



SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)



ANNUAL REPORT 2015



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Corporate Information

DIRECTORS

Executive Directors:

Lim Kia Hong
(Chairman and Chief Executive Officer)
Lim Kiah Meng (Vice-chairman)
Lim Hwee Hai
Lim Hwee Noi

Independent Non-executive Directors:

Lee Hiok Chuan
Ong Wui Leng
Ma Shiu Sun, Michael

COMPANY SECRETARY

Chiu Lai Chun, Rhoda

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

803 Nine Queen's Road Central
Hong Kong
Telephone: (852) 2138 3938
Fax: (852) 2138 3928

STOCK CODE

00529

INVESTOR RELATIONS

www.sisinternational.com.hk
enquiry@sis.com.hk

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
DBS Bank Ltd
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank (Hong Kong) Ltd.
The Tokyo Star Bank, Limited
United Overseas Bank Limited

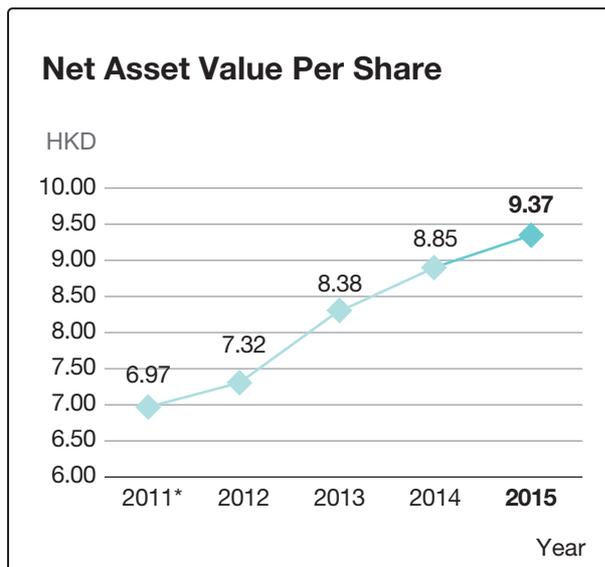
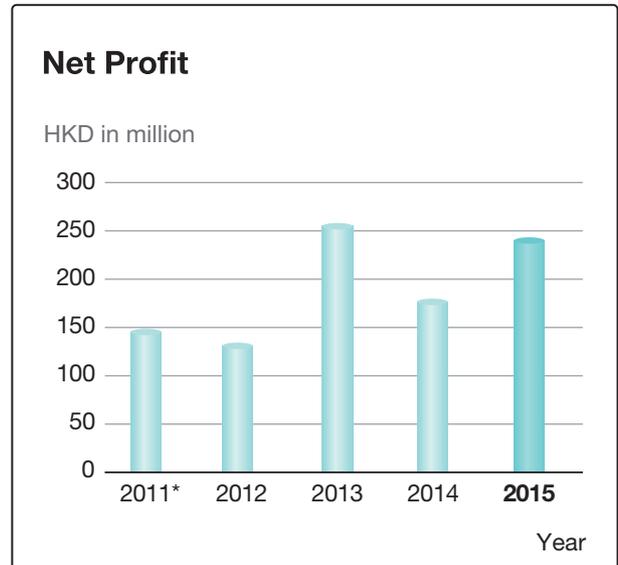
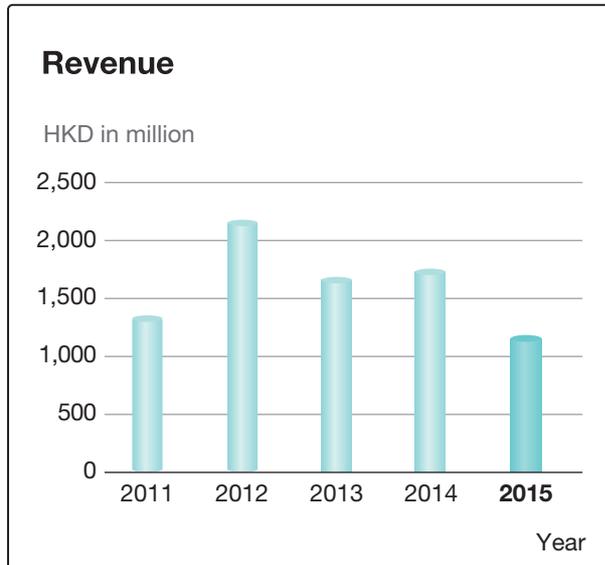
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Financial Highlights



* Figure are restated

History & Milestones of SiS

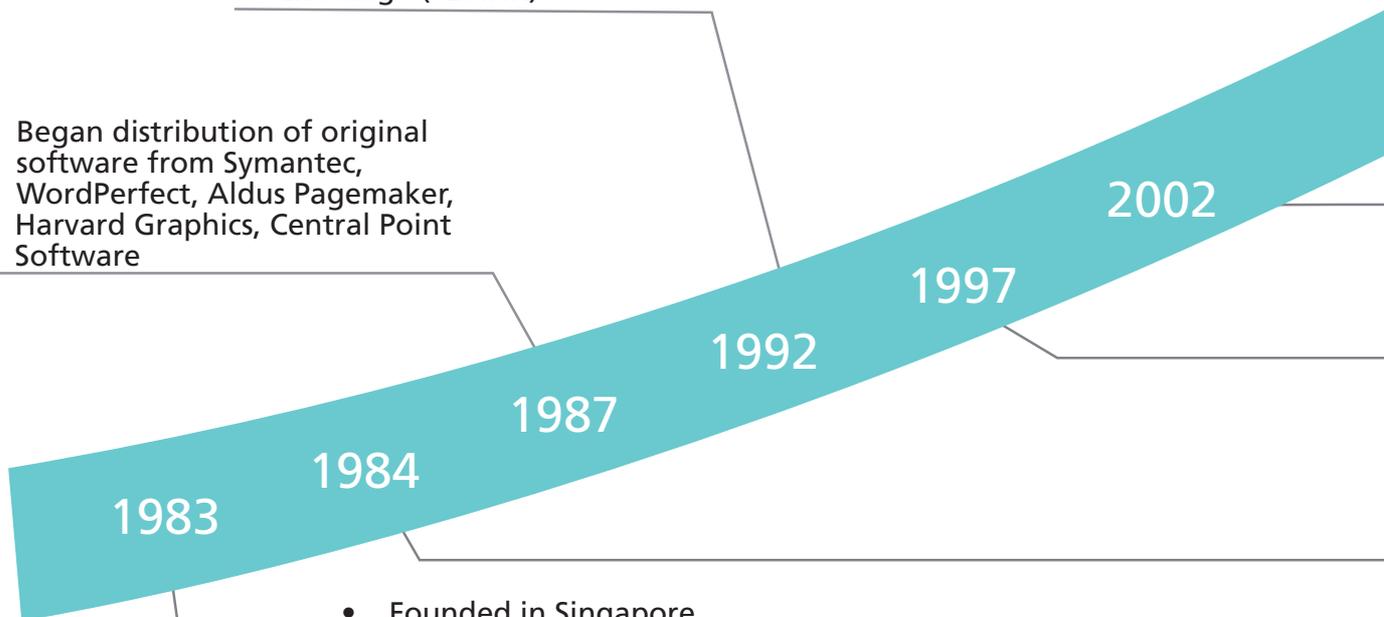


- SiS Thailand listed on Thailand Stock Exchange (SIS.TH)



- SiS listed on the main board of the Hong Kong Stock Exchange (529.HK)

- Began distribution of original software from Symantec, WordPerfect, Aldus Pagemaker, Harvard Graphics, Central Point Software



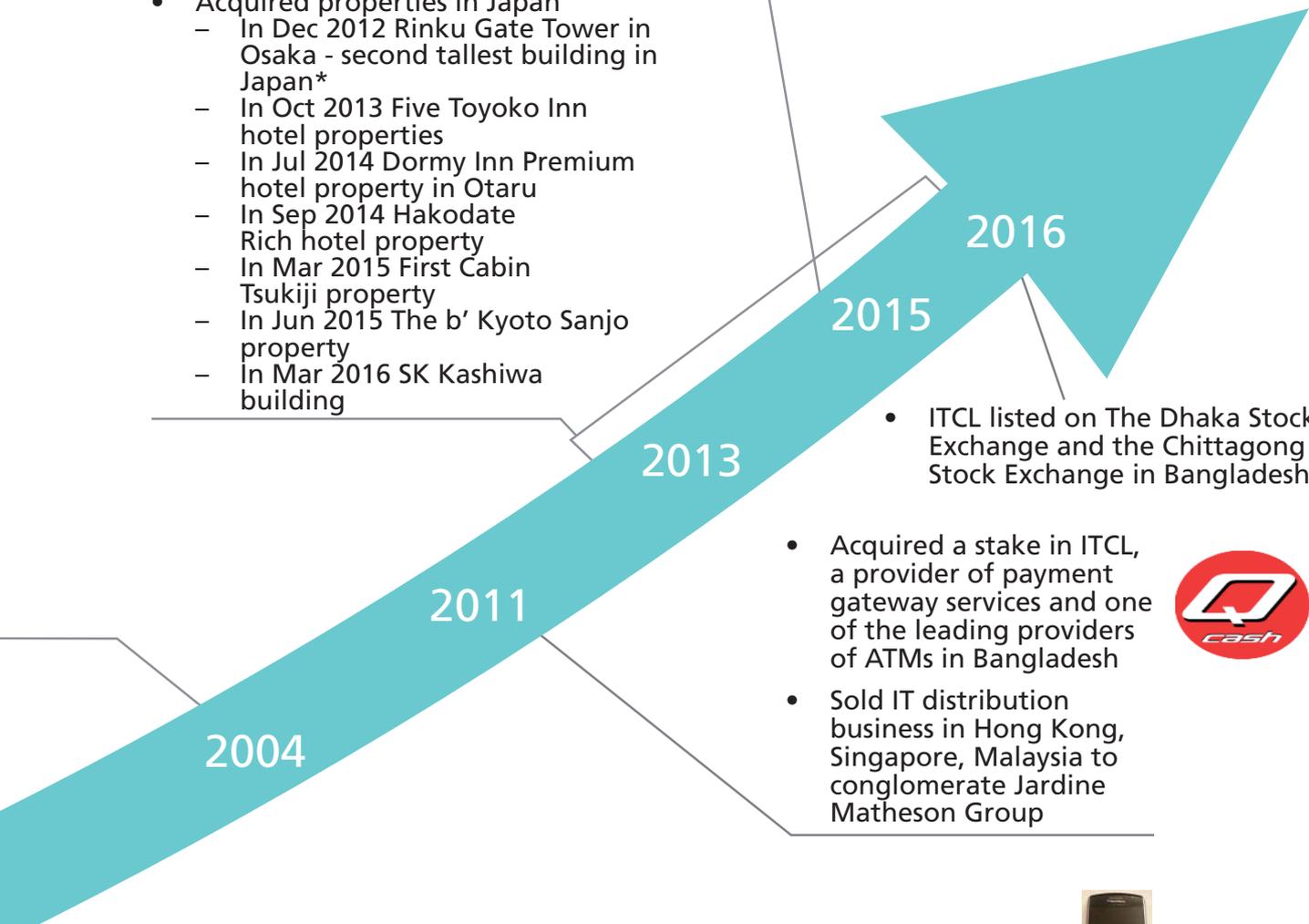
- Founded in Singapore
- Became distributor for Dyson floppy disk in 1983 and 3Com network in 1984 and started building a reseller base





- SiS Mobile Holdings Limited listed on the main board of Hong Kong Stock Exchange (1362.HK)

- Acquired properties in Japan
 - In Dec 2012 Rinku Gate Tower in Osaka - second tallest building in Japan*
 - In Oct 2013 Five Toyoko Inn hotel properties
 - In Jul 2014 Dormy Inn Premium hotel property in Otaru
 - In Sep 2014 Hakodate Rich hotel property
 - In Mar 2015 First Cabin Tsukiji property
 - In Jun 2015 The b' Kyoto Sanjo property
 - In Mar 2016 SK Kashiwa building



- ITCL listed on The Dhaka Stock Exchange and the Chittagong Stock Exchange in Bangladesh

- Acquired a stake in ITCL, a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh
- Sold IT distribution business in Hong Kong, Singapore, Malaysia to conglomerate Jardine Matheson Group



- Began to introduce smartphones in Asia



- Sold a 80% stake in SiS Distribution Ltd. to CHS Electronics

- Introduced AST peripherals and Tallgrass' tape drives to new IBM and Apple resellers



* according to information from web-based free encyclopedia Wikipedia, which is modified on 23 November 2012.

