revaluation of properties held for own use	–	–	–	9,369,731	–	–	–	–	9,369,731	101,086	9,470,817
Deferred taxation adjustment	–	–	–	(1,456,066)	–	–	–	–	(1,456,066)	(18,393)	(1,474,459)
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	(4,586,966)	–	–	–	(4,586,966)	(685,606)	(5,272,572)
Reclassification as a result of disposal of an associate	–	–	–	–	(1,588,938)	–	–	–	(1,588,938)	–	(1,588,938)
Total other comprehensive income for the year	–	–	–	7,913,665	(6,278,591)	112,137	–	–	1,747,211	(602,913)	1,144,298
Total comprehensive income for the year	–	–	–	7,913,665	(6,278,591)	112,137	–	(33,301,502)	(31,554,291)	24,763,802	(6,790,489)
Transactions with owners:											
Transition to no-par value regime on 3 March 2014	246,130,914	(246,094,114)	(36,800)	–	–	–	–	–	–	–	–
Dividend paid to the non-controlling shareholders	–	–	–	–	–	–	–	–	–	(3,360,000)	(3,360,000)
2013 final dividend paid *(note 15(2))*	–	–	–	–	–	–	(10,753,960)	–	(10,753,960)	–	(10,753,960)
Balance at 31 December 2014	532,903,191	–	–	50,015,113	165,154,490	(710,574)	–	695,437,607	1,442,799,827	234,821,687	1,677,621,514

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2015

	Attributable to equity shareholders of the Company										
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Property revaluation reserve HK$	Translation reserve HK$	Others HK$	Proposed final dividend HK$	Retained profits HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2015	532,903,191	-	-	50,015,113	165,154,490	(710,574)	-	695,437,607	1,442,799,827	234,821,687	1,677,621,514
(Loss) Profit for the year	-	-	-	-	-	-	-	(49,601,376)	(49,601,376)	10,783,428	(38,817,948)
Other comprehensive income for the year:											
Fair value gain:											
– Available-for-sale financial assets	-	-	-	-	-	126,912	-	-	126,912	-	126,912
Share of reserves of associates	-	-	-	-	(1,756,579)	-	-	-	(1,756,579)	-	(1,756,579)
Surplus on revaluation of properties held for own use	-	-	-	11,044,697	-	-	-	-	11,044,697	1,020,515	12,065,212
Deferred taxation adjustment	-	-	-	2,412,390	-	-	-	-	2,412,390	(85,710)	2,326,680
Realised on disposal of properties held for own use	-	-	-	(24,262,018)	-	-	-	24,262,018	-	-	-
Exchange differences arising from translation of financial statements of foreign operations	-	-	-	-	(70,856,424)	-	-	-	(70,856,424)	(7,875,979)	(78,732,403)
Reclassification as a result of disposal of associates	-	-	-	-	1,142,729	-	-	-	1,142,729	-	1,142,729
Total other comprehensive income for the year	-	-	-	(10,804,931)	(71,470,274)	126,912	-	24,262,018	(57,886,275)	(6,941,174)	(64,827,449)
Total comprehensive income for the year	-	-	-	(10,804,931)	(71,470,274)	126,912	-	(25,339,358)	(107,487,651)	3,842,254	(103,645,397)
Transactions with owners:											
Capital injection from the non-controlling shareholders	-	-	-	-	-	-	-	-	-	83,300	83,300
Dividend paid to the non-controlling shareholders	-	-	-	-	-	-	-	-	-	(6,240,000)	(6,240,000)
Balance at 31 December 2015	532,903,191	-	-	39,210,182	93,684,216	(583,662)	-	670,098,249	1,335,312,176	232,507,241	1,567,819,417

The notes on pages 58 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December, 2015

	Notes	2015 HK$	2014 HK$
OPERATING ACTIVITIES			
Loss before taxation		**(26,662,281)**	(351,442)
Adjustments for:			
Interest income		**(13,886,768)**	(11,475,725)
Interest expense	7	**20,808,764**	21,267,359
Realised and unrealised gain on held-for-trading investments	8	**(1,670,350)**	(318,797)
Dividend income	8	**(12,729)**	(9,582)
Gain on disposal of associates		**(2,577,429)**	(2,036,867)
Impairment loss of available-for-sale financial assets	9	**245,894**	–
Share of (profits) losses of associates		**(680,151)**	48,118
Depreciation of property, plant and equipment	9	**82,376,174**	81,876,529
Amortisation of leasehold land and land use rights	9	**1,597,422**	1,613,471
Amortisation of intangible assets	9	**1,383,069**	1,383,070
(Gain) Loss on disposal of property, plant and equipment	6	**(23,088,081)**	310,003
Deficit on revaluation of properties held for own use	9	**–**	200,685
Allowance for impairment of bad and doubtful debts, net		**2,040,207**	6,429,205
Write-down of inventories, net		**11,700,530**	5,234,168
Operating cash flows before changes in working capital		**51,574,271**	104,170,195
Decrease (Increase) in inventories		**50,710,127**	(22,393,436)
Increase in finance lease receivables		**(74,489,519)**	(36,498,571)
(Increase) Decrease in trade and other receivables		**(62,255,400)**	37,885,708
Decrease in trade and other payables		**(54,030,345)**	(49,575,532)
Cash (used in) generated from operations		**(88,490,866)**	33,588,364
Hong Kong profits tax paid		**(540,797)**	(2,606,136)
Overseas tax paid		**(12,284,685)**	(11,411,645)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		**(101,316,348)**	19,570,583

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December, 2015

	Notes	2015 HK$	2014 HK$
INVESTING ACTIVITIES			
(Increase) Decrease in pledged bank deposits		**(99,425,995)**	62,158,682
Purchase of property, plant and equipment		**(35,676,165)**	(112,848,486)
Proceeds from disposal of property, plant and equipment		**64,148,343**	2,879,050
Interest received		**13,886,768**	11,475,725
Decrease (Increase) in other financial assets		**164,235,390**	(174,491,096)
Dividend received from associates		**789,002**	–
Dividend received from listed available-for-sale financial asset		**12,729**	9,582
Net cash outflow from acquisition of subsidiaries	36	**–**	(30,440,550)
Advance to associates		**(552,282)**	–
Proceeds from disposal of associates		**1,165,303**	1,511,640
Decrease in short-term bank deposits with maturity over three months		**–**	80,034,812
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**108,583,093**	(159,710,641)
FINANCING ACTIVITIES			
Repayment of bank loans		**(472,056,155)**	(74,593,491)
Repayment of deferred consideration payable		**–**	(3,911,513)
Interest paid		**(20,562,904)**	(21,267,359)
Repayment of obligations under finance leases		**(8,916,371)**	(15,360,498)
Dividend paid to the non-controlling shareholders of subsidiaries		**(6,240,000)**	(3,360,000)
Dividend paid		**–**	(10,753,960)
Bank loans raised		**514,010,428**	152,325,827
Repayment from associates		**–**	2,955,280
Capital contribution from non-controlling interests of a subsidiary		**83,300**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**6,318,298**	26,034,286
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**13,585,043**	(114,105,772)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**329,101,027**	445,015,254
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(15,293,084)**	(1,808,455)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	28	**327,392,986**	329,101,027

The notes on pages 58 to 143 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December, 2015

1. GENERAL

Cosmos Machinery Enterprises Limited (the "Company") is a public limited company domiciled and incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The address of its registered office is 10/F., Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. The principal activities of its principal subsidiaries are set out in note 44.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties held for own use and certain financial assets, which are carried at fair value.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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.

Judgements made by management in the application of HKFRS that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the 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.

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 income statement 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

Business combinations (Continued)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments in associates *(Continued)*

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

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

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

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Properties held for own use are stated at their revalued amounts, being their fair value at the date of revaluation less any subsequent accumulated depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see note 2(h)).

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

Revaluations on properties held for own use are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from which would be determined using fair values at the end of the reporting period.

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values (if any) over their estimated useful lives, as follows:

Leasehold land held for own use under finance leases	Unexpired term of the leases
Buildings held for own use	40 years or unexpired term of the leases, if shorter
Furniture, fixtures and equipment	3 – 10 years
Plant and machinery	5 – 10 years
Motor vehicles	3 – 10 years

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Assets under construction represent buildings, structures, plant and machinery and other fixed assets under construction or installation and are stated at cost less any accumulated impairment losses, and are not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Assets under construction are reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

(e) Leasehold land and land use rights

Leasehold land and land use rights are lump sum upfront payments to acquire long-term interest in certain lessee-occupied properties.

Leasehold land and land use rights relating to certain buildings of the Group are stated at cost and are amortised over the period of the lease on the straight-line basis to profit or loss.

(f) Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently 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 a pro-rata 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 profit or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets (Other than goodwill)

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation (where the estimated useful life is finite) and accumulated impairment losses (see note 2(h)), on the same basis as intangible assets that are acquired separately.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

(h) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

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

– For investments in associates recognised using the equity method (see note 2(c)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(h)(ii).

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

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

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

– For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

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

(ii) Impairment of other assets

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

– property, plant and equipment (other than leasehold land held for own use under finance leases and properties carried at revalued amounts);

– land and land use rights classified as being held under an operating lease;

– investments in subsidiaries and associates (except for those classified as held for sale or included in a disposal group that is classified as held for sale) in the Company's statement of financial position;

– goodwill; and

– intangible assets

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(i) Financial assets

The Group classifies its financial assets other than investments in subsidiaries and associates in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates their classification at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Finance lease receivables, unlisted debt securities, trade and other receivables, short-term bank deposits with maturity over three months, pledged bank deposits and cash and cash equivalents in the consolidated statement of financial position are classified as loans and receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Regular purchases and sales of financial assets are recognised on the trade-date when the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are recognised initially at fair value, plus transaction costs incurred and subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified through other comprehensive income to the income statement.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Investments in unquoted equity instruments whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

(iii) Available-for-sale financial assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, by reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred. Capitalisation of such borrowing costs ceases when 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 capitalised.

(k) Government grants

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transactions for similar services, when such information is obtainable, is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(l)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(l)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or where not present obligations at the date of acquisition are disclosed in accordance with note 2(l)(iii).