Message from the Chairman and CEO



Dear Shareholders,

I am pleased to present to our shareholders results of the Group for the year ended 31 December 2015. Total net profit for the year increased to HK\$239,313,000 from HK\$175,867,000. Net assets value per share increased from HK\$8.85 to HK\$9.37.

Sales revenue for the year ended 31 December 2015 for the Group decreased to HK\$1,146 million from HK\$1,717 million while the gross profit increased to HK\$170,227,000 from HK\$151,957,000.

2015 has been such an exciting year for SiS as we continue to transform. Our unique value proposition as a value builder and value creator is taking shape in each of our business segments – SiS Real Estate, SiS Distribution, SiS Investment, as well as our latest addition SiS Asset Management. We continue our strategy to build, grow and unlock the value of our businesses and investments, and make a difference to the companies we own or invest in.

BUSINESS REVIEW

Real Estate Investments Business

During the year, the Group acquired two additional hotel properties in Japan and also an entire commercial office floor at Admiralty in Hong Kong; together with the assets appreciation in both markets, the carrying value of the Group's real estate investment portfolio increased from HK\$2,016 million to HK\$2,795 million and generated a segment profit of HK\$100 million (excluding gain from change in fair value) as compared to HK\$78 million in last year.

The momentum on real estate continues. The Group's has built a sizeable portfolio of income-generating properties with long term potential for the capital appreciation has contributed positively to the net results of the Group. In addition to the investment in the iconic Sky Scrapper Rinku Gate Tower Building in Osaka Japan, the Group also acquired the trust beneficial interests in Toyoko Inn with five hotel properties located in various cities in Japan in 2013, Dormy Inn Premium Hotel located in Otaru and Rich Hotel located in Hakodate in 2014, and First Cabin Tsukiji located in Tokyo in 2015. The Group also purchased the real estate The b' Kyoto Sanjo located in Kyoto in 2015. By the end of 2015, the Group holds trust beneficial interests/real estate in ten hotel properties in total.

Message from the Chairman and CEO

Distribution Business

Changes continue to take place rapidly in the IT world; demand for storage, networking and infrastructure products will be higher in the foreseeable future. In additions to the distribution of mobility products, the Group has begun distributing such IT products in Hong Kong since 2014. We will continue to acquire new products from world renowned vendors and create value for vendors through our vast network of IT resellers, retailers and mobile operators.

As a result of intense competition in IT and mobility products and a weaker retail market in Hong Kong, the revenue from mobile & IT distribution reduce 36% from HK\$1,532 million to HK\$986 million with a segment profits of HK\$3 million for the year 2015.

Investment in IT, securities and other Businesses

Our associated company, SiS Distribution (Thailand) Public Company Limited continued to perform and contributed HK\$18 million to the Group, despite of the political and economic challenges in Thailand.

Information Technology Consultants Limited (“ITCL”) is a leading consultant and provider of financial services, payment gateway, ATM, mobile payments & banking solutions in the rapidly evolving area of electronic payments, mobile payment, e-commerce, m-commerce and internet banking. To continue to create and unleash the value for shareholders, the Group successfully spun off and listed ITCL on two Stock Exchanges in Bangladesh in January 2016.

Accordingly, the Group’s equity interest in ITCL has been diluted from 43.6% to 37.6% and reclassified as interest in associate at year ended 31 December 2015. The Group reported HK\$19 million deemed gain on disposal of ITCL.

As Bangladesh’s economy continues to grow and electronic payment companies such as Apple pay, Google pay and Alipay continue to expand their businesses globally, we believe electronics & mobile payment business will gain momentum in Bangladesh and open up new opportunities for the Group.

The Group’s Investment Business includes investment in securities of listed corporations as well as securities in unlisted companies for a mid to long-term period. Ever since 1999, investment in securities business has always been part of the overall business of the Group. Following its internal investment policy and procedure and with the assistance of the Board, the Group has invested in more than 30 listed and unlisted securities since 1999. These investments entitled the Group to receive dividends and to realise profits by selling the securities at a price higher than the initial purchase price. The investments of the Group are made based on analysis of the long term growth potential of the securities, the then current market condition, market trend and the past performance of the potential securities. From the period between 2000 to 2010, the Group has invested in 11 securities with long-term growth potential. From the period between 2011 to 2016, the Group has further invested in 20 securities. Most of the invested securities has been held by the Group for a relatively long-term of 3 years. During the year 2015, the Group disposed our investment in a corporation engaged in social media and an IT company providing network security appliances. The disposal contributed a total profit of HK\$38 million for the year ended 31 December 2015. The Group will continue to seek and explore investment opportunities to strength its existing investment portfolios.

Message from the Chairman and CEO

PROSPECT

Every challenge presents new opportunity. Despite the challenging and unstable global economic outlook for the year 2016, the Group is cautiously moving ahead with confidence.

Since the founding of SiS in 1983, the Group continues to evolve and transform. We have built a world class distribution company in Asia. We will continue with the momentum on our transformation to build a dynamic group with key interests in Real Estate, Distribution, Investment and Asset Management.

Building on the Momentum

In January 2015, we successfully listed SiS Mobile Holdings Limited on the Hong Kong Stock Exchange (HK Stock Code: 1362) with good results, the shares being 172 times oversubscribed. Building on the momentum in January 2016, we successfully listed ITCL on two stock exchanges in Bangladesh and received overwhelming results with the shares 67 times oversubscribed.

We have also added a new business arm to our portfolio – SiS Asset Management was launched in January 2016 as a newly set up fund management firm in Singapore and a Registered Fund Management Company (“RFMC”) under the Monetary Authority of Singapore. Its maiden real estate private equity fund – the SiS Real Estate Opportunity Fund (the “Fund”) – seeks to invest in distressed or undervalued real estate opportunities arising from a softening property market and weakening global macroeconomic conditions.

We believe that the Fund offers accredited investors unique access to real estate private equity opportunities, allowing them to invest opportunistically with smaller denominations.

APPRECIATION

We would like to thank our committed staff for their contributions, our customers, business partners, shareholders and directors for their support in SiS. Transformation would have been successful without the dedication, contributions of the staff and the confidence from our business partners.

On behalf of the Board

LIM Kia Hong
Chairman & CEO

Hong Kong, 15 March 2016

Financial Discussion and Analysis

FINANCIAL DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2015, the Group had total assets of HK\$4,334,643,000 which were financed by total equity of HK\$2,599,163,000 and total liabilities of HK\$1,735,480,000. The Group had a current ratio of approximately 1.0 compared to that of approximately 1.6 at 31 December 2014.

As at year end 2015 the Group had HK\$844,945,000 (2014: HK\$821,105,000) bank balances and cash of which HK\$455,029,000 (2014: HK\$493,522,000) was pledged to banks to secure bank loans. The Group's working capital requirements were mainly financed by internal resources and bank loans. As at 31 December 2015, the Group had short term loans and bank overdrafts of total HK\$945,272,000 (2014: HK\$476,934,000) and long term loans and bonds of HK\$474,560,000 (2014: HK\$419,020,000). The borrowings were mainly denominated in Japanese Yen and Hong Kong Dollar and charged by banks at floating interest rates.

At the end of December 2015, the Group had a net cash deficit (bank balances and cash, including pledged deposits less bank loans, bank overdrafts and bonds) of HK\$574,887,000 compared to cash deficit of HK\$74,849,000 as at 31 December 2014.

Gearing ratio, as defined by total bank loans, overdrafts and bonds to total equity as at 31 December 2015 was 55% (2014: 37%).

Charges on Group Assets

At the balance sheet date, the Group's had pledged deposits of HK\$455,029,000 (2014: HK\$493,522,000) and investment properties with carrying value of HK\$2,288,456,000 (2014: HK\$1,436,778,000) were pledged to secure bank loans and general banking facilities granted to the Group and for purchase of investment properties. Certain shares of subsidiaries have been pledged to the banks as at 31 December 2014 and 2015 to secure several banking facilities available to the Group.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes

After the deemed disposal of a subsidiary in early December 2015, the number of staff of the Group as at 31 December 2015 became 94 (2014: 308). The salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$41,138,000 (2014: HK\$33,621,000) for the year ended 31 December 2015. In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2015, share options of 377,779 have been exercised and the weighted average closing share price immediately before dates of exercise of the share options were HK\$3.82. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Financial Discussion and Analysis

Environmental, Social and Corporate Responsibility

As a responsible company, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationship with its employees, has enhanced cooperation with its vendors and has provided high quality products and services to its customers and resellers so as to ensure sustainable development.

Currency Risk Management

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 31 December 2015, the Group had outstanding forward contracts of notional amount HK\$327,600,000 (2014: HK\$179,400,000) which were measured at fair value at the reporting date.

Contingent Liabilities

The Company's corporate guarantees extended to two banks as security for banking facilities to the Group amounted to total HK\$229,000,000 (2014: HK\$168,072,000).

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code (with subsequent amendments) which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the “Code”) as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Material deviations from the Code are explained in the report below.

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board currently comprised of four Executive Directors, namely Messrs. Lim Kia Hong (Chairman and Chief Executive Officer), Lim Kiah Meng, Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the “INED”), namely, Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael. Messrs. Lim Kia Hong and Lim Kiah Meng, and Madam Lim Hwee Noi are brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director and relationship between board members are set out on pages 17 to 18 of the annual report.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED has more than twenty years experience in corporate banking, corporate finance and management.

The INEDs Mr. Lee Hiok Chuan and Ms. Ong Wui Leng are not appointed with a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Bye-Laws 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less than exacting than those in the Code.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything therein, the Chairman of the Board and Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the position of chairman shall be elected after the next Annual General Meeting. Also in view of the small number of the total Directors of the Company, the deviation is not material.

Corporate Governance Report

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Lim Kia Hong who is responsible for the charting of corporate strategies and direction of the Group. As Chairman of the Board, Mr. Lim provides leadership and plays a pivotal role fostering constructive dialogue between the Board, shareholders and management. As the Vice Chairman of the Board, Mr. Lim Kiah Meng plays a key role in developing operating policies and business development and ensures the effectiveness and efficiency of the business operations of the Group. According to the Bye-Laws of the Company, the position of chairman and vice-chairman shall be elected after next Annual General Meeting to be held on 27 May 2016. The deviation from the Code A.2.1 is considered acceptable.

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall made recommendation to the Board whenever they consider appropriate. During the year 2015, the Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

The Board has established three Committees. The table below provides membership information of these Committees on which certain Board members serve:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Lim Kia Hong	–	C	M
Mr. Lim Kiah Meng	–	M	M
Mr. Lee Hiok Chuan	M	M	M
Ms. Ong Wui Leng	C	M	C
Mr. Ma Shiu Sun, Michael	M	M	M

Notes:

C – Chairman of the relevant Committee

M – Member of the relevant Committee

AUDIT COMMITTEE

The Audit Committee is comprised of all INED. Ms. Ong Wui Leng was appointed as the Chairman of the Audit Committee.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

Corporate Governance Report

The Audit Committee has met four times during the year ended 31 December 2015 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 28 March 2012 and is comprised of all INED and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng. Mr. Lim Kia Hong is the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independency of independent non-executive directors; and
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

A meeting was held during the year ended 2015 to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive directors.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng, with Ms. Ong Wui Leng as Chairman from 27 March 2012 onwards.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. Two meetings were held during the year ended 31 December 2015, and the members had reviewed the remuneration policy, determined remuneration of Directors and approved the grant of share options.

DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct") with subsequent amendments thereafter. The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

Corporate Governance Report

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 31 and 32.

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	Service fee <i>HK\$'000</i>
Audit services	1,250
Tax advisory	22
Listing and other services	575
	<u>1,847</u>

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2015:

	General Meeting	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meeting during the year	(1)	(10)	(4)	(1)	(2)
Executive Directors					
Lim Kia Hong	1	9	N/A	1	2
Lim Kiah Meng	1	10	N/A	1	2
Lim Hwee Hai	1	10	N/A	N/A	N/A
Lim Hwee Noi	1	10	N/A	N/A	N/A
Independent Non-Executive Directors					
Lee Hiok Chuan	1	10	4	1	2
Ong Wui Leng	1	10	4	1	2
Ma Shiu Sun, Michael	1	10	4	1	2

Corporate Governance Report

INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the risk management and internal control systems periodically and enhance the systems when necessary. The Company has internal audit functions. The internal auditors reviewed the internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct a review of the effectiveness of the systems of the risk management and internal control of the Group during the year. The Directors considered that the internal control systems effective and adequate.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. The Company had organised a seminar regarding the listing rules for the directors in 2015. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials.

During the year, the Directors participated in continuous professional development activities as set out below:

	Attending trainings/ briefings/ seminars
Executive Directors	
Lim Kia Hong	✓
Lim Kiah Meng	✓
Lim Hwee Hai	✓
Lim Hwee Noi	✓
Independent Non-Executive Directors	
Lee Hiok Chuan	✓
Ong Wui Leng	✓
Ma Shiu Sun, Michael	✓

COMPANY SECRETARY

Ms. Chiu Lai Chun, Rhoda has been appointed as company secretary of the Company since 2004. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2015.

Corporate Governance Report

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange of Hong Kong; (d) meeting with investment fund manager and investors; and (e) the Company's web-site providing an electronic means of communication.

The shareholders' meeting in 2015 was the annual general meeting held on 26 June 2015 at Kellett Room III, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2014; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

During the year under review, the Company has not made any changes to its Bye-Laws. An up to date version of the Company's Bye-Laws is available on web-sites of the Company and the Stock Exchange of Hong Kong. Shareholders may refer to the Company's Bye-Laws for further details of their rights.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Bye-Laws, a special general meeting shall be convened on the written requisition of any two or more shareholders holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a general meeting other than an annual general meeting or a meeting for the passing of special resolutions shall be called by notice in writing of not less than a period which is the longer of fourteen days and ten clear business days.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

803 Nine Queen's Road Central, Hong Kong
Fax: (852) 2138 3928
Email: enquiry@sis.com.hk

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company (www.sisinternational.com.hk) and the Stock Exchange of Hong Kong (www.hkexnews.hk) immediately after the relevant general meetings.

Directors' Profiles

EXECUTIVE DIRECTORS

LIM Kia Hong, aged 59, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of the leading distributors of I.T. products in the Group's key market of Hong Kong, Singapore and Thailand and a publicly listed company on the Stock Exchange of Hong Kong. He is responsible for the corporate planning, development and public relation of the Group.

Mr. Lim is also the chairman and non-executive director of SiS Mobile Holdings Limited, a company whose shares are listed on Stock Exchange on 15 January 2015 (HK Stock code: 1362). Since 2004, he has also been a non-executive director of SiS Distribution (Thailand) Public Co., Ltd., a company whose shares are listed on the Stock Exchange of Thailand (BKK stock code: SIS). Mr. Lim is also a director of Information Technology Consultants Limited, a company whose shares are listed on The Dhaka Stock Exchange ("DSE") and The Chittagong Stock Exchange ("CSE") on 10 January 2016 (DSE stock code: ITC, CSE stock code: ITC). He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2015.

LIM Kiah Meng, aged 63, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, joined the Group in 1986. He has over twenty years' experience in the I.T. industry, and is responsible for the Group's operations in Hong Kong, Japan, Singapore and the PRC. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking.

Mr. Lim is also an executive director of SiS Mobile Holdings Limited, a company whose shares are listed on Stock Exchange on 15 January 2015 (HK Stock code: 1362). Since 2013, he has also been a non-executive director of SiS Distribution (Thailand) Public Co., Ltd., a company whose shares are listed on the Stock Exchange of Thailand (BKK stock code: SIS). Mr. Lim is also a director of Information Technology Consultants Limited, a company whose shares are listed on DSE and CSE on 10 January 2016 (DSE stock code: ITC, CSE stock code: ITC). He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2015.

Directors' Profiles

LIM Hwee Hai, aged 66, the spouse of Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Kia Hong and Mr. Lim Kiah Meng, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has over thirty years' experience in the I.T. industry and is responsible for the Group's operations in Thailand and the Asia-Pacific region.

Mr. Lim is also a non-executive director of SiS Mobile Holdings Limited, a company whose shares are listed on Stock Exchange on 15 January 2015 (HK Stock code: 1362). Since 2004, he has been a non-executive director of SiS Distribution (Thailand) Public Co., Ltd., a company whose shares are listed on the Stock Exchange of Thailand (BKK stock code: SIS). Mr. Lim is also a director of Information Technology Consultants Limited, a company whose shares are listed on DSE and CSE on 10 January 2016 (DSE stock code: ITC, CSE stock code: ITC). Since 2013, Mr. Lim has also been an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore (SGX: T6I). He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2015.

LIM Hwee Noi, aged 65, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a Chartered Accountant in Singapore for more than thirty years. Madam Lim is also a director of Information Technology Consultants Limited, a company whose shares are listed on DSE and CSE on 10 January 2016 (DSE stock code: ITC, CSE stock code: ITC). She is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Hiok Chuan, aged 81, joined the Group in 1992 and is an investment consultant in Hong Kong. Mr. Lee has over forty years' experience in finance and banking in Hong Kong.

ONG Wui Leng, aged 55, joined the Group in 2004 and has more than ten years of experience in corporate banking. She also has many years of experience in corporate finance and management. Ms. Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies and completed her Master of Practising Accounting from Monash University, Australia. Since April 2013, Ms. Ong is an independent non-executive director of Hwa Hons Corporation Limited, a company whose shares are listed on the Stock Exchange of Singapore.

MA Shiu Sun, Michael, aged 47, joined the Group in 2012 and holds a Bachelor of Science (Economics) from London School of Economics, University of London, a Bachelor of Laws from University of Sydney and a Postgraduate Certificate of Laws (P.C.LL) from University of Hong Kong. Mr. Ma has been a practicing lawyer for over ten years and is practicing as a partner in a Hong Kong law firm in the areas of commercial and corporate matters.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 44, 18 and 19 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 33.

The directors now recommend the payment of final dividend of 3.0 HK cents to the shareholders on the register of members on 8 July 2016, amounting to totally HK\$8,324,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out on pages 6 to 10 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 113. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$605,910,000 and HK\$5,683,000 on acquisition of investment properties and property, plant and equipment respectively.

The Group has revalued all its investment properties at the year end date. The increase in fair value amounted to HK\$182,282,000, which had been credited to the consolidated income statement directly.

Particulars of investment properties of the Group at 31 December 2015 are set out on pages 114 to 116.

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 14 and 15 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2015 were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contributed surplus	29,186	29,186
Investment reserve	2,506	60
Retained profits	<u>1,128,444</u>	<u>1,149,706</u>
	<u>1,160,136</u>	<u>1,178,952</u>

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

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

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

Executive directors:

Mr. Lim Kia Hong
Mr. Lim Kiah Meng
Mr. Lim Hwee Hai
Madam Lim Hwee Noi

Independent non-executive directors:

Mr. Lee Hiok Chuan
Ms. Ong Wui Leng
Mr. Ma Shiu Sun, Michael

In accordance with the provisions of the Company's Bye-Laws, Mr. Lim Hwee Hai and Madam Lim Hwee Noi retire from office and, being eligible, offer themselves for re-election.

The term of office of Mr. Lee Hiok Chuan and Ms. Ong Wui Leng, as the independent non-executive directors are the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws. Mr. Ma Shiu Sun, Michael, is appointed as an independent non-executive director for an additional period of three years to 1 February 2019 and is also subject to the retirement by rotation in accordance with the Company's Bye-laws.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31 December 2015, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage
						of the issued share capital of the Company
Lim Kia Hong (Note 4)	5,771,108	504,000	-	178,640,000	184,915,108	66.64%
Lim Kiah Meng (Note 4)	5,403,200	450,000	534,000	178,640,000	185,027,200	66.68%
Lim Hwee Hai (Note 3)	3,331,200	3,579,158	-	-	6,910,358	2.49%
Lim Hwee Noi (Note 3,4)	3,579,158	3,331,200	-	-	6,910,358	2.49%
Lee Hiok Chuan	200,000	-	-	-	200,000	0.07%
Ong Wui Leng	200,000	-	-	-	200,000	0.07%

Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (3) 3,331,200 shares and 3,579,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.
- (4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 304,000 shares on behalf of three beneficiaries aged below 18. Out of these 304,000 shares, 200,000 shares and 104,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

Directors' Report

(ii) Share Options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Options" below.

(iii) Long positions in the shares and underlying shares of a subsidiary of the Company

Ordinary share of HK\$0.10 each of SiS Mobile Holdings Limited ("SiS Mobile"), which is listed on the Main Board of the HKSE (Stock Code: 1362)

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate interests (Note 2 and 3)	Total number of issued ordinary shares held	Percentage of the issued share capital of SiS Mobile
					shares held	SiS Mobile
Lim Kia Hong (Note 5)	1,846,754	161,280	–	203,607,467	205,615,501	73.43%
Lim Kiah Meng (Note 5)	1,729,024	144,000	170,880	203,607,467	205,651,371	73.45%
Lim Hwee Hai (Note 4)	1,065,984	1,145,330	–	–	2,211,314	0.79%
Lim Hwee Noi (Note 4, 5)	1,145,330	1,065,984	–	–	2,211,314	0.79%
Lee Hiok Chuan	64,000	–	–	–	64,000	0.02%
Ong Wui Leng	64,000	–	–	–	64,000	0.02%

Notes:

- (1) Shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.6% by Gold Sceptre Limited.
- (3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of SiS Mobile. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (4) 1,065,984 shares and 1,145,330 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.
- (5) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 97,280 shares. 64,000 shares and 33,280 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

Directors' Report

(iv) Share options of SiS Mobile, a subsidiary of the Company

The share options of SIS Mobile were granted during the year 2015.

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Outstanding at 31 December 2015
Directors and their associates:				
Lim Kia Hong				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
Lim Kiah Meng				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
Lim Hwee Hai				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
Lim Hwee Noi				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	200,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	200,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	200,000
				4,200,000

(v) Long positions in the shares and underlying shares of associated corporations of the Company

(a) Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited ("SiS THAI"), which is listed in the Stock Exchange of Thailand

Name of Director	Personal Interests	Corporate interests (Note)	Total number	Approximate% of issued share capital of SiS THAI
			of issued ordinary shares held in SiS THAI	
Lim Kia Hong	241,875	165,616,595	165,858,470	47.36%
Lim Hwee Hai	244,687	-	244,687	0.07%

Note:

The Company indirectly holds 165,616,595 ordinary shares of the issued capital of SiS THAI. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.64% in the Company, therefore Mr. Lim has deemed corporate interest in SiS THAI under the SFO.

Directors' Report

(v) Long positions in the shares and underlying shares of associated corporations of the Company (continued)

- (b) Ordinary share of 10 Taka each of Information Technology Consultants Ltd. ("ITCL"), which is incorporated in Bangladesh, and is listed in The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016 (DSE stock code: ITC, CSE stock code: ITC).

Name of Director	Corporate Interests (Note)	Approximate % of issued share capital of ITCL
Lim Kiah Meng	40,059,390	46.05%

Note:

A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 7,350,000 ordinary shares in ITCL, while the Company indirectly holds 32,709,390 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.68% in the Company, therefore Mr. Lim has deemed corporate interest of 32,709,390 in ITCL under the SFO.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2015.