(iii) Other provisions and contingent liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Other provisions and contingent liabilities (Continued)

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

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, except for the following receivables:

– interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts, and

– short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts.

(o) Cash and cash equivalents

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

Pledged bank deposits are not included in cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities (if any) measured in accordance with note 2(l)(i), trade and other payables are subsequently stated at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and

– interest-free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(r) Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Employee benefits

(i) Retirement benefit costs

Payments to defined contribution plans under the mandatory provident fund scheme, the ORSO scheme and state-managed retirement benefits scheme are charged as expenses as they fall due.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(iii) Share-based compensation

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Hull White Trinomial Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share capital) or the option expires (when it is released directly to retained profits).

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below:

(i) Sales of goods are recognised when a Group entity has delivered products to the customer and the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the period of the leases.

(iii) Handling and services income are recognised when services are provided.

(iv) Interest income is recognised as it accrues using the effective interest method. Interest income from the finance lease is recognised on a basis that reflects a constant periodic rate of return on the net investment in the finance lease.

(v) Dividend income is recognised when the shareholder's right to receive payment is established prior to the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Leases

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

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Group. All other leases are classified as operating leases.

(i) Leases of land and buildings

Whenever necessary, in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

The land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. The building element is classified as a finance or operating lease in the same way as leases of other assets. The payments made on acquiring land held under an operating lease are recognised in the statement of financial position as leasehold land and land use rights which are stated at cost and are amortised on a straight-line basis over the period of the lease term.

If the lease payments on a lease of land and buildings cannot be allocated reliably between the land and building elements at the inception of the lease or the relevant lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Leases *(Continued)*

(ii) Finance leases

Lessee

Assets held under finance leases are recognised in the statement of financial position at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipment, except for those properties held to earn rental income which are classified as investment property, in the statement of financial position.

Depreciation and impairment losses are calculated and recognised in the same manner as the depreciation and impairment losses on property, plant and equipment as set out in note 2(e), except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessor

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

(iii) Operating leases

Where the Group is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the period of the lease term. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on a straight-line basis over the lease period. Contingent rentals are charged as an expense in the periods in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Dividend distribution

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(x) Segment reporting

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

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

(y) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except those arising from qualifying cash flow hedges or qualifying net investment hedges which are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss when gain or loss on disposal is recognised.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

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

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRS that are first effective for the current accounting period of the Group:

– 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 Group has not early applied any new standard, amendment or interpretation that has been issued but not yet effective for the current accounting period (see note 45). Impacts of the adoption of the new or amended HKFRSs are discussed below:

Annual improvements to HKFRSs 2010-2012 cycle and 2011-2013 cycle

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

Amendments to HKAS 19, Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group has no defined benefit plans.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The assumptions, estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of goodwill and the impairment (if any) in the period in which such estimate has been changed.

(ii) Allowance for impairment of trade and other receivables

The Group assesses impairment of trade and other receivables based upon evaluation of the recoverability of the trade and other receivables at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience. If the financial condition of the debtors were to deteriorate, additional impairment may be required. A considerable level of judgement is exercised by the directors when assessing the financial condition and credit worthiness of each customer. An increase or decrease in the impairment loss would affect the net profit in future years.

(iii) Income taxes

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

Recognition of deferred tax assets, which principally relate to allowance for doubtful debts and tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(iv) Provision for inventories

The Group reviews the carrying amounts of inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in note 2(m). The directors estimate the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(v) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of such financial asset is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(vi) Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the finance lease receivables and fair value of the pledged assets less costs of disposal. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the pledged assets less costs of disposal. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

During the year ended 31 December 2015, no impairment loss has been recognised for finance lease receivables (2014: Nil). As at 31 December 2015, the carrying amount of finance lease receivables is HK$108,857,286 (2014: HK$36,498,571).

5. SEGMENT REPORTING

The Group manages its business by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified, on a product basis, the following four reportable segments.

(1) trading of industrial consumables;
(2) manufacturing of plastic processing products;
(3) manufacturing of machinery; and
(4) manufacturing and trading of printed circuit boards.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's top executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets and corporate expenses.

The segment results for the year ended 31 December 2015 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
REVENUE							
External sales	356,084,739	449,468,556	720,835,136	845,766,446	23,010,849	-	2,395,165,726
Inter-segment sales	16,801,061	194,814	8,486,147	-	4,877,639	(30,359,661)	-
Total revenue	372,885,800	449,663,370	729,321,283	845,766,446	27,888,488	(30,359,661)	2,395,165,726

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
RESULTS							
Segment results	12,200,992	(15,268,944)	(30,502,524)	35,814,838	21,198,926	139,945	23,583,233
Unallocated corporate expenses							(48,264,177)
Loss from operations							(24,680,944)
Finance costs							(20,808,764)
Investment income							15,569,847
Share of profits of associates							680,151
Gain on disposal of associates							2,577,429
Loss before taxation							(26,662,281)
Taxation							(12,155,667)
Loss before non-controlling interests							(38,817,948)

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

The segment assets and liabilities as at 31 December 2015 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Consolidated HK$
ASSETS						
Segment assets	243,265,751	350,003,712	1,034,450,004	563,373,158	378,966,171	2,570,058,796
Interests in associates						36,692,667
Available-for-sale financial assets						733,440
Unallocated corporate assets						338,735,764
Consolidated total assets						2,946,220,667
LIABILITIES						
Segment liabilities	44,452,948	69,842,472	393,156,742	223,197,241	23,986,290	754,635,693
Current tax payable						6,307,286
Borrowings						588,219,491
Unallocated corporate liabilities						29,238,780
Consolidated total liabilities						1,378,401,250
OTHER INFORMATION						
Capital additions	54,123	19,144,464	4,465,587	19,549,222	962,769	44,176,165
Depreciation and amortisation	1,844,197	13,795,747	35,455,122	29,289,600	4,971,999	85,356,665
Other non-cash expenses	506,235	(390,996)	13,340,797	288,560	441,894	14,186,490
Share of profits (losses) of associates	-	-	787,679	(113,861)	6,333	680,151

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

The segment results for the year ended 31 December 2014 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
REVENUE							
External sales	415,601,542	381,457,719	826,732,063	856,609,291	12,328,022	–	2,492,728,637
Inter-segment sales	13,640,572	272,628	4,145,827	–	6,537,869	(24,596,896)	–
Total revenue	429,242,114	381,730,347	830,877,890	856,609,291	18,865,891	(24,596,896)	2,492,728,637

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
RESULTS							
Segment results	25,683,045	(23,471,872)	(22,960,478)	58,958,264	(1,948,739)	362,420	36,622,640
Unallocated corporate expenses							(29,499,576)
Profit from operations							7,123,064
Finance costs							(21,267,359)
Investment income							11,804,104
Share of losses of associates							(48,118)
Gain on disposal of an associate							2,036,867
Loss before taxation							(351,442)
Taxation							(7,583,345)
Loss before non-controlling interests							(7,934,787)

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

The segment assets and liabilities as at 31 December 2014 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Consolidated HK$
ASSETS						
Segment assets	261,443,275	389,015,088	1,164,250,674	572,530,903	198,341,802	2,585,581,742
Interests in associates						41,173,704
Available-for-sale financial assets						606,528
Unallocated corporate assets						486,187,147
Consolidated total assets						3,113,549,121
LIABILITIES						
Segment liabilities	50,779,659	91,460,668	466,848,804	238,819,752	813,797	848,722,680
Current tax payable						6,738,326
Borrowings						550,319,023
Unallocated corporate liabilities						30,147,578
Consolidated total liabilities						1,435,927,607
OTHER INFORMATION						
Capital additions	480,760	11,018,541	22,178,415	21,275,297	102,534,858	157,487,871
Depreciation and amortisation	1,357,396	15,093,520	36,841,364	29,619,348	1,961,442	84,873,070
Other non-cash expenses	2,005,274	4,621,854	2,876,610	2,360,320	–	11,864,058
Share of profits (losses) of associates	–	(406,139)	490,365	(126,011)	(6,333)	(48,118)

5. SEGMENT REPORTING *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, other Asia-Pacific countries, North America and Europe. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery and printed circuit boards divisions are located in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2015	2014
	HK$	HK$
Hong Kong	**653,491,736**	761,980,711
PRC	**1,467,064,261**	1,488,372,320
Other Asia-Pacific countries	**201,418,624**	198,817,535
North America	**9,259,317**	5,311,551
Europe	**63,931,788**	38,246,520
	2,395,165,726	2,492,728,637

The following is an analysis of the Group's fixed assets, goodwill and intangible assets ("specified non-current assets"), and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Specified Non-current assets		Additions to property, plant and equipment	
	2015	2014	**2015**	2014
	HK$	HK$	**HK$**	HK$
Hong Kong	**191,787,773**	216,012,865	**117,291**	101,578,155
PRC	**611,716,315**	692,801,870	**44,058,874**	55,909,716
	803,504,088	908,814,735	**44,176,165**	157,487,871

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the year (2014: Nil) and no information about major customers is presented accordingly.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the amounts received and receivable for goods sold to customers, less returns and discounts and interest income from finance lease receivables during the year. An analysis of revenue, other income and gains, net is as follows:

	2015 HK$	2014 HK$
Revenue		
Sales of goods	2,384,686,639	2,491,942,196
Finance lease income	10,479,087	786,441
	2,395,165,726	2,492,728,637
Other income		
Gross rental income from properties	230,725	594,753
Handling, tooling and sales of scrapped materials	4,927,356	12,331,763
Government grants	1,255,105	26,413
Sundry income	7,975,421	8,687,427
	14,388,607	21,640,356
Gains, net		
Gain on disposal of property, plant and equipment	23,088,081	–
	37,476,688	21,640,356

7. FINANCE COSTS

	2015 HK$	2014 HK$
Interest on:		
Bank borrowings wholly repayable within 5 years	19,676,260	20,068,138
Finance leases	886,644	831,734
Imputed interest expense on deferred consideration payable	245,860	367,487
	20,808,764	21,267,359