SHARE OPTIONS

A new share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 21 May 2007 by the Company to replace the then existing share option scheme for the primary purpose of providing incentives and awards to directors and eligible employees and persons, and will expire on 20 May 2017. Under the Scheme, the Company may grant options to qualified persons, including employees and directors of the Company and its subsidiaries and associates and third parties with a view to maintain business relationship with such persons, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Directors' Report

SHARE OPTIONS (CONTINUED)

Options granted must be taken up within ten business days from the offer letter together with a payment of HK\$10 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

The following table discloses movements in the Company's share options during the year:

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options			Outstanding at 31 December 2015
				Outstanding at 1 January 2015	Granted during the year	Exercised during the year	
Directors and their associates:							
Lim Kia Hong							
26.06.2015	27.06.2015- 31.12.2015	01.01.2016- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2016	01.01.2017- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2017	01.01.2018- 26.06.2025	4.47	-	50,000	-	50,000
Lim Kiah Meng							
26.06.2015	27.06.2015- 31.12.2015	01.01.2016- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2016	01.01.2017- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2017	01.01.2018- 26.06.2025	4.47	-	50,000	-	50,000
Lim Hwee Hai							
26.06.2015	27.06.2015- 31.12.2015	01.01.2016- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2016	01.01.2017- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2017	01.01.2018- 26.06.2025	4.47	-	50,000	-	50,000
Lim Hwee Noi							
26.06.2015	27.06.2015- 31.12.2015	01.01.2016- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2016	01.01.2017- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2017	01.01.2018- 26.06.2025	4.47	-	50,000	-	50,000

Directors' Report

SHARE OPTIONS (CONTINUED)

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options			
				Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Outstanding at 31 December 2015
Directors and their associates:							
Lee Hiok Chuan							
20.8.2007	21.08.2007- 18.2.2009	18.02.2009- 20.05.2017	1.72	83,333	-	(83,333)	-
20.8.2007	21.08.2007- 18.2.2010	18.02.2010- 20.05.2017	1.72	83,334	-	(33,334)	50,000
26.06.2015	27.06.2015- 31.12.2015	01.01.2016- 26.06.2025	4.47	-	40,000	-	40,000
26.06.2015	27.06.2015- 31.12.2016	01.01.2017- 26.06.2025	4.47	-	40,000	-	40,000
26.06.2015	27.06.2015- 31.12.2017	01.01.2018- 26.06.2025	4.47	-	40,000	-	40,000
Ong Wui Leng							
20.8.2007	21.08.2007- 18.02.2009	18.02.2009- 20.05.2017	1.72	27,778	-	(27,778)	-
20.8.2007	21.08.2007- 18.02.2010	18.02.2010- 20.05.2017	1.72	83,334	-	(33,334)	50,000
26.06.2015	27.06.2015- 31.12.2015	01.01.2016- 26.06.2025	4.47	-	40,000	-	40,000
26.06.2015	27.06.2015- 31.12.2016	01.01.2017- 26.06.2025	4.47	-	40,000	-	40,000
26.06.2015	27.06.2015- 31.12.2017	01.01.2018- 26.06.2025	4.47	-	40,000	-	40,000
Ma Shiu Sun, Michael							
26.06.2015	27.06.2015- 31.12.2015	01.01.2016- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2016	01.01.2017- 26.06.2025	4.47	-	50,000	-	50,000
26.06.2015	27.06.2015- 31.12.2017	01.01.2018- 26.06.2025	4.47	-	50,000	-	50,000
Total directors and their associates				277,779	990,000	(177,779)	1,090,000

Directors' Report

SHARE OPTIONS (CONTINUED)

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options			
				Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Outstanding at 31 December 2015
Employees and other qualified persons:							
20.8.2007	21.08.2007- 18.02.2008	18.02.2008- 20.05.2017	1.72	133,332	-	-	133,332
20.8.2007	21.08.2007- 18.02.2009	18.02.2009- 20.05.2017	1.72	233,334	-	(100,000)	133,334
20.8.2007	21.08.2007- 18.02.2010	18.02.2010- 20.05.2017	1.72	233,334	-	(100,000)	133,334
26.06.2015	27.06.2015- 31.12.2015	01.01.2016- 26.06.2025	4.47	-	420,000	-	420,000
26.06.2015	27.06.2015- 31.12.2016	01.01.2017- 26.06.2025	4.47	-	420,000	-	420,000
26.06.2015	27.06.2015- 31.12.2017	01.01.2018- 26.06.2025	4.47	-	420,000	-	420,000
Total employees and other qualified persons				<u>600,000</u>	<u>1,260,000</u>	<u>(200,000)</u>	<u>1,660,000</u>
Total number of share options				<u>877,779</u>	<u>2,250,000</u>	<u>(377,779)</u>	<u>2,750,000</u>

Other than disclosed above, no share options were forfeited or expired during the financial year.

The closing price of the Company's shares immediately before the date of grant of the share options was HK\$4.39.

The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised were HK\$3.82.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Rental expenses of HK\$792,000 (2014: HK\$792,000) were incurred during the year for the lease of premises from a related company. An executive director and his spouse have ultimate controlling interest in the related company. The transaction is regarded as De minimis transactions pursuant to Chapter 14A.33 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and exempted from announcement.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, other than the interests disclosed above in respect of Directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows and the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Other interests (Note 3)	Total number	Percentage
					of issued ordinary shares held	of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	13,050,000	-	14,970,000	5.40%
Lim Mee Hwa	1,220,000	700,000	13,050,000	-	14,970,000	5.40%
Yeoman Capital Management Pte. Ltd.	-	-	300,000	12,750,000	13,050,000	4.70%

Notes:

- (1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.
- (2) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in Yeoman Capital Management Pte. Ltd.
- (3) Yeoman Capital Management Pte. Ltd. holds the shares of the Company as an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 29% by value of the Group's total goods sales during the year, with the largest customer accounted for 17%. The five largest suppliers of the Group comprised approximately 92% by value of the Group's total purchases during the year, with the largest supplier accounted for 59%.

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

EMOLUMENT POLICY

The Company has established the Remuneration Committee in September 2005.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 40 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$50,000.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

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. The Company considers all of the independent non-executive directors are independent.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board

LIM Kiah Meng
DIRECTOR

Hong Kong, 15 March 2016



TO THE MEMBERS OF SiS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 112, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	5	1,145,780	1,716,868
Cost of sales		(975,553)	(1,564,911)
Gross profit		170,227	151,957
Other income		14,356	21,955
Other gains and losses	6	49,003	(3,056)
Distribution costs		(32,364)	(34,183)
Administrative expenses		(95,187)	(81,423)
Gain from changes in fair value of investment properties		182,282	159,440
Share of results of associates		18,126	20,808
Share of results of joint ventures		-	(153)
Listing expense	7	(196)	(31,415)
Finance costs		(24,402)	(18,327)
Profit before taxation		281,845	185,603
Income tax expense	8	(42,532)	(9,736)
Profit for the year	9	239,313	175,867
Profit for the year attributable to:			
Owners of the Company		240,684	176,174
Non-controlling interests		(1,371)	(307)
		239,313	175,867
		HK Cents	HK Cents
Earnings per share	13		
Basic		86.8	63.6
Diluted		86.7	63.5

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	<u>239,313</u>	<u>175,867</u>
Other comprehensive income (expense):		
Items that may be reclassified to profit or loss		
(Loss) gain from changes in fair value of available-for-sale investments	(26,225)	12,585
Exchange realignment arising on translation of foreign operations	3,119	(36,850)
Exchange realignment arising on translation of associates and joint ventures	<u>(16,837)</u>	<u>338</u>
Other comprehensive expense for the year	<u>(39,943)</u>	<u>(23,927)</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	201,158	152,772
Non-controlling interests	<u>(1,788)</u>	<u>(832)</u>
	<u>199,370</u>	<u>151,940</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investment properties	14	2,795,026	2,015,865
Property, plant and equipment	15	144,510	191,012
Goodwill	16	–	11,509
Intangible assets	17	–	45,568
Interests in associates	18	247,279	166,067
Interests in joint ventures	19	–	–
Available-for-sale investments	20	93,821	136,640
		3,280,636	2,566,661
Current assets			
Inventories	21	86,572	74,880
Trade and other receivables, deposits and prepayments	22	104,660	126,741
Amount due from a joint venture	23	2,339	8,741
Amount due from an associate	24	3,185	–
Derivative financial instruments	28	–	13,254
Tax recoverable		393	3,157
Investments held-for-trading	25	11,913	11,248
Pledged deposits	26	455,029	493,522
Bank balances and cash	26	389,916	327,583
		1,054,007	1,059,126
Current liabilities			
Trade payables, other payables and accruals	27	106,989	152,242
Derivative financial instruments	28	5,528	–
Obligations under finance leases	29	3,655	–
Tax payable		16,560	18,072
Bank loans	30	945,272	437,850
Bank overdrafts	26	–	39,084
		1,078,004	647,248
Net current (liabilities) assets		(23,997)	411,878
Total assets less current liabilities		3,256,639	2,978,539
Non-current liabilities			
Bank loans	30	343,017	312,853
Bonds	31	131,543	106,167
Obligations under finance leases	29	34,669	–
Deferred tax liabilities	32	58,370	21,011
Rental deposits	33	89,877	87,268
		657,476	527,299
Net assets		2,599,163	2,451,240

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Capital and reserves			
Share capital	34	27,747	27,709
Share premium		72,313	71,488
Reserves		(47,933)	8,717
Retained profits		<u>2,494,855</u>	<u>2,268,044</u>
Equity attributable to owners of the Company		<u>2,546,982</u>	<u>2,375,958</u>
Non-controlling interests		<u>52,181</u>	<u>75,282</u>
Total equity		<u>2,599,163</u>	<u>2,451,240</u>

The consolidated financial statements on pages 33 to 112 were approved and authorised for issue by the Board of Directors on 15 March 2016 and are signed on its behalf by:

Lim Kia Hong
DIRECTOR

Lim Kiah Meng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to the owners of the Company											
	Share capital	Share premium	Investments reserve	Translation reserve	Property revaluation reserve	Contributed surplus	Share options reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000	HK\$'000 (Note 2)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	27,703	71,367	24,144	3,692	933	2,860	522	-	2,114,037	2,245,258	76,114	2,321,372
Profit for the year	-	-	-	-	-	-	-	-	176,174	176,174	(307)	175,867
Other comprehensive income (expense) for the year	-	-	12,585	(35,987)	-	-	-	-	-	(23,402)	(525)	(23,927)
Total comprehensive income (expense) for the year	-	-	12,585	(35,987)	-	-	-	-	176,174	152,772	(832)	151,940
Issue of shares upon exercise of share options	6	121	-	-	-	-	(32)	-	-	95	-	95
Dividend recognised as distribution (note 12)	-	-	-	-	-	-	-	-	(22,167)	(22,167)	-	(22,167)
At 31 December 2014	27,709	71,488	36,729	(32,295)	933	2,860	490	-	2,268,044	2,375,958	75,282	2,451,240
Profit for the year	-	-	-	-	-	-	-	-	240,684	240,684	(1,371)	239,313
Other comprehensive income (expense) for the year	-	-	(26,225)	(13,301)	-	-	-	-	-	(39,526)	(417)	(39,943)
Total comprehensive income (expense) for the year	-	-	(26,225)	(13,301)	-	-	-	-	240,684	201,158	(1,788)	199,370
Deemed disposal of subsidiary	-	-	-	(1,219)	-	-	-	(17,558)	-	(18,777)	(37,825)	(56,602)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	12,838	12,838
Issue of shares upon exercise of share options	38	825	-	-	-	-	(213)	-	-	650	-	650
Recognition of equity settled share-based payment	-	-	-	-	-	-	1,866	-	-	1,866	3,674	5,540
Dividend recognised as distribution (note 12)	-	-	-	-	-	-	-	-	(13,873)	(13,873)	-	(13,873)
At 31 December 2015	27,747	72,313	10,504	(46,815)	933	2,860	2,143	(17,558)	2,494,855	2,546,982	52,181	2,599,163

Note 1: Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the Group reorganisation in preparation for the listing of the Company's shares in the year 1992.

Note 2: Other reserve represents the difference between the fair value of the consideration (net of transaction cost) and the carrying amount of the reduction in the Company's interest in SiS Mobile Holding Limited ("SiS Mobile"), arising from the listing of SiS Mobile's shares on the Stock Exchange of Hong Kong Limited on 15 January 2015.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Operating activities		
Profit before taxation	281,845	185,603
Adjustments for:		
Allowance for doubtful debts	–	92
Allowance (reversal of) for inventories	580	(713)
Amortisation of intangible assets	6,035	5,532
Dividend income from available-for-sale investments	(987)	(12,531)
Depreciation of property, plant and equipment	7,641	6,622
Finance costs	24,402	18,327
Loss (gain) from changes in fair value of derivative financial instruments	2,877	(17,472)
(Gain) loss on disposal of available-for-sale investments	(37,789)	947
(Gain) loss from changes in fair value of investments held-for-trading	(35)	178
Impairment loss on amount due to a joint venture	–	8,073
Gain from changes in fair value of investment properties	(182,282)	(159,440)
Interest income	(2,838)	(4,917)
Gain on disposal of property, plant and equipment	(286)	(386)
Gain on deemed disposal of a subsidiary	(19,494)	–
Share of results of associates	(18,126)	(20,808)
Share of results of joint ventures	–	153
Equity-settled share option expense	5,540	–
Operating cash flows before movements in working capital	67,083	9,260
(Increase) decrease in inventories	(56,876)	56,845
(Increase) decrease in trade and other receivables, deposits and prepayments	(42,297)	44,837
Decrease (increase) in amount due from a joint venture	5,748	(17,230)
Increase in amount due from an associate	(3,185)	–
Increase in rental deposit	5,638	–
Increase in trade payables, other payables and accruals	11,178	52,419
Cash (used in) from operations	(12,711)	146,131
Hong Kong Profits Tax refund (paid)	407	(10,779)
Overseas Tax paid	(1,992)	(64)
Interest paid	(24,402)	(18,327)
Net cash (used in) from operating activities	(38,698)	116,961

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTE	2015 HK\$'000	2014 HK\$'000
Investing activities			
Acquisition of investment properties		(564,919)	(242,103)
Dividend received from associates		7,520	7,917
Dividend received from available-for-sale investments		987	2,264
Interest received		2,838	4,917
Withdrawal (placement) of pledged deposits		38,493	(49,487)
Proceeds from disposal of available-for-sale investments		64,934	14,864
Purchase of available-for-sale investments		(10,413)	(30,488)
Purchase of investment held-for-trading		(630)	(329)
Purchase of intangible assets		(7,977)	(3,968)
Purchase of property, plant and equipment		(5,683)	(11,166)
Cash outflow from deemed disposal of a subsidiary	38(a)	(48,756)	–
Investment in a joint venture		–	(153)
Proceeds from disposal of property, plant and equipment		305	650
Net settlement on maturity of derivative financial instruments		15,905	11,908
Net cash used in investing activities		(507,396)	(295,174)
Financing activities			
Dividends paid		(13,873)	(22,167)
(Decrease) increase in bank overdrafts		(39,084)	7,040
Proceeds from issue of new shares		650	95
Proceeds from issue of bonds		31,814	42,768
Repayment of bonds		(5,782)	–
New bank loans raised		938,609	486,605
Repayment of bank loans		(344,219)	(336,783)
Repayment of finance lease obligations		(2,667)	–
Net proceeds from offer for sale of SiS Mobile's shares to non-controlling shareholders		30,521	–
Contribution from non-controlling interest		12,838	–
Net cash from financing activities		608,807	177,558
Net increase (decrease) in cash and cash equivalents		62,713	(655)
Cash and cash equivalents at 1 January		327,583	341,746
Effect of foreign exchange rate changes		(380)	(13,508)
Cash and cash equivalents at 31 December, represented by bank balances and cash		389,916	327,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited, a company controlled by the executive directors of the Company. Both holding companies are incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of the annual report.

The Company acts as an investment trading and investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries are set out in note 44.

The consolidated financial statements are presented in Hong Kong Dollar ("HK\$"), which is also the functional currency of the Company.

The Group reported net current liabilities of HK\$23,997,000 as at 31 December 2015. The net current liabilities arose mainly from the long-term bank borrowings (with maturity dates over one year) amounting to HK\$125,817,000 being reclassified as current liabilities as at 31 December 2015 due to the overriding right of demand clause as stipulated in the facility agreement of the bank borrowings.

The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation to be settled on a timely manner. In addition, the Group will be able to refinance its existing banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group's assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

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

The directors of the Company do not anticipate that the application of the new and revised HKFRSs and amendments will have a material impact on the results and/or the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

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

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

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

Investments in associates and joint ventures

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Group as lessor

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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as a lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Internally-generated intangible assets

Expenditure on research items, if any, is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, amount due from a joint venture, amount due from an associate, pledged deposits and bank balances are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

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

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

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise investments held-for-trading and derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables (continued)

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of profit or loss.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or are not classified as any other categories of financial assets.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

For AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

Impairment losses on AFS equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve. For AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities (including trade and other payables, bonds, bank loans and bank overdrafts) are subsequently measured at amortised cost using the effective interest method.

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

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on assets

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

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

If the recoverable amount of an asset other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories, representing trading merchandise, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

Provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

On the disposal of a foreign operation (including a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Share-based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserves under equity.

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

4. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the distribution of certain brands of mobile and IT products, property investment and securities investment. No operating segments identified by the chief decision makers have been aggregated in arriving at the reportable segments of the Group. Segment liabilities have not been presented as these are not reportable to the chief operating decision makers.

During the year, the Group regularly participated in the securities investment business and accordingly, an operating segment in respect to the securities investment was reported. The prior year segment information for comparative purpose have been restated.

Segment revenue and results

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

	For the year ended 31 December 2015			
	Distribution of mobile and IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	<u>986,339</u>	<u>159,441</u>	<u>–</u>	<u>1,145,780</u>
Segment profit	<u>2,704</u>	<u>282,752</u>	<u>39,398</u>	<u>324,854</u>
Gain on deemed disposal of a subsidiary				19,494
Share of results of associates				18,126
Listing expense				(196)
Finance costs				(24,402)
Other unallocated income				648
Unallocated corporate expenses				<u>(56,679)</u>
Profit before taxation				<u>281,845</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	For the year ended 31 December 2014 – restated			
	Distribution of mobile and IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	1,532,357	184,511	–	1,716,868
Segment profit	9,202	237,156	12,066	258,424
Share of results of associates				20,808
Share of results of joint ventures				(153)
Listing expense				(31,415)
Finance costs				(18,327)
Other unallocated income				4,917
Unallocated corporate expenses				(48,651)
Profit before taxation				185,603

The accounting policies adopted in preparing the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and corporate expenses, share of results of associates and joint ventures, gain on deemed disposal of a subsidiary, listing expense and finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

4. SEGMENT INFORMATION (CONTINUED)

Segment assets

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

	At 31 December 2015			Consolidated HK\$'000
	Distribution of mobile and IT products HK\$'000	Property investment HK\$'000	Securities investment HK\$'000	
Segment assets	177,536	2,946,224	105,734	3,229,494
Interests in associates and joint ventures				247,279
Unallocated corporate assets				857,870
Consolidated total assets				<u>4,334,643</u>

	At 31 December 2014 – restated			Consolidated HK\$'000
	Distribution of mobile and IT products HK\$'000	Property investment HK\$'000	Securities investment HK\$'000	
Segment assets	292,995	2,175,346	147,888	2,616,229
Interests in associates and joint ventures				166,067
Unallocated corporate assets				843,491
Consolidated total assets				<u>3,625,787</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than bank deposits and unallocated corporate assets, interests in associates and joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

Segment results and segment assets presented above includes the following:

	For the year ended 31 December 2015				
	Distribution of mobile and IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	12,021	606,180	-	1,369	619,570
Allowance for inventories	580	-	-	-	580
Depreciation and amortisation	11,386	1,810	-	480	13,676
Gain from changes in fair value of investment properties	-	182,282	-	-	182,282
	<u>-</u>	<u>182,282</u>	<u>-</u>	<u>-</u>	<u>182,282</u>
	For the year ended 31 December 2014 – restated				
	Distribution of mobile and IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	10,805	246,432	-	-	257,237
Allowance for doubtful debts	72	-	-	20	92
Reversal of allowance for inventories	713	-	-	-	713
Depreciation and amortisation	11,071	869	-	214	12,154
Gain from changes in fair value of investment properties	-	159,440	-	-	159,440
	<u>-</u>	<u>159,440</u>	<u>-</u>	<u>-</u>	<u>159,440</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

4. SEGMENT INFORMATION (CONTINUED)

Geographical information

Majority of the Group's revenue from external customers by geographical location of the customers are attributed to the group entities' countries of domicile (i.e. Hong Kong, Singapore, Japan and Bangladesh).

Information about the Group's revenue by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	938,211	1,437,721	1,468,931	1,067,127
Singapore	3,158	54,612	43,804	46,142
Japan	130,300	163,302	1,426,788	1,046,650
Bangladesh	74,111	61,233	13	104,035
	1,145,780	1,716,868	2,939,536	2,263,954

Non-current assets excluded financial investments, interests in associates and joint ventures.

Major customer information

Revenue from customers contributing over 10% of the total revenue of the Group is from one (2014: one) customer with total amount of HK\$191,091,000 (2014: HK\$564,633,000) in relation to the segment of distribution of mobile and IT products.

5. REVENUE

Revenue represents the net amount received and receivable for goods sold and gross rental income received and receivable from properties leased for the year. An analysis of the Group's revenue for the year is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Distribution of mobile and IT products	986,339	1,532,357
Leasing of investment properties	159,441	184,511
	1,145,780	1,716,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

6. OTHER GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gain (loss) from changes in fair value of investments held-for-trading	35	(178)
Exchange loss, net	(5,724)	(19,789)
(Loss) gain from changes in fair value of derivative financial instruments	(2,877)	17,472
Gain (loss) on disposal of available-for-sale investments	37,789	(947)
Gain on disposal of property, plant and equipment	286	386
Gain on deemed disposal of a subsidiary	19,494	–
	49,003	(3,056)

7. LISTING EXPENSE

The amount represents professional fees and other expenses incurred in preparation for the listing of a subsidiary's shares.

8. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong	2,045	2,255
Overseas	2,978	405
	5,023	2,660
Under(over)provision in prior years		
Hong Kong	313	203
Overseas	(904)	67
	4,432	2,930
Deferred taxation (<i>note 32</i>)	38,100	6,806
	42,532	9,736

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

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation	<u>281,845</u>	<u>185,603</u>
Tax at the domestic income tax rate of 16.5% (<i>Note</i>)	46,504	30,624
Tax effect of share of results of associates	(2,991)	(3,433)
Tax effect of share of results of joint ventures	–	25
Tax effect of expenses not deductible for tax purposes	23,551	23,052
Tax effect of income not taxable for tax purposes	(63,236)	(52,742)
Tax effect of tax losses/deductible temporary differences not recognised	3,563	4,363
(Over)underprovision in prior years	(591)	270
Utilisation of tax losses/deductible temporary differences previously not recognised	(91)	(7)
Effect of different tax rates of subsidiaries	(2,217)	360
Withholding tax on share of results of subsidiaries and an associate	38,100	6,797
Others	<u>(60)</u>	<u>427</u>
Income tax expense	<u>42,532</u>	<u>9,736</u>

Note:

Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operations of the Group are substantially based.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

9. PROFIT FOR THE YEAR

	2015 HK\$'000	2014 HK\$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	2,605	2,245
Allowance for doubtful debts	–	92
Impairment loss on amount due from a joint venture	–	8,073
Amortisation of intangible assets	6,035	5,532
Cost of inventories recognised as an expense (<i>note 21</i>)	919,039	1,459,850
Depreciation of property, plant and equipment	7,641	6,622
Staff costs (<i>note</i>)	63,667	55,098
Interest on bank loans, overdrafts and bonds	23,514	18,327
Charges on finance lease obligations	888	–
Share of tax of associates (included in share of results of associates)	7,103	5,340
Operating lease rentals in respect of rented premises	8,970	9,566
	<u> </u>	<u> </u>
and after crediting:		
Gross rental income from investment properties	159,441	184,511
Less: Direct operating expenses	(56,491)	(105,061)
Net rental income	102,950	79,450
Interest on bank deposits	2,838	4,917
Dividend income from investments held-for-trading	587	660
Dividend income from available-for-sale investments	987	12,531
	<u> </u>	<u> </u>

Note: Staff costs include emoluments to directors as set out in note 10. Staff costs include retirement benefit schemes contributions for directors and other staff amounting to HK\$1,574,000 (2014: HK\$1,659,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

10. DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the directors and chief executive officer during the year are as follows:

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Performance bonus <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Equity- settled share option expense <i>HK\$'000</i>	2015 Total <i>HK\$'000</i>
Executive directors:						
Mr. Lim Kia Hong (Chief executive officer)	246	4,849	1,050	55	685	6,885
Mr. Lim Kiah Meng	246	5,557	1,150	59	685	7,697
Mr. Lim Hwee Hai	246	4,100	1,050	36	685	6,117
Madam Lim Hwee Noi	126	2,183	700	36	405	3,450
	<u>864</u>	<u>16,689</u>	<u>3,950</u>	<u>186</u>	<u>2,460</u>	<u>24,149</u>
Independent non-executive directors:						
Mr. Lee Hiok Chuan	280	-	-	-	100	380
Ms. Ong Wui Leng	280	-	-	-	100	380
Mr. Ma Shiu Sun Michael	280	-	-	-	125	405
	<u>840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325</u>	<u>1,165</u>
	<u>1,704</u>	<u>16,689</u>	<u>3,950</u>	<u>186</u>	<u>2,785</u>	<u>25,314</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

10. DIRECTORS' EMOLUMENTS (CONTINUED)

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Performance bonus <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	2014 Total <i>HK\$'000</i>
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	157	4,919	1,050	52	6,178
Mr. Lim Kiah Meng	157	4,705	1,050	39	5,951
Mr. Lim Hwee Hai	157	4,171	1,050	34	5,412
Madam Lim Hwee Noi	126	2,237	700	33	3,096
	<u>597</u>	<u>16,032</u>	<u>3,850</u>	<u>158</u>	<u>20,637</u>
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	–	–	–	280
Ms. Ong Wui Leng	280	–	–	–	280
Mr. Ma Shiu Sun Michael	280	–	–	–	280
	<u>840</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>840</u>
	<u>1,437</u>	<u>16,032</u>	<u>3,850</u>	<u>158</u>	<u>21,477</u>

The performance bonus is determined by reference to the performance of the individual directors.