8. INVESTMENT INCOME

	2015 HK$	2014 HK$
Bank interest income	**12,970,572**	10,982,163
Interest income from short term investment	**916,196**	493,562
Realised and unrealised gain on held-for-trading investments	**1,670,350**	318,797
Dividend income from listed available-for-sale financial asset	**12,729**	9,582
	15,569,847	11,804,104

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting) the following:

	2015 HK$	2014 HK$
Charging:		
Directors' emoluments	**7,194,950**	13,520,645
Staff costs (excluding directors' emoluments)		
– Salaries and other benefits	**415,182,650**	411,408,709
– Retirement benefits scheme contributions	**24,522,366**	22,332,418
Total staff costs	**446,899,966**	447,261,772
Auditors' remuneration		
– Current year	**3,030,994**	2,856,613
– Underprovision in prior years	**49,900**	223,031
Deficit on revaluation of properties held for own use	**–**	200,685
Depreciation and amortisation on:		
– Owned assets	**77,921,214**	78,608,323
– Assets held under finance leases	**1,828,505**	2,026,775
– Leasehold land held for own use under finance leases	**2,626,455**	1,241,431
– Leasehold land and land use rights	**1,597,422**	1,613,471
– Intangible assets	**1,383,069**	1,383,070
Exchange loss, net	**22,437,279**	513,773
Impairment loss of available-for-sale financial assets	**245,894**	–
Loss on disposal of property, plant and equipment	**–**	310,003
Operating lease payments – Land and buildings	**21,239,504**	26,889,630
and crediting:		
Rental income net of nil direct outgoings	**(230,725)**	(594,753)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015			
Name of directors	Directors' fees HK$	Salaries and allowances HK$	Retirement benefits scheme contributions HK$	Total HK$
Executive directors				
Mr. Tang To	739,000	871,000	111,750	1,721,750
Mr. Wong Yiu Ming	1,040,000	2,320,000	232,200	3,592,200
Mr. Tang Yu, Freeman (1)	–	1,575,000	18,000	1,593,000
Non-executive directors				
Mr. Kan Wai Wah	60,000	–	–	60,000
Mr. Ho Wei Sem	–	–	–	–
Ms. Yeung Shuk Fan	168,000	–	–	168,000
Mr. Cheng Tak Yin	60,000	–	–	60,000
Mr. Qu Jinping	–	–	–	–
Mr. Huang Zhi Wei	–	–	–	–
Total	2,067,000	4,766,000	361,950	7,194,950

Note:

(1) Mr. Tang Yu, Freeman is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) **Directors' emoluments** *(Continued)*

	2014			
Name of directors	Directors' fees HK$	Salaries and allowances HK$	Retirement benefits scheme contributions HK$	Total HK$
Executive directors				
Mr. Tang To	3,046,798	871,000	121,500	4,039,298
Mr. Wong Yiu Ming	5,325,597	2,080,000	216,000	7,621,597
Mr. Jiang Wei (1)	–	–	–	–
Mr. Tang Yu, Freeman (2)	–	1,435,000	16,750	1,451,750
Non-executive directors				
Mr. Kan Wai Wah	60,000	–	–	60,000
Mr. Ho Wei Sem	60,000	–	–	60,000
Ms. Yeung Shuk Fan	168,000	–	–	168,000
Mr. Cheng Tak Yin	60,000	–	–	60,000
Mr. Wu Ding (3)	–	–	–	–
Mr. Qu Jinping	–	–	–	–
Mr. Huang Zhi Wei	60,000	–	–	60,000
Total	8,780,395	4,386,000	354,250	13,520,645

Notes:

(1) Resigned on 11 July 2014.

(2) Mr. Tang Yu, Freeman is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(3) Resigned on 12 May 2014.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) **Employees' emoluments**

The five highest paid individuals included two (2014: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2014: three) individuals are as follows:

	2015	2014
	HK$	HK$
Salaries and other benefits	**8,542,000**	8,549,600
Retirement benefits scheme contributions	**309,420**	135,007
	8,851,420	8,684,607

The emoluments of the employees were within the following bands:

	Number of employees	
	2015	2014
HK$1,000,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$4,000,000	**2**	–
HK$4,000,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$6,000,000	**–**	1
	3	3

11. TAXATION

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2014: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	2015 **HK$**	2014 HK$
Current tax:		
Hong Kong profits tax		
Current year	**1,051,100**	1,256,951
Overprovision in prior years	**(39,999)**	(116,672)
	1,011,101	1,140,279
Overseas tax		
Current year	**13,070,030**	10,538,308
(Over) Underprovision in prior years	**(568,050)**	838,176
	12,501,980	11,376,484
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences (note 24)	**(1,357,414)**	(4,933,418)
Taxation charge	**12,155,667**	7,583,345

11. TAXATION *(Continued)*

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to losses of the consolidated companies as follows:

	2015 HK$	2014 HK$
Loss before taxation	**(26,662,281)**	(351,442)
Tax calculated at the domestic income tax rate of 16.5% (2014: 16.5%)	**(4,399,277)**	(57,988)
Tax effect of share of results of associates	**(112,225)**	7,939
Tax effect of expenses that are not deductible in determining taxable profit	**5,818,609**	9,672,490
Tax effect of income that is not taxable in determining taxable profit	**(2,392,386)**	(3,182,744)
Overprovision of current tax in current year, net	**(77,079)**	–
(Over) Underprovision of current tax in prior years, net	**(608,049)**	721,504
Tax effect of utilisation of deductible temporary differences not previously recognised	**(1,060,991)**	(6,752,709)
Tax effect of temporary differences/tax losses not recognised	**18,410,887**	10,540,208
Tax effect of utilisation of tax losses not previously recognised	**(6,726,278)**	(3,225,738)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,302,456**	(139,617)
Taxation charge	**12,155,667**	7,583,345

12. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company dealt with in the financial statements of the Company is the loss of HK$37,053,922 (2014: profit of HK$529,373,957).

13. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per ordinary share is based on the Group's loss attributable to equity shareholders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Weighted average number of ordinary shares in issue during the year	**716,930,692**	716,930,692
Loss attributable to the equity shareholders of the Company	**(HK$49,601,376)**	(HK$33,301,502)
Basic loss per share	**(6.92cents)**	(4.65cents)

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

14. OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR, NET OF TAX

Tax effects relating to each component of other comprehensive income

	2015			2014		
	Before tax amount HK$	**Tax expenses HK$**	**Net-of-tax amount HK$**	Before tax amount HK$	Tax expenses HK$	Net-of-tax amount HK$
Change in fair value of available-for-sale financial assets	**126,912**	**–**	**126,912**	112,137	–	112,137
Share of other comprehensive expense of associates	**(1,756,579)**	**–**	**(1,756,579)**	(102,687)	–	(102,687)
Surplus on revaluation of properties held for own use	**12,065,212**	**2,326,680**	**14,391,892**	9,470,817	(1,474,459)	7,996,358
Exchange differences arising from translation of financial statements of foreign operations	**(78,732,403)**	**–**	**(78,732,403)**	(5,272,572)	–	(5,272,572)
Release of translation reserve upon disposal of associates	**1,142,729**	**–**	**1,142,729**	(1,588,938)	–	(1,588,938)
	(67,154,129)	**2,326,680**	**(64,827,449)**	2,618,757	(1,474,459)	1,144,298

15. DIVIDEND

(1) The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014: Nil).

(2) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015 HK$	2014 HK$
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil (2014: HK$0.015) per share	**–**	10,753,960

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land held for own use under finance leases HK$	Buildings held for own use HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Assets under construction HK$	Total HK$
COST OR VALUATION							
At 1 January 2014	27,850,000	364,666,000	221,994,697	654,564,458	44,039,098	3,985,380	1,317,099,633
Currency realignment	–	(1,155,785)	(401,094)	(1,213,548)	(104,952)	(13,686)	(2,889,065)
Additions	58,583,699	37,608,919	21,126,545	18,037,660	3,008,156	19,122,892	157,487,871
Reclassifications	–	45,857	(1,231,558)	17,769,972	(184,594)	(16,399,677)	–
Disposals	–	–	(15,230,386)	(9,931,119)	(6,081,857)	–	(31,243,362)
Adjustment on revaluation	3,704,301	(6,813,991)	–	–	–	–	(3,109,690)
At 31 December 2014 and 1 January 2015	**90,138,000**	**394,351,000**	**226,258,204**	**679,227,423**	**40,675,851**	**6,694,909**	**1,437,345,387**
Currency realignment	**-**	**(19,638,029)**	**(9,802,486)**	**(31,065,856)**	**(1,707,263)**	**(394,278)**	**(62,607,912)**
Additions	**-**	**3,056,657**	**10,576,908**	**28,652,110**	**1,665,935**	**224,555**	**44,176,165**
Reclassifications	**-**	**-**	**-**	**5,436,180**	**-**	**(5,436,180)**	**-**
Disposals	**(18,258,000)**	**(15,631,221)**	**(13,252,483)**	**(19,021,694)**	**(1,514,148)**	**-**	**(67,677,546)**
Adjustment on revaluation	**3,500,000**	**(4,188,407)**	**-**	**-**	**-**	**-**	**(688,407)**
At 31 December 2015	**75,380,000**	**357,950,000**	**213,780,143**	**663,228,163**	**39,120,375**	**1,089,006**	**1,350,547,687**
Analysis of cost or valuation:							
At 31 December 2015							
At cost	**-**	**-**	**213,780,143**	**663,228,163**	**39,120,375**	**1,089,006**	**917,217,687**
At valuation	**75,380,000**	**357,950,000**	**-**	**-**	**-**	**-**	**433,330,000**
	75,380,000	**357,950,000**	**213,780,143**	**663,228,163**	**39,120,375**	**1,089,006**	**1,350,547,687**
At 31 December 2014							
At cost	–	–	226,258,204	679,227,423	40,675,851	6,694,909	952,856,387
At valuation	90,138,000	394,351,000	–	–	–	–	484,489,000
	90,138,000	394,351,000	226,258,204	679,227,423	40,675,851	6,694,909	1,437,345,387