No directors waived any of their emoluments during the two years ended 31 December 2014 and 31 December 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2014: four) were directors whose emoluments are disclosed in note 10 above. The emoluments of the remaining one (2014: one) individual are as follow:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries and other benefits	2,035	2,260
Contributions to retirement benefit scheme	18	12
Equity-settled share option expense	420	–
	<u>2,473</u>	<u>2,272</u>

12. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2014 of 5.0 HK cents per share (2014: 5.0 HK cents per share in respect of the year ended 31 December 2013)	13,873	13,854
Special dividend, paid in respect of the year ended 31 December 2013 of 3.0 HK cents per share	–	8,313
	<u>13,873</u>	<u>22,167</u>

A final dividend of 3.0 HK cents per share amounting to HK\$8,324,000 for the year ended 31 December 2015 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

13. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$240,684,000 (2014: HK\$176,174,000) and the weighted average number of ordinary shares calculated below.

	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	277,410,653	277,062,403
Effect of dilutive potential ordinary share: Share options issued by the Company	314,988	416,249
Weighted average number of ordinary shares for the purpose of diluted earnings per share	277,725,641	277,478,652

The computation of diluted earnings per share for the year ended 31 December 2015 did not assume the exercise of certain share options of the Company and share options of SiS Mobile as the exercise prices of those options are higher than the average market prices of the Company and SiS Mobile for the year.

14. INVESTMENT PROPERTIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	2,015,865	1,845,752
Exchange realignment	(9,031)	(111,430)
Additions	605,910	242,103
Gain from changes in fair value recognised in profit or loss	182,282	159,440
Transfer to property, plant and equipment	-	(120,000)
At 31 December	2,795,026	2,015,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

14. INVESTMENT PROPERTIES (CONTINUED)

An analysis of the investment properties, which are stated at fair value, by geographical location and lease term is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong		
long lease	1,250,600	851,600
medium-term lease	76,100	72,200
Japan		
freehold	1,248,400	794,131
medium-term lease	178,388	252,519
Singapore		
freehold	17,426	19,045
medium-term lease	24,112	26,370
	2,795,026	2,015,865

All of the Group's property interests, which are held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

The fair values of the investment properties in Hong Kong, Japan and Singapore, which falls under level 3 of the fair value hierarchy, as at the end of the reporting period, have been arrived at on the basis of valuations carried out on that date by DTZ Debenham Tie Leung Ltd., CBRE KK and Knight Frank Pte. Ltd. respectively, who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential. There has been no change from the valuation techniques used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The valuation obtained for an investment property situated in Japan has been adjusted to avoid double – counting of liabilities that are recognised as separate finance lease obligation liabilities. A reconciliation between the valuation amount and the adjusted valuation is provided below.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Valuation of the investment property	258,244	203,472
Recognised finance lease obligation	38,324	–
Fair value of the investment property	296,568	203,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

14. INVESTMENT PROPERTIES (CONTINUED)

One of the key inputs used in valuing the investment properties located in Japan was the capitalisation rates used, which ranged from 4.8% to 6.4% (2014: 5.9% to 6.9%). An increase in the capitalisation rate used would result in a decrease in the fair value measurement of the investment properties and vice versa.

The key inputs used in valuing the investment properties located in Hong Kong and Singapore were the price per square metre, using market comparables and taking into account of the location and other individual factors such as road frontage, size of property etc. The higher the price, the higher the fair value.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building in Hong Kong under long lease <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 January 2014	18,888	6,988	50,946	2,490	79,312
Exchange realignment	-	(36)	(1,488)	(103)	(1,627)
Additions	-	4,345	6,821	-	11,166
Disposals	-	-	(744)	-	(744)
Transfer from investment properties	120,000	-	-	-	120,000
At 31 December 2014	138,888	11,297	55,535	2,387	208,107
Exchange realignment	-	30	661	(117)	574
Additions	-	1,898	2,416	1,369	5,683
Disposals	-	(196)	(4,905)	(959)	(6,060)
Deemed disposal of a subsidiary	-	(3,120)	(48,252)	-	(51,372)
At 31 December 2015	138,888	9,909	5,455	2,680	156,932
DEPRECIATION					
At 1 January 2014	1,234	3,307	4,781	1,913	11,235
Exchange realignment	-	(7)	(184)	(91)	(282)
Provided for the year	99	1,279	4,955	289	6,622
Eliminated on disposals	-	-	(480)	-	(480)
At 31 December 2014	1,333	4,579	9,072	2,111	17,095
Exchange realignment	-	7	48	(117)	(62)
Provided for the year	429	2,621	4,043	548	7,641
Eliminated on disposals	-	(188)	(4,894)	(959)	(6,041)
Deemed disposal of a subsidiary	-	(1,437)	(4,774)	-	(6,211)
At 31 December 2015	1,762	5,582	3,495	1,583	12,422
CARRYING VALUES					
At 31 December 2015	137,126	4,327	1,960	1,097	144,510
At 31 December 2014	137,555	6,718	46,463	276	191,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Leasehold land and building	2%, or over the term of the lease, whichever is shorter
Leasehold improvements	15% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	20%

16. GOODWILL

	<i>HK\$'000</i>
Arising on acquisition of a subsidiary and at 31 December 2014 and 1 January 2015	11,509
Deemed disposal of a subsidiary	<u>(11,509)</u>
At 31 December 2015	<u>–</u>

For the purposes of impairment testing, goodwill has been allocated to a cash generating unit ("CGU") which is a subsidiary engaging in the business of provision of switching solution and providing electronic devices to banks in Bangladesh. During the year ended 31 December 2014, management of the Group determined that there is no impairment of the CGU containing goodwill.

During the year ended 31 December 2015, the goodwill was derecognised upon the deemed disposal of the subsidiary.

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FOR THE YEAR ENDED 31 DECEMBER 2015

17. INTANGIBLE ASSETS

	Softwares <i>HK\$'000</i>	Customer relationships <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
COST			
At 1 January 2014	42,000	10,168	52,168
Additions	3,968	–	3,968
Exchange realignment	(704)	(170)	(874)
	<u>45,264</u>	<u>9,998</u>	<u>55,262</u>
At 31 December 2014	45,264	9,998	55,262
Additions	7,977	–	7,977
Disposals	(2,892)	–	(2,892)
Exchange realignment	(1,243)	140	(1,103)
Deemed disposal of a subsidiary	(49,106)	(10,138)	(59,244)
	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2015	–	–	–
AMORTISATION			
At 1 January 2014	3,485	847	4,332
Charge for the year	4,514	1,018	5,532
Exchange realignment	(138)	(32)	(170)
	<u>7,861</u>	<u>1,833</u>	<u>9,694</u>
At 31 December 2014	7,861	1,833	9,694
Charge for the year	5,023	1,012	6,035
Eliminated on disposal	(2,892)	–	(2,892)
Exchange realignment	94	(224)	(130)
Deemed disposal of a subsidiary	(10,086)	(2,621)	(12,707)
	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2015	–	–	–
CARRYING VALUE			
At 31 December 2015	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2014	<u>37,403</u>	<u>8,165</u>	<u>45,568</u>

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis not more than 10 years.

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FOR THE YEAR ENDED 31 DECEMBER 2015

18. INTERESTS IN ASSOCIATES

	2015 HK\$'000	2014 HK\$'000
Cost of investment in associates		
Listed overseas	75,927	75,927
Unlisted overseas	87,443	–
Share of post-acquisition profits and reserves, net of dividend received	<u>83,909</u>	<u>90,140</u>
	<u>247,279</u>	<u>166,067</u>
Fair value of associates	<u>239,843</u>	<u>194,646</u>

Details of the principal associates at the end of the reporting period are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company		Country of incorporation/ Principal activities
				2015	2014	
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	47.3%	47.3%	Distribution of mobile and IT products and provision of services
Information Technology Consultants Limited ("ITCL")	Limited company	Bangladesh	Ordinary	37.6%	– (Note)	Provision of financial services and mobile banking solutions

Note: With the issuances of ITCL's share to the public in December 2015, the Company's equity interest in ITCL has been diluted from 43.6% to 37.6%, resulting in a loss in control over ITCL. Accordingly, the investment in ITCL was reclassified as interest in associate as at 31 December 2015. Detail set out in note 38.

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FOR THE YEAR ENDED 31 DECEMBER 2015

18. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of the material associates is set out below:

SiS Distribution (Thailand) Public Company Limited

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Total assets	940,560	1,191,244
Total liabilities	<u>(602,585)</u>	<u>(841,272)</u>
Net assets	<u>337,975</u>	<u>349,972</u>
Group's share of net assets	<u>159,836</u>	<u>166,067</u>
Total revenue	<u>4,078,988</u>	<u>4,434,490</u>
Total profit for the year	<u>38,329</u>	<u>43,998</u>
Group's share of the total profit for the year	<u>18,126</u>	<u>20,808</u>

Information Technology Consultants Limited

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Total assets	255,937	–
Total liabilities	<u>(101,084)</u>	–
Net assets	<u>154,853</u>	–
Group's share of net assets	<u>58,225</u>	–
Total revenue	<u>73,716</u>	–
Total loss for the year	<u>(1,973)</u>	–
Group's share of the total loss for the year	<u>–</u>	<u>–</u>

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FOR THE YEAR ENDED 31 DECEMBER 2015

18. INTERESTS IN ASSOCIATES (CONTINUED)

Information Technology Consultants Limited

The Group has discontinued recognising its share of losses of certain associates. The amounts of unrecognised share of profit (losses) of these associates, extracted from the management accounts of the relevant associates, both for the year and cumulatively, are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Unrecognised share of profit of associates for the year	<u>876</u>	<u>9</u>
Accumulated unrecognised share of losses of associates	<u>(747)</u>	<u>(1,623)</u>

19. INTERESTS IN JOINT VENTURES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of investments	<u>12,832</u>	12,832
Share of post-acquisition loss and reserves	<u>(3,789)</u>	<u>(3,789)</u>
	<u>9,043</u>	9,043
Less: impairment allowance	<u>(9,043)</u>	<u>(9,043)</u>
	<u>-</u>	<u>-</u>

Details of the joint ventures at the end of the reporting period are as follows:

Name of company	Form of business	Country of incorporation/ operation	Proportion of capital held indirectly by the Company		Principal activities
			2015	2014	
Hangxin Electronic Industrial Co. Ltd. ("Hangxin") 杭州杭鑫電子工業有限公司	Limited company	PRC	25.6%	25.6%	Manufacture of electronic products
SiS Inflexionpoint Pte. Ltd. ("Inflexionpoint")	Limited company	Singapore	25%	25%	Distribution of IT products

Hangxin and Inflexionpoint are jointly controlled by the Group and the other equity-holders by virtue of contractual arrangements amongst equity-holders. All major decisions of Hangxin and Inflexionpoint require unanimous consent from all the equity-holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

19. INTERESTS IN JOINT VENTURES (CONTINUED)

The summarised financial information of the joint ventures, that are not individually material.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The Group's share of loss and other comprehensive expense	—	(153)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Equity securities		
Listed overseas, at fair value	22,517	73,768
Unlisted, at cost	70,004	61,572
Club debentures, unlisted, at cost	1,300	1,300
	93,821	136,640

The fair values of listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges. The unlisted equity securities are measured at cost less impairment, if any, because the range of reasonable fair value estimates is so broad that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The unlisted equity securities represent investment in entities carrying on IT related business and development of hospitality business for strategic and capital appreciation purposes.

21. INVENTORIES

Inventories represent finished goods purchased from suppliers for the distribution to the wholesalers or for retail-sales and end customers.

During the year, an allowance for inventories of HK\$580,000 (2014: reversal of allowance for inventories of HK\$713,000) have been recognized and included in cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	75,307	77,525
Less: allowance for doubtful debts	—	(7,581)
	<u>75,307</u>	<u>69,944</u>
Consumption tax receivable	3,014	13,290
Deposits, prepayments and other receivables	26,339	43,507
	<u>104,660</u>	<u>126,741</u>

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. No credit period is granted to the customers for renting of properties. Rent is payable in advance on presentation of a demand note. No interest is charged on overdue debts.

Included in the trade receivable balance are debts with total carrying amount of HK\$22,434,000 (2014: HK\$42,634,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and past payment history of the debtors and settlement after the end of the reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

The aging of these trade receivables which are past due but not impaired are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Overdue:		
Within 30 days	15,325	12,663
31 to 90 days	6,124	6,009
91 to 120 days	59	341
Over 120 days	926	23,621
	<u>22,434</u>	<u>42,634</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Movement in the allowance for doubtful debts deducted from the trade receivable are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Balance at beginning of reporting period	7,581	7,539
Impairment losses recognised	–	92
Amounts written off as uncollectible	–	(50)
Deemed disposal of a subsidiary	<u>(7,581)</u>	–
Balance at end of the reporting period	<u>–</u>	<u>7,581</u>

The allowance for doubtful debts is provided on individually impaired trade debtors which have either been in severe financial difficulties or defaulted payments.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	44,923	21,387
31 to 90 days	23,322	19,161
91 to 120 days	3,793	1,805
Over 120 days	<u>3,269</u>	<u>27,591</u>
	<u>75,307</u>	<u>69,944</u>

23. AMOUNT DUE FROM A JOINT VENTURE

The amount is unsecured, interest free and allows credit terms of 30 days.

24. AMOUNT DUE FROM AN ASSOCIATE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

25. INVESTMENTS HELD-FOR-TRADING

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Equity securities listed overseas, at fair value	<u>11,913</u>	<u>11,248</u>

The fair values are determined based on the quoted market bid prices available on the relevant exchange.

26. PLEDGED DEPOSITS/BANK BALANCE/BANK OVERDRAFTS

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.09% to 0.42% (2014: 0.001% to 15%) per annum with an original maturity of three months or less.

Pledged deposits are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK\$307,749,000 (2014: HK\$327,555,000).

The bank overdraft as at 31 December 2014 of HK\$39,084,000 bear interest at variable market interest rate of 15.5% per annum.

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	21,895	52,771
Rental deposits received	11,872	12,988
Accrued staff costs	24,879	21,597
Other payables and accruals	<u>48,343</u>	<u>64,886</u>
	<u>106,989</u>	<u>152,242</u>

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States Dollar, currency other than the functional currencies of the relevant group entities amounted to HK\$16,541,000 (2014: HK\$28,347,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

The following is an aged analysis of the trade payables, based on the invoice date, at the end of the reporting period.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	20,402	34,532
31 to 90 days	1,185	15,380
91 to 120 days	–	127
Over 120 days	308	2,732
	<u>21,895</u>	<u>52,771</u>

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Foreign currency forward contracts	<u>(5,528)</u>	<u>13,254</u>

The terms of the foreign currency forward contracts are listed out as below:

2015

Buy	Sell	Maturity	Contract rates
USD34,000,000	JPY4,136,060,000	8 January to 3 October 2016	JPY117.07 to JPY125.43
USD1,000,000	CNY6,725,000	12 August 2016	CNY6.725
USD7,000,000	THB260,320,000	4 August to 11 August 2016	THB36.8 to THB37.6

2014

Buy	Sell	Maturity	Contract rates
USD23,000,000	JPY2,535,510,000	2 April to 17 December 2015	JPY103.95 to JPY119.17

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29. OBLIGATIONS UNDER FINANCE LEASES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Analysed for reporting purposes as:		
Current liabilities	3,655	–
Non-current liabilities	<u>34,669</u>	<u>–</u>
	<u>38,324</u>	<u>–</u>

During the year, the Group acquired an equipment under finance leases with a lease term of 10 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.80% to 3.56%.

	Minimum lease payments		Present value minimum lease payments	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Obligations under finance lease payable:				
Within one year	4,743	–	3,655	–
Within a period of more than one year but not more than two years	4,743	–	3,765	–
Within a period of more than two years but not more than five years	14,230	–	11,988	–
Within a period of more than five years	<u>20,159</u>	<u>–</u>	<u>18,916</u>	<u>–</u>
	43,875	–	38,324	–
Less: Future finance charges	<u>(5,551)</u>	<u>–</u>	<u>N/A</u>	<u>–</u>
	<u>38,324</u>	<u>–</u>	<u>38,324</u>	<u>–</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(3,655)</u>	<u>–</u>
Amount due for settlement after 12 months			<u>34,669</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

30. BANK LOANS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank borrowings		
Secured	1,257,789	745,703
Unsecured	30,500	5,000
	<u>1,288,289</u>	<u>750,703</u>
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year*	819,455	437,850
More than one year but not more than two years*	12,123	19,043
More than two years but not more than five years*	36,369	36,560
More than five years*	294,525	257,250
	<u>1,162,472</u>	<u>750,703</u>
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)		
– repayable more than one year, but not exceeding two years*	5,670	–
– repayable more than two years, but not exceeding five years*	17,012	–
– repayable more than five years*	103,135	–
	<u>125,817</u>	<u>–</u>
	<u>1,288,289</u>	<u>750,703</u>
Less: Amounts due within one year shown under current liabilities	<u>(945,272)</u>	<u>(437,850)</u>
Amounts shown under non-current liabilities	<u>343,017</u>	<u>312,853</u>

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

The bank loans bear interest at variable market interest rates, which are based on London Interbank Offer Rate, Singapore Interbank Offer Rate or JPY London Interbank Offer Rate plus a margin, ranging from 0.40% to 1.90% per annum (2014: London Interbank Offer Rate, Singapore Interbank Offer Rate or JPY London Interbank Offer Rate plus 0.45% to 1.90% per annum).

As at the end of the reporting period, the Group had Japanese Yen denominated bank loans of HK\$882,241,000 (2014: HK\$703,325,000). All other bank borrowings are denominated in Hong Kong Dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. BONDS

Bonds with aggregate principal amount of JPY2,065,000,000 (2014: JPY1,660,000,000) (equivalent to HK\$132,986,000 (2014: HK\$107,568,000)) mature on 31 October 2021, 24 March 2022 and 30 July 2024 (2014: 31 October 2021 and 30 July 2024). The bonds, denominated and settled in JPY, bear interest at rate of JPY London Interbank Offer Rate plus 1.25%, 1.55% and 1.9% per annum (2014: JPY base rate plus 1.55% per annum and JPY London Interbank Offer Rate plus 1.9% per annum), payable quarterly.

32. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$'000</i>	Allowances for doubtful debts/ inventories <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Undistributed earnings of subsidiaries and an associate <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	(8,478)	1,356	8,430	(16,023)	(25)	(14,740)
(Charge) credit to profit or loss	307	-	(316)	(6,797)	-	(6,806)
Exchange realignment	-	-	-	535	-	535
At 31 December 2014	(8,171)	1,356	8,114	(22,285)	(25)	(21,011)
(Charge) credit to profit or loss	(937)	-	937	(38,100)	-	(38,100)
Exchange realignment	-	-	-	741	-	741
At 31 December 2015	(9,108)	1,356	9,051	(59,644)	(25)	(58,370)

At the end of the reporting period, the Group has unrecognised deductible temporary differences of HK\$45,539,000 (2014: HK\$50,721,000) and unutilised tax losses of HK\$173,485,000 (2014: HK\$149,416,000). A deferred tax asset has been recognised in respect of the tax losses of HK\$54,855,000 (2014: HK\$49,176,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$118,630,000 (2014: HK\$100,240,000) and the deductible temporary differences due to the unpredictability of future assessable profit streams. All tax losses can be brought forward indefinitely.

33. RENTAL DEPOSITS

The amount recognised represents the rental deposits received under operating leases which fall due after one year from the end of the reporting period.

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34. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	2015	2014	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Authorised	350,000,000	350,000,000	35,000	35,000
Issued and fully paid				
At beginning of year	277,088,887	277,033,332	27,709	27,703
Exercise of share options at HK\$1.72 per share	377,779	55,555	38	6
At end of year	277,466,666	277,088,887	27,747	27,709

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings, net of cash and cash equivalents and equity, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

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36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<i>Financial assets</i>		
Available-for-sale investments	93,821	136,640
Derivative financial instruments	–	13,254
Investments held-for-trading	11,913	11,248
Loans and receivables (including cash and cash equivalents)	<u>935,023</u>	<u>924,732</u>
	<u>1,040,757</u>	<u>1,085,874</u>
<i>Financial liabilities</i>		
Derivative financial instruments	5,528	–
Financial liabilities stated at amortised cost	<u>1,492,155</u>	<u>1,000,967</u>
	<u>1,497,683</u>	<u>1,000,967</u>

b. Financial risk management objectives

The Group's financial instruments include available-for-sale investments, derivative financial instruments, investments held-for-trading, trade and other receivables, pledged deposits, bank balances, trade and other payables, amounts due from joint venture and an associate, bank overdrafts, bonds and bank loans. Details of the financial instruments are disclosed in the respective notes.

The management monitors and manages the financial risk of the Group through internal risk assessment. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity prices.

(i) *Currency risk*

Certain purchase of goods of the Group are denominated in United States Dollar. Certain bank balances are denominated in United States Dollar, Australian Dollar, Singapore Dollar, New Zealand Dollar, Malaysian Riggitt, Indonesian Rupiah, Japanese Yen and Renminbi, the currencies other than the functional currencies of the relevant group entities.

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

	<u>Assets</u>		<u>Liabilities</u>	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
United States Dollar	460,911	491,779	16,280	28,347
Australian Dollar	11,829	11,484	–	–
Singapore Dollar	27,890	32,063	259	468
Malaysian Riggitt	4,235	3,929	188	–
Japanese Yen	8,338	698	395,095	246,893
Renminbi	3,801	3,708	–	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following analysis indicates the change in the Group's pre-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

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 at that date, and all other variables are held constant.

	2015		2014	
	Increase (decrease) in foreign exchange rates %	Increase (decrease) in pre-tax profit HK\$'000	Increase (decrease) in foreign exchange rates %	Increase (decrease) in pre-tax profit HK\$'000
Non-derivative financial instruments				
United States Dollar	1.5 (1.5)	6,669 (6,669)	1.5 (1.5)	6,951 (6,951)
Australian Dollar	10.0 (10.0)	1,183 (1,183)	10.0 (10.0)	1,148 (1,148)
Singapore Dollar	5.0 (5.0)	1,382 (1,382)	5.0 (5.0)	1,580 (1,580)
Malaysian Rigit	5.0 (5.0)	202 (202)	5.0 (5.0)	196 (196)
Japanese Yen	10.0 (10.0)	(38,676) 38,676	10.0 (10.0)	(24,620) 24,620
Renminbi	5.0 (5.0)	190 (190)	5.0 (5.0)	185 (185)
Derivative financial instruments				
Japanese Yen	5.0 (5.0)	(200) 200	5.0 (5.0)	(663) 663

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk (continued)

(ii) Price risk

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective listed equity securities classified as held-for-trading investments had been 10% (2014: 10%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK\$1,191,000 (2014: HK\$1,125,000) as a result of the changes in fair value of held-for-trading investments.