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

	Leasehold land held for own use under finance leases HK$	Buildings held for own use HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Assets under construction HK$	Total HK$
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2014	–	–	167,345,502	406,951,841	33,579,058	–	607,876,401
Currency realignment	–	13,747	(199,832)	(569,454)	(61,581)	–	(817,120)
Reclassifications	–	–	659,331	(664,017)	4,686	–	–
Depreciation provided for the year	1,241,431	11,124,644	21,059,945	44,745,299	3,705,210	–	81,876,529
Written back on disposals	–	–	(13,064,279)	(9,374,616)	(5,615,414)	–	(28,054,309)
Eliminated on revaluation	(1,241,431)	(11,138,391)	–	–	–	–	(12,379,822)
At 31 December 2014 and 1 January 2015	**-**	**-**	**175,800,667**	**441,089,053**	**31,611,959**	**-**	**648,501,679**
Currency realignment	**-**	**(1,201,541)**	**(8,000,308)**	**(19,415,857)**	**(1,345,591)**	**-**	**(29,963,297)**
Depreciation provided for the year	**2,626,455**	**11,985,948**	**19,844,492**	**44,757,748**	**3,161,531**	**-**	**82,376,174**
Written back on disposals	**(461,061)**	**(196,182)**	**(10,000,551)**	**(17,293,261)**	**(1,412,429)**	**-**	**(29,363,484)**
Eliminated on revaluation	**(2,165,394)**	**(10,588,225)**	**-**	**-**	**-**	**-**	**(12,753,619)**
At 31 December 2015	**-**	**-**	**177,644,300**	**449,137,683**	**32,015,470**	**-**	**658,797,453**
NET BOOK VALUES							
At 31 December 2015	**75,380,000**	**357,950,000**	**36,135,843**	**214,090,480**	**7,104,905**	**1,089,006**	**691,750,234**
At 31 December 2014	90,138,000	394,351,000	50,457,537	238,138,370	9,063,892	6,694,909	788,843,708

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

The net book value of leasehold land held for own use under finance leases held by the Group:

	2015 **HK$**	2014 HK$
In Hong Kong:		
– under medium-term leases	**75,380,000**	90,138,000

The leasehold land and buildings of the Group were revalued as at 31 December 2015 on the open market existing use basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers. The surplus arising on revaluation attributable to the Group has been credited to the other comprehensive income for the year and is accumulated separately in equity in property revaluation reserve.

Depreciation expense of HK$55,526,646 (2014: HK$56,172,583) has been expensed in cost of goods sold, HK$1,730,209 (2014: HK$2,356,772) in selling and distribution costs and HK$25,119,319 (2014: HK$23,347,174) in administrative expenses.

Had leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold land and buildings would have been HK$363,517,706 (2014: HK$395,116,240).

The net book value of the Group's plant and machinery includes an amount of HK$37,647,036 (2014: HK$30,195,425) in respect of assets held under finance leases.

At 31 December 2015, certain of the Group's leasehold land held for own use under finance leases and buildings with an aggregate carrying value of HK$68,000,000 (2014: HK$64,400,000) and HK$106,000,000 (2014: HK$110,800,000) respectively were pledged to secure certain bank borrowings granted to the Group.

17. FAIR VALUE MEASUREMENT OF PROPERTIES

(i) Fair value hierarchy

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

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurement at 31 December 2015 categorised into		
	Fair value at 31 December 2015 HK$	**Level 1 HK$**	**Level 2 HK$**	**Level 3 HK$**
Recurring fair value measurement				
Leasehold land held for own use under finance lease	**75,380,000**	**–**	**–**	**75,380,000**
Buildings held for own use	**357,950,000**	**–**	**–**	**357,950,000**

		Fair value measurement at 31 December 2014 categorised into		
	Fair value at 31 December 2014 HK$	Level 1 HK$	Level 2 HK$	Level 3 HK$
Recurring fair value measurement				
Leasehold land held for own use under finance lease	90,138,000	–	–	90,138,000
Buildings held for own use	394,351,000	–	–	394,351,000

17. FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(i) Fair value hierarchy *(Continued)*

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

All of the Group's leasehold land held for own use under finance lease and buildings held for own use were revalued as at 31 December 2015. The valuations were carried out by an independent firm of professional valuer, DTZ Debenham Tie Leung Limited, which is a world-wide commercial real estate services firm with recent experience in the location and category of property being valued. The Group's property manager and the chief financial officer have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at the annual reporting date.

(ii) Information about Level 3 fair value measurement

	Valuation techniques	Unobservable input	Range
Leasehold land held for own use under finance leases and buildings held for own use	(a) Direct comparison approach	(Discount) premium on quality of building	–10% to 10%
	(b) Income approach	Capitalisation rate	4% to 9.5%

(a) The fair value of properties located in Hong Kong and certain properties located in PRC is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. The valuations take into account the characteristic of the properties which included the location, size, view, floor level, year of completion and other factors collectively. Higher premium for higher quality properties will result in a higher fair value measurement.

17. FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(ii) Information about Level 3 fair value measurement *(Continued)*

(b) The fair value of other properties in PRC is determined using income approach by the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	HK$
Leasehold land held for own use under finance leases:	
At 1 January 2015	90,138,000
Disposals	(18,258,000)
Depreciation provided for the year	(2,626,455)
Written back on disposals	461,061
Surplus on revaluation	5,665,394
At 31 December 2015	75,380,000
Buildings held for own use:	
At 1 January 2015	394,351,000
Additions	3,056,657
Disposals	(15,631,221)
Currency realignment	(18,436,488)
Depreciation provided for the year	(11,985,948)
Written back on disposals	196,182
Surplus on revaluation	6,399,818
At 31 December 2015	357,950,000

Surplus on revaluation and currency adjustment of leasehold land held for own use under finance leases and buildings held for own use is recognised in other comprehensive income in “property revaluation reserve” and “translation reserve” respectively.

18. LEASEHOLD LAND AND LAND USE RIGHTS

	2015 HK$	2014 HK$
COST		
At 1 January	**68,814,659**	68,992,424
Currency realignment	**(3,055,889)**	(177,765)
Disposals	**(5,425,920)**	–
At 31 December	**60,332,850**	68,814,659
ACCUMULATED AMORTISATION		
At 1 January	**14,313,638**	12,721,584
Currency realignment	**(565,407)**	(21,417)
Amortisation for the year	**1,597,422**	1,613,471
Written-back on disposals	**(2,679,720)**	–
At 31 December	**12,665,933**	14,313,638
NET BOOK VALUE		
At 31 December	**47,666,917**	54,501,021
At 1 January	**54,501,021**	56,270,840

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2015 HK$	2014 HK$
Outside Hong Kong held on:		
Medium-term leases	**47,666,917**	54,501,021

At 31 December 2015, certain of the Group's land use rights with an aggregate carrying value of HK$8,016,075 (2014: HK$8,851,816) were pledged to secure certain bank borrowings granted to the Group (note 41).

19. GOODWILL

	HK$
COST	
At 1 January 2014, 31 December 2014 and 31 December 2015	53,483,406
ACCUMULATED IMPAIRMENT	
At 1 January 2014, 31 December 2014 and 31 December 2015	–
CARRYING AMOUNT	
At 31 December 2015	53,483,406
At 31 December 2014	53,483,406

The amount represents goodwill arising from the acquisition of 100% equity interest in KFE Hong Kong Co., Limited ("KFE") in 2013. For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit ("CGU"), representing KFE, a subsidiary in the manufacturing and trading of printed circuit boards segment.

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 17.79% (2014: 18.73%) per annum. The cash flows beyond that five-year period have been extrapolated using a steady 3% (2014: 2.65%) per annum growth rate. This growth rate is based on the printed circuit boards industry growth forecasts and does not exceed the average long-term growth rate for the printed circuit boards industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on KFE's past performance and management's expectations for the market development. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of KFE to exceed the aggregate recoverable amount of KFE.

The directors reviewed the carrying value of the goodwill, taking into account an independent valuation report prepared by a professional valuer, DTZ Debenham Tie Leung Limited. Based on the assessment and the valuation report, the directors are of the opinion that no impairment loss is necessary as at 31 December 2015.

20. INTANGIBLE ASSETS

	Customer Relationship HK$
COST	
At 1 January 2014, 31 December 2014 and 31 December 2015	13,830,693
ACCUMULATED AMORTISATION	
At 1 January 2014	461,023
Amortisation for the year	1,383,070
At 31 December 2014 and 1 January 2015	1,844,093
Amortisation for the year	1,383,069
At 31 December 2015	3,227,162
NET BOOK VALUE	
At 31 December 2015	10,603,531
At 31 December 2014	11,986,600

Customer relationship is amortised on a straight-line basis over its useful life of 10 years.

21. INTERESTS IN ASSOCIATES

	2015 HK$	2014 HK$
Unlisted shares, at cost	**7,679,898**	9,716,266
Share of post-acquisition profits and reserves, net of dividends received	**19,889,315**	19,899,349
	27,569,213	29,615,615
Amounts due from associates	**9,123,454**	11,558,089
	36,692,667	41,173,704

(a) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within 12 months of the end of the reporting period and are accordingly classified as non-current. The amounts due from associates do not contain impaired assets.

(b) Interests in associates at the end of the reporting period include goodwill of HK$312,724 (2014: HK$312,724).

Details of the principal associates of the Group at 31 December 2015 are as follows:

Name of associate	Place of incorporation/ registration and operation	Proportion of nominal value of registered capital attributable to the Group %	Principal activities
Suzhou Sanguang Science & Technology Co., Ltd.	The PRC	21.13	Manufacturing of industrial machinery, equipment and supplies
Guangzhou Polyten Experimental Analysis Instrument Co., Ltd.	The PRC	22.50	Manufacturing and trading of the experimental analysis instrument

The above table lists out the associates of the Group which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year.

The names of certain associates referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

21. INTERESTS IN ASSOCIATES *(Continued)*

In the opinion of the directors, the associates of the Group are all individually not material. Aggregate financial information in respect of the Group's associates is set out below:

	2015 HK$	2014 HK$
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**27,569,213**	29,615,615
Aggregate amounts of the Group's share of those associates'		
Profit (Loss) from continuing operations	**680,151**	(48,118)
Other comprehensive expense	**(1,756,579)**	(102,687)
Total comprehensive expense	**(1,076,428)**	(150,805)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$	2014 HK$
Unlisted equity securities, at cost	**6,621,900**	6,376,006
Impairment losses	**(6,621,900)**	(6,376,006)
	–	–
Listed equity securities outside Hong Kong, at market value	**733,440**	606,528
	733,440	606,528

Unlisted equity securities of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price on active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Changes in listed equity securities are recognised in other comprehensive income.

As at 31 December 2015, all of the Group's unlisted available-for-sale equity securities were individually determined to be fully impaired on the basis of a material decline in their recoverable amounts below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investments in them may not be recovered. Impairment loss of HK$245,894 (2014: Nil) on these investments were recognised in profit or loss in accordance with the policy set out in note 2(h)(i).

23. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2015	2014	**2015**	2014
	HK$	HK$	**HK$**	HK$
Amounts receivable under finance leases:				
Not later than one year	**63,381,219**	25,321,513	**61,934,578**	22,395,929
Later than one year and not later than five years	**50,304,244**	15,049,623	**46,922,708**	14,102,642
	113,685,463	40,371,136	**108,857,286**	36,498,571
Overdue finance lease receivables	**11,574,538**	–	**–**	–
Less: Unearned finance income	**16,402,715**	3,872,565	**N/A**	N/A
Present value of minimum lease receipts	**108,857,286**	36,498,571	**108,857,286**	36,498,571
Less: Current finance lease receivables under current assets			**61,934,578**	22,395,929
Non-current finance lease receivables			**46,922,708**	14,102,642

The Group has entered into finance lease arrangements with their customers. The terms of finance leases entered into for terms ranging from one to three years.

Included in the Group's finance lease receivables with a total carrying amount of HK$11,574,538 (2014: Nil) which is past due as at the end of the reporting period but not impaired. The directors assessed the estimated fair value of the leased assets of these receivables which are past due but not impaired to determine whether adequate collateral has been held for these finance lease borrowers and considered that the estimated fair value of these leased assets held is in excess of the carrying amount of the receivables. The leased assets for those past due receivables mainly include machineries.

For the finance lease receivables which are neither past due nor impaired, the directors assessed that the balances are with good credit quality according to their past repayment history.

All leases are on a fixed repayment basis and there were no unguaranteed residual values in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at 31 December 2015 (2014: Nil).

23. FINANCE LEASE RECEIVABLES *(Continued)*

Finance lease receivable balances are secured over the plant and equipment leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate is ranging from 10.10% to 14.90% per annum (2014: from 11.40% to 18.60% per annum).

24. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2014: 16.5%).

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

	Intangible assets arising from business combination HK$	Accelerated tax depreciation HK$	Revaluation of land and building HK$	Tax losses HK$	Others HK$	Total HK$
At 31 December 2013 and 1 January 2014	(2,205,996)	(5,700,019)	(6,985,635)	130,144	24,302,049	9,540,543
Currency realignment	–	(2,452)	20,257	7,666	(47,038)	(21,567)
Charged to equity	–	–	(1,474,459)	–	–	(1,474,459)
Credited/(charged) to income statement *(note 11)*	228,206	(406,793)	–	2,595,543	2,516,462	4,933,418
At 31 December 2014	(1,977,790)	(6,109,264)	(8,439,837)	2,733,353	26,771,473	12,977,935
Currency realignment	-	42,130	32,770	(168,269)	(1,077,156)	(1,170,525)
Credited to equity	-	-	2,326,680	-	-	2,326,680
Credited/(charged) to income statement *(note 11)*	228,206	408,299	-	3,455,333	(2,734,424)	1,357,414
At 31 December 2015	**(1,749,584)**	**(5,658,835)**	**(6,080,387)**	**6,020,417**	**22,959,893**	**15,491,504**

24. DEFERRED TAXATION *(Continued)*

For the purposes of consolidated statement of financial position presentation, certain deferred tax assets (liabilities) have been offset in accordance with the conditions set out in HKAS 12. The following is the analysis of the deferred tax balances shown in the consolidated statement of financial position:

	2015 HK$	2014 HK$
Deferred tax assets	**41,413,771**	39,608,462
Deferred tax liabilities	**(25,922,267)**	(26,630,527)
	15,491,504	12,977,935

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2015, the Group has unrecognised tax losses of HK$549,970,752 (2014: HK$489,077,242) available for offset against future profits. Included in unrecognised tax losses are losses of HK$226,679,524 (2014: HK$133,779,692) that will expire in five years and the remaining balance does not expire under the current tax legislation. Temporary differences arising in connection with interests in associates are insignificant.

25. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2015 HK$	2014 HK$
Trading inventories and finished goods	**258,041,980**	291,188,954
Work in progress	**97,691,674**	138,124,904
Raw materials	**206,789,087**	226,996,406
	562,522,741	656,310,264

At 31 December 2015, the carrying amount of inventories that were stated at fair value less costs to sell is HK$182,832,411 (2014: HK$247,871,128).

25. INVENTORIES *(Continued)*

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

	2015 HK$	2014 HK$
Carrying amount of inventories sold	**1,999,228,644**	2,049,032,683
Write-down of inventories	**12,717,745**	14,168,434
Reversal of write-down of inventories	**(1,017,215)**	(8,934,266)
	2,010,929,174	2,054,266,851

26. TRADE AND OTHER RECEIVABLES

	2015 HK$	2014 HK$
Trade and bills receivables	**753,064,080**	728,430,834
Less: allowance for impairment of bad and doubtful debts	**87,597,247**	88,770,355
	665,466,833	639,660,479
Other receivables	**84,464,500**	73,440,195
Less: allowance for impairment of bad and doubtful debts	**13,342,798**	18,884,269
	71,121,702	54,555,926
Prepayments	**37,832,443**	49,077,651
Amounts due from related parties	**45,818**	42,750
	774,466,796	743,336,806

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values. In the opinion of the directors, all trade and other receivables are expected to be recovered or recognised as expense within one year.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows an average credit period of 90 days to 120 days for customers. The ageing analysis of the Group's trade and bills receivables, based on the invoiced date and net of allowances, at the end of the reporting period is as follows:

	2015 HK$	2014 HK$
0 to 3 months	**458,964,392**	419,856,904
4 to 6 months	**95,770,987**	95,064,166
7 to 9 months	**26,945,904**	35,324,933
Over 9 months	**83,785,550**	89,414,476
	665,466,833	639,660,479

The movements on the allowance for impairment of bad and doubtful debts of the Group are as follows:

	Trade receivables	
	2015 HK$	2014 HK$
At 1 January	**88,770,355**	84,164,963
Currency realignment	**(4,894,477)**	(244,356)
Impairment loss recognised	**4,379,008**	10,537,680
Unused amounts reversed	**(570,309)**	(3,151,585)
Uncollectible amounts written off	**(87,330)**	(2,536,347)
At 31 December	**87,597,247**	88,770,355

	Other receivables	
	2015 HK$	2014 HK$
At 1 January	**18,884,269**	20,019,714
Currency realignment	**(859,631)**	(64,926)
Impairment loss recognised	**302,414**	792,727
Unused amounts reversed	**(2,070,906)**	(1,749,617)
Uncollectible amounts written off	**(2,913,348)**	(113,629)
At 31 December	**13,342,798**	18,884,269

26. TRADE AND OTHER RECEIVABLES *(Continued)*

The above allowance for impairment of bad and doubtful debts is a provision for individually impaired trade receivables and fully impaired other receivables. The individually impaired trade receivables mainly represent sales made to the PRC customers which have remained long overdue. The fully impaired other receivables relate to debtors that have been long outstanding without settlement or having any business relationship with the Group. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2015, trade and bills receivables of HK$114,069,234 (2014: HK$110,593,206) were impaired. The amount of allowance was HK$87,597,247 as at 31 December 2015 (2014: HK$88,770,355). It is assessed that a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2015	2014
	HK$	HK$
Neither past due nor impaired	**505,003,914**	462,551,686
Less than 6 months past due	**105,020,109**	97,230,969
6 months to 1 year past due	**16,697,246**	19,163,624
1 year to 3 years past due	**11,662,783**	33,152,861
Over 3 years past due	**610,794**	5,738,488
	638,994,846	617,837,628

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

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

Included in trade and other receivables are the following amounts denominated in the following currencies:

	2015	2014
United States Dollars	**25,173,279**	26,165,758
Renminbi	**447,252,403**	390,726,647
Japanese Yen	**69,941,371**	102,769,760

27. OTHER FINANCIAL ASSETS

	2015 HK$	2014 HK$
Held-for-trading investments		
Unlisted unit trust funds, at fair value *(note a)*	**9,012,270**	30,018,229
Financial assets designated as at fair value through profit or loss		
Structured deposits *(note b)*	**–**	119,438,944
Other short-term investment		
Unlisted debt securities *(note c)*	**–**	25,352,720
	9,012,270	174,809,893

Note a: The fair values of the unlisted unit trust funds were based on net asset value of the investment funds at the end of the reporting period provided by the financial institution.

Note b: The structured deposits were designated at fair value through profit or loss on initial recognition as they contained embedded derivatives. The structured deposits were denominated in Renminbi ("RMB") with the aggregate principal amounts of RMB94,070,631 (equivalent to HK$119,438,944) with banks carrying variable expected return ranging from 0% to 7% per annum with maturity period of one year. All structured deposits were fully redeemed at the principal amounts with Nil interest upon their maturities in January and March 2015.

At 31 December 2014, a structured deposit of RMB53,070,631 (equivalent to HK$67,463,244) was pledged to a bank to secure general banking facilities granted to the Group.

The directors considered the fair value of the structured deposits, which were based on the quoted prices provided by the financial institutions at the end of the reporting period, approximate to their carrying values. The change in fair value up to the date of redemption was not significant.

Note c: The debt securities were denominated in RMB with a maturity date of 10 January 2015 and there was no public market for the investment.

The estimated return from the debt securities was 5.25 per annum. The directors considered that the carrying value of other short-term investment approximate to their fair value as at 31 December 2014.

28. CASH AND BANK BALANCES

	2015	2014
	HK$	HK$
Pledged bank deposits *(Note (a))*	**253,695,541**	157,394,267
Cash and cash equivalents *(Note (b))*	**353,871,399**	352,875,341
	607,566,940	510,269,608

(a) **Pledged bank deposits**

Included in pledged bank deposits in the consolidated statement of financial position are the following amounts denominated in the following currency:

	2015	2014
Renminbi	**215,623,330**	123,752,402

(b) **Cash and cash equivalents**

	2015	2014
	HK$	HK$
Bank balances and cash	**353,871,399**	352,875,341

Cash and cash equivalents include the following for the purpose of the consolidated statement of cash flows:

	2015	2014
	HK$	HK$
Bank balances and cash per above	**353,871,399**	352,875,341
Bank overdrafts *(note 30)*	**(26,478,413)**	(23,774,314)
	327,392,986	329,101,027

Included in bank balances and cash in the consolidated statement of financial position are the following amounts denominated in the following currencies:

	2015	2014
United States Dollars	**10,271,821**	6,693,499
Renminbi	**169,795,587**	204,763,605
Japanese Yen	**53,715,385**	88,672,101
Euro Dollars	**64,145**	36,578

29. TRADE AND OTHER PAYABLES

	2015 HK$	2014 HK$
Trade and bills payables	489,310,398	559,083,991
Accruals and other payables	250,918,974	275,197,826
Amounts due to related parties	9,600,000	9,600,000
	749,829,372	843,881,817

The directors consider that the carrying amount of trade and other payables approximates to their fair values. In the opinion of the directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of the Group's trade and bills payables at the end of the reporting period is as follows:

	2015 HK$	2014 HK$
0 to 3 months	347,316,584	424,650,419
4 to 6 months	80,181,561	84,178,212
7 to 9 months	41,500,078	31,839,100
Over 9 months	20,312,175	18,416,260
	489,310,398	559,083,991

Included in trade and other payables are the following amounts denominated in the following currencies:

	2015	2014
United States Dollars	8,201,952	10,392,097
Renminbi	512,526,704	537,167,333
Japanese Yen	109,873,662	107,774,669
Euro Dollars	92,976	136,187

30. BANK BORROWINGS

	2015 HK$	2014 HK$
Non-current		
Bank borrowings		
– secured	**45,225,000**	55,275,000
Current		
Bank borrowings		
– secured	**280,317,528**	229,002,791
– unsecured	**219,778,752**	225,335,254
Bank overdrafts *(note 28)*		
– unsecured	**26,478,413**	23,774,314
	526,574,693	478,112,359
Total borrowings	**571,799,693**	533,387,359

At 31 December 2015, the bank borrowings were repayable as follows:

	2015 HK$	2014 HK$
Within 1 year	**526,574,693**	478,112,359
Between 1 and 2 years	**10,050,000**	10,050,000
Between 2 and 5 years	**35,175,000**	45,225,000
Over 5 years	**–**	–
	571,799,693	533,387,359

The aggregate carrying amount of the Group's bank loans as at 31 December 2015 (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) that have been reclassified as current liabilities is HK$11,111,111 (2014: HK$19,088,078).

These loans are callable by the lenders, but the management does not expect the lenders to exercise their rights to demand repayment in normal circumstances.

The non-current bank borrowings are stated at amortised cost.

The effective interest rate as at 31 December 2015 for bank borrowings and overdrafts is 2.89% per annum (2014: 3.14% per annum).

30. BANK BORROWINGS *(Continued)*

The carrying amounts of borrowings are denominated in the following currencies:

	2015 HK$	2014 HK$
Hong Kong Dollars	461,112,305	426,398,882
Renminbi	110,687,388	106,988,477
	571,799,693	533,387,359

The Group has the following undrawn borrowing facilities:

	2015 HK$	2014 HK$
Floating rate		
– expiring within one year	474,328,500	659,412,661

The facilities expiring within one year are annual facilities subject to review at various dates during 2015.

Bank borrowings are secured by certain buildings and leasehold land and land use rights of the Group (notes 16 and 18).

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$	HK$	**HK$**	HK$
Amounts payable under finance leases:				
Not later than one year	**8,685,442**	9,225,614	**8,285,843**	8,752,156
Later than one year and not later than five years	**8,387,941**	8,410,019	**8,133,955**	8,179,508
	17,073,383	17,635,633	**16,419,798**	16,931,664
Less: Future finance charges	**653,585**	703,969	**N/A**	N/A
Present value of minimum lease payments	**16,419,798**	16,931,664	**16,419,798**	16,931,664
Less: Amount due for settlement within 1 year under current liabilities			**8,285,843**	8,752,156
Amount due for settlement after 1 year			**8,133,955**	8,179,508

It is the Group's policy to lease certain of its plant and machinery under finance leases. The lease term is expiring from three to four years. For the year ended 31 December 2015, the average effective borrowing rate was 2.66% per annum (2014: 2.8% per annum). Interest is charged at one month HIBOR +2.75% to 4.4% per annum (2014: one month HIBOR +1.5% to 4.4% per annum) on the outstanding loan balances. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

32. SHARE CAPITAL

	2015		2014	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Ordinary shares, issued and fully paid:				
At 1 January	**716,930,692**	**532,903,191**	716,930,692	286,772,277
Transition to no-par value regime on 3 March 2014	**–**	**–**	–	246,130,914
At 31 December	**716,930,692**	**532,903,191**	716,930,692	532,903,191

The holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account and the capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622). These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Hong Kong Companies Ordinance (Cap. 622).

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

33. SHARE OPTION SCHEME

On 30 May 2005, the shareholders of the Company adopted a share option scheme (the "Scheme") which expired during the year for the primary purpose of providing incentives to selected participants including directors, full-time employees of the Group, chief executive, associates of executive director or chief executive, consultants, professional and other advisers of the Group (the "Participants"). Under the Scheme, the board of directors of the Company may at its discretion offer options to the Participants to subscribe for shares in the Company at a consideration of HK$1 for each lot of share options granted. Options granted should be accepted within 28 days from the date of grant.

The exercise price is determined by the directors and will not be less than the highest of (i) the closing price of the shares on the date of grant, (ii) the average closing price of the shares for the 5 business days immediately preceding the date of grant, or (iii) the nominal value of the Company's shares.

Unless a prior approval from the Company's shareholders is sought, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 70,622,885 shares, being 10% of the shares of the Company in issue as at the date of shareholders' approval of the Scheme and represents 9.85% of the issued share capital of the Company as at the date of this annual report.

33. SHARE OPTION SCHEME *(Continued)*

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes, must not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Scheme.

The maximum number of shares (issued and to be issued) in respect of which options may be granted to any eligible person in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue, unless a shareholders' approval has been obtained.

During the year ended 31 December 2015, no option was granted, exercised or cancelled, nor were there any outstanding options at the beginning and at the end of the year.

In determining the share option benefit expense, management appointed RHL Appraisal Limited which used The Hull White Trinomial Model (the "Model") to provide a valuation report of the share option benefit expense. The Company has used the Model with the consideration of vesting period and possible exercise pattern to certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. Details of the fair values of share options determined at the date of grant on 24 May 2010 using the Model with the inputs are as follows:

	Directors	**Employees**
Exercise price	HK$0.66	HK$0.66
Dividend yield	Nil	Nil
Expected volatility	68.95%	69.52%
Risk-free-interest rate	1.178%	0.924%
Expected life of option	3	3
Expected multiple	1.05714	1.03928
Closing share price at valuation date	HK$0.66	HK$0.62
Fair value of share option at valuation date	HK$0.033	HK$0.022

The expected volatility, which is based on the approximate weekly historical volatility of closing prices of the share of the Company in the past one year immediately before the date of grant, reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The risk free rates are based on 1 year yield of Hong Kong Exchange Fund Notes as at valuation date. Dividend yield is based on historical dividend trend and expected future dividend policy determined by the Company. Dilution effect is factored for the valuation of the share options based on the outstanding shares as of the valuation date. No other features of options grant were incorporated into the measurement of fair value.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Company-level statement of financial position

	2015 HK$	2014 HK$
Non-current Assets		
Property, plant and equipment	**2,839,125**	3,795,530
Interests in subsidiaries	**1,177,279,574**	1,159,547,227
	1,180,118,699	1,163,342,757
Current Assets		
Other receivables	**2,241,802**	7,343,172
Other financial assets	**–**	119,438,944
Pledged bank deposits	**212,463,982**	103,470,927
Cash and cash equivalents	**41,310,979**	33,524,738
	256,016,763	263,777,781
Current Liabilities		
Other payables	**1,509,805**	1,476,431
Amounts due to subsidiaries	**109,989,196**	111,628,874
Amount due to an associate	**–**	233,912
Bank borrowings	**238,936,546**	191,027,484
	350,435,547	304,366,701
Net Current Liabilities	**(94,418,784)**	(40,588,920)
Net Assets	**1,085,699,915**	1,122,753,837
Capital and Reserves		
Share capital	**532,903,191**	532,903,191
Reserves	**552,796,724**	589,850,646
Total Equity	**1,085,699,915**	1,122,753,837

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 30 March 2016 and is signed on its behalf by:

TANG TO
DIRECTOR

TANG YU, FREEMAN
DIRECTOR

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(b) Movement in components of equity of the Company

	Share premium *(note 34(c))* HK$	Capital redemption reserve *(note 34(c))* HK$	Retained profits *(note 34(d))* HK$	Proposed final dividend HK$	Total HK$
Balance at 31 December 2013	246,094,114	36,800	60,476,689	10,753,960	317,361,563
Profit for the year *(note 12)*	–	–	529,373,957	–	529,373,957
Transition to no-par value regime on 3 March 2014	(246,094,114)	(36,800)	–	–	(246,130,914)
2013 final dividend paid	–	–	–	(10,753,960)	(10,753,960)
Balance at 31 December 2014	-	-	589,850,646	-	589,850,646
Loss for the year *(note 12)*	-	-	(37,053,922)	-	(37,053,922)
Balance at 31 December 2015	-	-	552,796,724	-	552,796,724

(c) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (see note 32). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(d) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), was HK$552,796,724 (2014: HK$589,850,646).

35. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired property, plant and equipment with an aggregate cost of HK$44,176,165 (2014: HK$157,487,871) of which HK$8,500,000 was acquired by means of finance leases (2014: HK$14,198,835). Cash payments of HK$35,676,165 (2014: HK$143,289,036), including those payments of HK$Nil (2014: HK$30,440,550) made as shown in note 36, were made to purchase property, plant and equipment.

36. ACQUISITION OF SUBSIDIARIES

Acquisition of assets through acquisition of subsidiaries

In 2014, Happy Crowd Godown Limited, a wholly-own subsidiary of the Company, entered into sale and purchase agreements with vendors which are independent third parties, to acquire 100% of the issued share capital and shareholders' loans of State Good Inc Limited, Triumph Time Inc Limited, Joint Easy Limited, Citron Holdings Limited and First Cosmos Limited ("Target Companies") at a total consideration of HK$30,440,550. The acquisition was completed on 28 March 2014. Further details were set out in the Company's circular dated 28 March 2014.

The principal activities of the Target Companies are engaged in property investment. On the date of acquisition, the Target Companies had not carried out any significant operations. In the opinion of the directors, the above acquisition did not constitute a business combination in accordance with HKFRS 3 "Business Combination". As such the acquisition was in substance an acquisition of assets, the transaction was accounted for as acquisition of assets through acquisition of subsidiaries.

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

	HK$
Net assets recognised:	
Equitable interest in properties contracted for purchase, net of balance payment of HK$64,327,200 (including deposit and ad valorem stamp duty paid for acquisition of properties of HK$22,345,085)	30,440,550
Shareholders' loans	(22,345,085)
	8,095,465
Add: Assignment of the shareholders' loans	22,345,085
	30,440,550
Satisfied by:	
Cash consideration paid	30,440,550
Net cash outflow on acquisition of subsidiaries:	
Cash consideration paid in cash	30,440,550

Acquisition-related costs of HK$352,864 had been excluded from the consideration transferred and had been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2014.

37. OPERATING LEASE COMMITMENTS

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 which fall due as follows:

	2015 HK$	2014 HK$
Not later than one year	**17,625,975**	17,950,187
Later than one year and not later than five years	**41,530,094**	45,909,232
Later than five years	**54,073,876**	81,967,828
	113,229,945	145,827,247

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and plant and machinery. Leases are negotiated mostly for terms of ranging from 1 to 10 years and rentals are almost fixed for the said term.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	2015 HK$	2014 HK$
Not later than one year	**45,194**	342,750
Later than one year and not later than five years	**33,896**	–
	79,090	342,750

38. CAPITAL COMMITMENTS

	2015 HK$	2014 HK$
Capital expenditure:		
Authorised but not contracted for	**–**	–
Contracted but not provided for	**8,856,602**	5,932,600
	8,856,602	5,932,600

39. CONTINGENT LIABILITIES

In December 2015, a dispute claim for outstanding payment of USD1,050,000 (approximately HK$8,123,000) was brought by the vendor of KFE Hong Kong Co., Limited ("KFE") to a subsidiary of the Group in relating to an alleged breach of payment obligations for the consideration as agreed pursuant to the sale and purchase agreement for the acquisition of the entire issued share capital of KFE in 2013. The directors, based on the advice from the legal counsel, believe that the subsidiary has a valid defence against the claim and, accordingly, has not provided for a claim arising from the litigation, other than the related legal and other costs. The Group has assessed the claim and considered that the ultimate outcome of such litigation will not have a material adverse effect on the financial position of the Group.

Except for the above, the Group does not have any litigations or claims of material importance and, so far as the directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

40. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5.0% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5.0% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Employees who are employed by subsidiaries in the PRC are members of the state-managed pension scheme operated by the PRC government. These subsidiaries are required to contribute 16% – 20% of payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated income statement of HK$24,522,366 (2014: HK$22,686,668) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2015, contributions of HK$2,577,190 (2014: HK$2,729,070) due in respect of the reporting period had not been paid over to the schemes.

41. PLEDGE OF ASSETS

At the end of the reporting period, assets with the following carrying amounts were pledged by the Group to secure general banking facilities:

	2015 HK$	2014 HK$
Buildings	106,000,000	110,800,000
Leasehold land held for own use under finance leases	68,000,000	64,400,000
Leasehold land and land use rights	8,016,075	8,851,816
Plant and machinery	37,647,036	30,195,425
Other financial assets	–	67,463,244
Bank deposits	253,695,541	157,394,267
	473,358,652	439,104,752

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) **Financial instruments by categories**

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables HK$	Available-for-sale financial assets HK$	Financial assets designated as at fair value through profit or loss HK$	Total HK$
Assets as per consolidated statement of financial position				
31 December 2015				
Available-for-sale financial assets	**–**	**733,440**	**–**	**733,440**
Unlisted unit trust funds	**–**	**–**	**9,012,270**	**9,012,270**
Structured deposits	**–**	**–**	**–**	**–**
Unlisted debt securities	**–**	**–**	**–**	**–**
Amounts due from associates	**9,123,454**	**–**	**–**	**9,123,454**
Finance lease receivables	**108,857,286**	**–**	**–**	**108,857,286**
Trade and other receivables	**736,634,353**	**–**	**–**	**736,634,353**
Pledged bank deposits	**253,695,541**	**–**	**–**	**253,695,541**
Cash and cash equivalents	**353,871,399**	**–**	**–**	**353,871,399**
	1,462,182,033	**733,440**	**9,012,270**	**1,471,927,743**
31 December 2014				
Available-for-sale financial assets	–	606,528	–	606,528
Unlisted unit trust funds	–	–	30,018,229	30,018,229
Structured deposits	–	–	119,438,944	119,438,944
Unlisted debt securities	25,352,720	–	–	25,352,720
Amounts due from associates	11,558,089	–	–	11,558,089
Finance lease receivables	36,498,571	–	–	36,498,571
Trade and other receivables	694,259,155	–	–	694,259,155
Pledged bank deposits	157,394,267	–	–	157,394,267
Cash and cash equivalents	352,875,341	–	–	352,875,341
	1,277,938,143	606,528	149,457,173	1,428,001,844

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) **Financial instruments by categories** *(Continued)*

	Financial liabilities at amortised cost
	HK$
Liabilities as per consolidated statement of financial position	
31 December 2015	
Trade and other payables	**652,544,702**
Amounts due to associates	**–**
Bank borrowings	**571,799,693**
Obligations under finance leases	**16,419,798**
Deferred consideration payable	**8,122,834**
Total	**1,248,887,027**
31 December 2014	
Trade and other payables	716,662,946
Amounts due to associates	480,940
Bank borrowings	533,387,359
Obligations under finance leases	16,931,664
Deferred consideration payable	7,876,974
Total	1,275,339,883

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk arising in the normal course of its business and financial instruments. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as summarised below.

(i) Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB, Hong Kong dollars ("HK$"), United States Dollars ("US$") and Japanese Yen ("YEN"). Such exposures arise from sales or purchases by subsidiaries other than the subsidiaries' functional currencies. This currency exposure is managed primarily through sourcing raw materials denominated in the same currency. In addition, certain recognised assets and liabilities are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy.

Certain assets and liabilities of the Group are principally denominated in US$. HK$ is pegged to US$, and thus foreign exchange exposure is considered as minimal.

At 31 December 2015, if HK$ had strengthened/weakened by 10% against the RMB, with all other variables held constant, post-tax loss for the year would have been approximately HK$25,630,000 higher or lower (2014: HK$34,868,000 higher or lower). There will be no impact on other components of equity.

At 31 December 2015, if HK$ had strengthened/weakened by 10% against the YEN, with all other variables held constant, post-tax loss for the year would have been approximately HK$122,000 lower or higher (2014: HK$248,000 higher or lower). There will be no impact on other components of equity.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies. Results of the analysis as presented in above represent an aggregation of the effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2014.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(ii) Interest rate risk

Except for pledged bank deposits, short-term bank deposits and cash and cash equivalents (note 28), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime or HIBOR arising from the Group's borrowings denominated in HK$ and RMB.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates and finance lease receivables expose the Group to fair value interest-rate risk. Details of the Group's borrowings and finance lease receivables have been disclosed in note 30 and 23 respectively.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowings when it has surplus funds.

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

At 31 December 2015, if interest rates on HK$-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$2,202,000 higher/lower (2014: HK$2,065,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2015, if interest rates on RMB-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$412,000 higher/lower (2014: HK$447,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The above changes in interest rates represent management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2014.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in its available-for-sale financial assets. As the Group's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Group's financial position. The Group is not exposed to commodity price risk.

(iv) Credit risk

The Group's credit risk is principally attributable to trade and other receivables, finance lease receivables and amounts due from associates.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. It also sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

Before accepting any new finance lease borrowers, the Group assesses the credit quality of each potential finance lease borrower and defined limits for each finance lease borrower. The Group also demands certain finance lease borrowers to place security deposits with the Group at the time the finance lease arrangement is entered into. In addition, the Group has reviewed the repayment history of finance lease payments from each finance lease borrower with reference to the repayment schedule from the date of finance lease was initially granted up to the end of the reporting period to determine the recoverability of a finance lease receivable.

The credit risk on bank balances is limited because the counterparties are reputable banks with high quality external credit ratings in Hong Kong and the PRC.

(v) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(v) Liquidity risk (Continued)

The tables below categorised the Group's financial liabilities into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The tabulated amounts are the contractual undiscounted cash flow payments of the Group.

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
At 31 December 2015					
Trade and other payables	**652,544,702**	**–**	**–**	**–**	**652,544,702**
Amounts due to associates	**–**	**–**	**–**	**–**	**–**
Deferred consideration payable	**8,169,000**	**–**	**–**	**–**	**8,169,000**
Obligations under finance leases	**8,722,833**	**5,612,530**	**2,738,019**	**–**	**17,073,382**
Bank borrowings	**534,833,706**	**10,811,528**	**35,995,410**	**–**	**581,640,644**
	1,204,270,241	**16,424,058**	**38,733,429**	**–**	**1,259,427,728**
At 31 December 2014					
Trade and other payables	716,662,946	–	–	–	716,662,946
Amounts due to associates	480,940	–	–	–	480,940
Deferred consideration payable	5,057,000	3,112,000	–	–	8,169,000
Obligations under finance leases	9,225,614	5,784,405	2,625,614	–	17,635,633
Bank borrowings	481,799,907	11,002,947	46,811,933	–	539,614,787
	1,213,226,407	19,899,352	49,437,547	–	1,282,563,306

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

– Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

– Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair values measured using significant unobservable inputs.

		Fair value measurements as at 31 December 2015 categorised into		
	Fair value	Level 1	Level 2	Level 3
	HK$	HK$	HK$	HK$
Recurring fair value measurements				
Assets:				
Available-for-sale financial assets				
– Listed shares	733,440	733,440	–	–
Other financial assets				
– Structured deposits	–	–	–	–
– Unlisted unit trust funds	9,012,270	–	9,012,270	–

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy *(Continued)*

		Fair value measurements as at 31 December 2014 categorised into		
	Fair value	Level 1	Level 2	Level 3
	HK$	HK$	HK$	HK$
Recurring fair value measurements				
Assets:				
Available-for-sale financial assets				
– Listed shares	606,528	606,528	–	–
Other financial assets				
– Structured deposits	119,438,944	–	119,438,944	–
– Unlisted unit trust funds	30,018,229	–	30,018,229	–

The fair values of structured deposits in level 2 are determined using quoted prices provided by financial institutions.

The fair values of unlisted unit trust funds in level 2 are based on net asset value of the investment funds at the end of the reporting period provided by the financial institution.

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

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

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

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the total debts ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current liabilities and non-current liabilities. Total capital includes total borrowings and total equity as shown in the consolidated statement of financial position.

The total debts ratios at 31 December 2015 and 2014 are as follows:

	2015 **HK$**	2014 HK$
Current liabilities	**1,299,120,028**	1,342,776,738
Non-current liabilities	**79,281,222**	93,150,869
Total borrowings	**1,378,401,250**	1,435,927,607
Total equity	**1,567,819,417**	1,677,621,514
Total capital	**2,946,220,667**	3,113,549,121
Total debts ratio	**47%**	46%

Neither the Company nor any of its subsidiaries are subject to externally or internally imposed capital requirements.

43. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year, the Group had significant transactions with the following related parties, together with balances with them as at the end of the reporting period, details of which are as follows:

	Notes	2015 HK$	2014 HK$
Substantial shareholder and its subsidiaries:			
EDP charges received *(note i)*		**183,600**	183,600
Company controlled by certain directors' relatives:			
EDP charges received *(note i)*		**51,600**	51,600
Management fee paid *(note i)*		**996,000**	996,000
Non-controlling shareholders:			
Balances due from the Group as at the end of the reporting period *(note ii)*	*29*	**9,600,000**	9,600,000
Associates:			
Balances due from the Group as at the end of the reporting period *(note ii)*		**–**	480,940
Balances due to the Group as at the end of the reporting period *(note ii)*	*21*	**9,123,454**	11,558,089
Compensation of key management personnel of the Group *(note iii)*:			
Salaries and other short-term employee benefits		**16,166,370**	22,203,162

Further details of directors' and the chief executive's emoluments are included in note 10 to the consolidated financial statements.

Notes:

(i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.

(ii) The balances are unsecured, interest free and have no fixed terms of repayment.

(iii) Key management personnel whose profiles are included in Directors and Senior Management Profile section of this report.

(iv) No transaction, arrangement or contract of significance to which the Company was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the reporting period.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company*/ subsidiaries %	Proportion of nominal value of issued share capital/registered capital attributable to the Group %	Principal activities
Cosmos Machinery Limited	Hong Kong	Hong Kong	HK$10,000,000	100.00	100.00	Investment holding
Cosmos Machinery International Limited	Hong Kong	Hong Kong	HK$32,000,000	100.00*	100.00	Trading of Industrial machinery, equipment and supplies and investment holding
Cosmos Machinery (Dongguan) Trading Co., Ltd. *(note a)*	The PRC	The PRC	HK$5,000,000	100.00	100.00	Trading of machinery
Cosmos Machinery (Wuxi) Trading Co., Ltd. *(note a)*	The PRC	The PRC	HK$5,000,000	100.00	100.00	Trading of machinery
Dekuma Rubber and Plastic Technology (Dongguan) Limited *(note a)*	The PRC	The PRC	HK$24,000,000	100.00	100.00	Manufacturing and trading of machinery
Dongguan Great Wall Optical Plastic Works Co., Ltd. *(note a)*	The PRC	The PRC	HK$20,000,000	100.00	100.00	Manufacturing of microscopes and magnifiers with acrylic lenses
Dong Hua Machinery Ltd. *(note b)*	The PRC	The PRC	RMB146,199,955	75.56	75.56	Manufacturing and trading of machinery
Gainbase Industrial Limited	Hong Kong	Hong Kong	HK$10,000	100.00	52.00	Trading of printed circuit boards
Grand Technology Products Limited	Hong Kong	Hong Kong	HK$9,500,000	100.00	100.00	Investment holding
Jackson Equities Incorporated	British Virgin Islands	Hong Kong	US$2	100.00*	100.00	Investment holding
Karmay Industrial Limited	Hong Kong	Hong Kong	HK$14,979,444	100.00	100.00	General trading and investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company*/ subsidiaries %	Proportion of nominal value of issued share capital/registered capital attributable to the Group %	Principal activities
Karmay Plastic Products (Zhuhai) Co., Ltd. *(note a)*	The PRC	The PRC	HK$16,800,000	100.00	100.00	Manufacturing of plastic products
Melco Industrial Supplies Company Limited	Hong Kong	Hong Kong	HK$1,500,000	100.00	100.00	Trading of industrial equipment and screws
美高工業器材(上海)有限公司 *(note a)*	The PRC	The PRC	US$600,000	100.00	100.00	Trading of industrial equipment and screws
Guangzhou Melco Industrial Supplies Co., Ltd. (note a)	The PRC	The PRC	US$400,000	100.00	100.00	Trading of industrial equipment and screws
東莞明新塑膠製品有限公司 *(note a)*	The PRC	The PRC	RMB34,000,000	100.00	100.00	Manufacturing and trading of moulds and plastic wares
Shenzhen Gainbase Printed Circuit Board Co., Ltd. *(note a)*	The PRC	The PRC	HK$140,000,000	100.00	52.00	Manufacturing of printed circuit boards
Welltec Machinery Limited	Hong Kong	Hong Kong	HK$10,000,000	100.00	100.00	Trading of Machinery
KFE Hong Kong Co., Limited	Hong Kong	Hong Kong	US$7,776,000	100.00	52.00	Trading of laminates and printed circuit board
Wu Xi Grand Tech Machinery Group Ltd. *(note a)*	The PRC	The PRC	US$9,586,000	100.00	100.00	Manufacturing and trading of machinery
Wu Xi Grand Plastic Machine Manufacture Co., Ltd. *(note a)*	The PRC	The PRC	US$2,850,000	100.00	100.00	Manufacturing and trading of machinery
合肥大同格蘭塑業有限公司 *(note a)*	The PRC	The PRC	HK$56,000,000	100.00	100.00	Manufacturing of plastic products

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(a) The companies are registered in the form of wholly-owned foreign investment enterprises.

(b) The companies are registered in the form of sino-foreign cooperative enterprises.

The above table lists out the subsidiaries of the Group which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt capital in issue at the end of the year or at any time during the year.

The following table lists out the information relating to all subsidiaries of Major Success Company Limited, which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2015 **HK$**	2014 HK$
NCI percentage	**48%**	48%
Current assets	**385,923,657**	381,747,842
Non-current assets	**178,226,220**	188,992,477
Current liabilities	**(260,226,523)**	(258,808,972)
Non-current liabilities	**–**	(24,220,579)
Equity	**303,923,354**	287,710,768
Carrying amount of NCI	**145,883,210**	138,101,169
Revenue	**845,766,446**	856,609,291
Profit for the year	**33,517,774**	52,171,413
Total comprehensive income	**29,212,587**	52,001,333
Profit allocated to NCI	**16,088,532**	25,042,278
Cash generated from operating activities	**55,749,145**	66,854,784
Cash used in investing activities	**(18,161,167)**	(20,106,789)
Cash used in financing activities	**(19,607,826)**	(20,211,341)

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

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been early adopted in these consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial performance and position and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

In addition, the following developments may result in new or amended disclosures in the consolidated financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
Amendments to HKFRSs, Annual improvements to HKFRSs 2012–2014 cycle	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41, Agriculture: bearer plants	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2018
HKFRS 9, Financial instruments	1 January 2018

FINANCIAL SUMMARY

INCOME STATEMENT

	For the year ended 31 December,				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	2,416,690	2,121,595	2,465,110	2,492,729	**2,395,166**
Profit (Loss) before taxation	49,665	(2,861)	119,121	(351)	**(26,662)**
Taxation	(15,152)	(10,277)	3,904	(7,583)	**(12,156)**
Profit (Loss) for the year	34,513	(13,138)	123,025	(7,934)	**(38,818)**
Non-controlling interests	7,934	11,037	14,635	25,367	**10,783**
Profit (Loss) attributable to equity shareholders of the Company	26,579	(24,175)	108,390	(33,301)	**(49,601)**

STATEMENT OF FINANCIAL POSITION

	At 31 December,				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	2,828,914	2,826,138	3,090,854	3,113,549	**2,946,221**
Total liabilities	(1,238,454)	(1,248,236)	(1,392,328)	(1,435,927)	**(1,378,401)**
Total equity	1,590,460	1,577,902	1,698,526	1,677,622	**1,567,820**
Non-controlling interests	189,005	198,965	213,418	234,822	**232,507**

大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED

REGISTERED OFFICE

10/F., Billion Plaza 2
No. 10 Cheung Yue Street
Cheung Sha Wan
Kowloon
Hong Kong
Tel : 2376-6188
Fax : 2375-9626
Website : www.cosmel.com
E-mail : cmel@cosmel.com

註冊辦事處

香港九龍
長沙灣長裕街10號
億京廣場2期10樓
電話：2376-6188
傳真：2375-9626
網址：www.cosmel.com
電郵：cmel@cosmel.com