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2014: 10%) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK\$2,252,000 (2014: HK\$7,377,000). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost requires recognising impairment loss in profit or loss. As such, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

(iii) Interest rate risk

The balances comprising short term bank deposits, bonds, bank loans and bank overdrafts carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would decrease/increase by HK\$5,150,000 (2014: HK\$2,842,000). The analysis is prepared assuming the amounts of bank balances, bank loans and bonds outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Credit risk

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

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers, the Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Singapore which accounted for majority of the trade receivables at 31 December 2015.

The Group has concentration of credit risk on loans and receivable of which 90% (2014: 89%) are liquid funds deposited with several banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flow.

	Weighted average interest rate %	Repayable on demand HK\$'000	Within 3 months HK\$'000	3 - 6 months HK\$'000	7 - 12 months HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
2015										
Non-derivative financial liabilities										
Trade and other payables	N/A	-	72,323	-	-	-	-	-	72,323	72,323
Bank loans	1.18	801,129	136,993	4,810	9,650	19,022	55,625	304,148	1,331,377	1,288,289
Bonds	1.74	-	259	259	517	2,311	6,934	137,855	148,135	131,543
Obligation under finance leases	2.97	-	1,186	1,186	2,371	4,743	14,230	20,159	43,875	38,324
		<u>801,129</u>	<u>210,761</u>	<u>6,255</u>	<u>12,538</u>	<u>26,076</u>	<u>76,789</u>	<u>462,162</u>	<u>1,595,710</u>	<u>1,530,479</u>
Derivative financial instruments										
Foreign currency forward contracts										
- cash inflows		-	(31,200)	(78,000)	(218,400)	-	-	-	(327,600)	(327,600)
- cash outflows		-	30,888	78,235	224,005	-	-	-	333,128	333,128
		-	<u>(312)</u>	<u>235</u>	<u>5,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,528</u>	<u>5,528</u>
	Weighted average interest rate %	Within 3 months HK\$'000	3 - 6 months HK\$'000	7 - 12 months HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000	
2014										
Non-derivative financial liabilities										
Trade and other payables	N/A	105,013	-	-	-	-	-	-	105,013	105,013
Bank loans	1.43	218,300	4,650	221,957	25,375	54,152	270,912	795,346	750,703	
Bank overdrafts	15.5	39,084	-	-	-	-	-	39,084	39,084	
Bonds	1.88	505	505	1,011	2,022	6,065	115,236	125,344	106,167	
		<u>362,902</u>	<u>5,155</u>	<u>222,968</u>	<u>27,397</u>	<u>60,217</u>	<u>386,148</u>	<u>1,064,787</u>	<u>1,000,967</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Liquidity risk (continued)

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 December 2015, the aggregate amounts of these bank loans amounted to HK\$131,487,000. The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the bank within the next twelve months from the end of the reporting period.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group’s bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or less than 1 year HK\$'000	1 -2 years HK\$'000	2 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total Carrying amounts HK\$'000
2015						
Bank borrowings with a repayment on demand clause	5,670	6,436	19,078	108,312	139,496	131,487

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

c. Fair value

(i) Fair value of the Group’s financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

36. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

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

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2015

	Fair value hierarchy		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Listed securities classified as investments held for trading	11,913	–	11,913
Listed securities classified as available-for-sale investments	22,517	–	22,517
Derivative financial instruments			
– Foreign currency forward contracts	–	(5,528)	(5,528)
Total	34,430	(5,528)	28,902

At 31 December 2014

	Fair value hierarchy		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Listed securities classified as investments held for trading	11,248	–	11,248
Listed securities classified as available-for-sale investments	73,768	–	73,768
Derivative financial instruments			
– Foreign currency forward contracts	–	13,254	13,254
Total	85,016	13,254	98,270

The fair value of listed securities is determined with reference to quoted market bid price from relevant stock exchanges.

The fair value of foreign currency forward contracts are measured at the present value of future cash flows estimated using quoted forward exchange rates, which is observable at the end of the reporting period.

There were no transfers between Levels 1, 2 and 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

36. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

(ii) *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

37. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going 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.

In applying the entity's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, the directors of the Company have taken into the carrying amount of joint ventures and the present value of the estimated future cash flows from the joint ventures. Where the actual cash flows generated from the investment is less than expected, a material impairment loss may arise. As at 31 December 2015, accumulated impairment loss on interest in joint ventures were HK\$9,043,000 (2014: HK\$9,043,000).

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The cause of fluctuations in the fair value of the assets are explained and reported to the management periodically.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of Group's assets. Notes 14 and 36c provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the various assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

38. DEEMED DISPOSALS OF A SUBSIDIARY AND PARTIAL INTERESTS IN A SUBSIDIARY

(a) Deemed disposal of ITCL

With the issuance of ITCL's share to the public in December 2015, the Company's equity interest in ITCL has been diluted from 43.6% to 37.6%, resulting in a loss in control over ITCL. Accordingly, the investment in ITCL was reclassified as interest in associate.

The assets and liabilities of ITCL were deconsolidated from the Group's consolidated statement of financial position and the interest in ITCL has been accounted for as an associate using equity method. The fair value of the 37.6% retained interest in ITCL at the date on which the control was lost is regarded as the cost on initial recognition of the investment in ITCL as an associate.

	<i>HK\$'000</i>
Fair value of interest retained	87,224

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Non-current assets	
Property, plant and equipment	45,161
Intangible assets	46,537
Goodwill	11,509
Current assets	
Inventories	44,604
Trade and other receivables, deposits and prepayments	59,370
Bank balances and cash	48,756
Current liabilities	
Trade payables, other payables and accruals	(48,432)
Tax payable	(189)
Bank loan	(47,308)
Non-current liabilities	
Bank loan	(5,155)
Net assets disposal of	154,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

38. DEEMED DISPOSALS OF A SUBSIDIARY AND PARTIAL INTERESTS IN A SUBSIDIARY (CONTINUED)

(a) Deemed disposal of ITCL (continued)

Deemed gain on disposal of ITCL

	<i>HK\$'000</i>
Net assets disposed of	(154,853)
Fair value of retained interest	87,224
Non-controlling interests	85,904
Cumulative exchange difference in respect of the net assets of ITCL reclassified from equity to profit or loss on loss of control ITCL	1,219
Gain on deemed disposal	<u>19,494</u>
Net cash outflow arising on disposal	
Cash and cash equivalents of ITCL deemed disposed of	<u>48,756</u>

(b) Deemed disposal of partial interests in SiS Mobile

With the listing of the shares of SiS Mobile on the Stock Exchange on 15 January 2015,

- (i) an amount of HK\$23,519,000 was capitalised by the issuance of 235,190,000 ordinary shares of HK\$0.10 each from SiS Mobile to the Company;
- (ii) 88,757,333 ordinary shares of SiS Mobile of HK\$0.10 each were declared by the Company as a special dividend by way of distribution in specie to the Company's qualifying shareholders; and
- (iii) 44,800,000 ordinary shares of HK\$0.10 each were issued by SiS Mobile at HK\$0.82 per share to the public for a total gross proceeds of HK\$36,736,000.

With the issuance of SiS Mobile's shares to the public and the Company's qualifying shareholders, the Company's equity interest in SiS Mobile has been diluted from 100% to 52.30%. Although there is a reduction in the equity interest in SiS Mobile, the Company is still able to exercise control over SiS Mobile and the effect of the reduction in the Company's interest in SiS Mobile of HK\$17,558,000, being the difference between the fair value of consideration of HK\$30,521,000 (net of issue expense of HK\$6,215,000) and the non-controlling interest in SiS Mobile of HK\$48,079,000, has been recognised directly in reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

39. OPERATING LEASES

The Group as lessee

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	7,061	7,468
In the second to fifth years inclusive	9,074	13,376
Over five years	30,305	56,186
	<u>46,440</u>	<u>77,030</u>

The Group has entered into agreements with unrelated third parties for leases of their land for a period of 52 years (2014: 22 to 52 years). The remaining leases were negotiated for an average term of two years and for fixed rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	138,485	129,994
In the second to fifth year inclusive	325,127	322,467
More than five years	937,060	960,272
	<u>1,400,672</u>	<u>1,412,733</u>

The Group has entered into agreements with the trustees for the leasing activities of the properties in Japan for a period of 20 to 50 years, whereby the Group is empowered to enter agreements with the lessees.

The remaining leases are negotiated between the Group and the tenants with majority terms of 2 to 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

40. SHARE OPTION SCHEME

(a) SiS International Holdings Limited

Pursuant to the share option scheme (the “Scheme”) adopted by the Company on 21 May 2007, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

Share options were granted on 20 August 2007 to certain directors and employees of the Group and directors of an associate at an exercise price of HK\$1.72 per share and at a cash consideration of HK\$10.00 per grantee.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of the Company in issue, without prior approval from the Company’s shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company’s issued share capital, without prior approval from the Company’s shareholders. HK\$10.00 is payable by each eligible participant to the Company on acceptance of an offer of options.

During the year, share options were granted by the Company on 26 June 2015 to certain directors and employees of the Group and third parties at an exercise price of HK\$4.47 per share and at a cash consideration of HK\$10.00 per grantee.

The fair values of the options determined at the date of grant using the Binomial model was approximately HK\$3,695,000 (2014: Nil).

The Group recognised an expense of HK\$1,866,000 for the year ended 31 December 2015 (2014: nil) in relation to the share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

40. SHARE OPTION SCHEME (CONTINUED)

(a) SiS International Holdings Limited (continued)

The following assumptions used to calculate the fair values of share options were:

Grant date share price	HK\$4.39
Exercise price	HK\$4.47
Expected life	10 years
Expected volatility	40.35%
Dividend yield	1.14%
Risk-free interest rate	1.84%
Sub-optimal	1.80 to 1.83

Details of the share options are as follows:

Number of share options	Vesting period	Exercise period	Exercise price
133,332	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	HK\$1.72
133,334	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	HK\$1.72
233,334	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	HK\$1.72
750,000	26 June 2015 – 31 December 2015	1 January 2016 – 26 June 2025	HK\$4.47
750,000	26 June 2015 – 31 December 2016	1 January 2017 – 26 June 2025	HK\$4.47
750,000	26 June 2015 – 31 December 2017	1 January 2018 – 26 June 2025	HK\$4.47

The movements in the shares options during the two years ended 31 December 2014 and 31 December 2015 are as follows:

Grantee	Outstanding at 1 January 2014	Exercised during the year	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Outstanding at 31 December 2015
Directors	333,334	(55,555)	277,779	990,000	(177,779)	1,090,000
Employees and others	600,000	-	600,000	1,260,000	(200,000)	1,660,000
	<u>933,334</u>	<u>(55,555)</u>	<u>877,779</u>	<u>2,250,000</u>	<u>(377,779)</u>	<u>2,750,000</u>

No options were lapsed during the two years ended 31 December 2014 and 31 December 2015.

At 31 December 2015, the number of options which remained outstanding under the Scheme was 2,750,000 (2014: 877,779) which, if exercised in full, represents 1% (2014: 0.3%) of the enlarged capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

40. SHARE OPTION SCHEME (CONTINUED)

(b) SiS Mobile Holdings Limited

Pursuant to the share option scheme adopted by SiS Mobile on 16 December 2014, SiS Mobile may grant options to qualified persons, including employees and directors of SiS Mobile, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of SiS Mobile.

During the year, share options were granted by SiS Mobile on 25 June 2015 to directors, certain employees and eligible persons of the Group. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of SiS Mobile in issue, without prior approval from the shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of SiS Mobile's issued share capital, without prior approval from the shareholders. HK\$100.00 is payable by each eligible participant to SiS Mobile on acceptance of an offer of option.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The following assumptions used to calculate the fair values of share options were:

Grant date share price	HK\$2.17
Exercise price	HK\$2.36
Expected life	8 years
Expected volatility	54.75%
Dividend yield	0%
Risk-free interest rate	1.64%
Sub-optimal	1.80 to 1.83

Details of share options are as follows:

Number of share options	Vesting period	Exercise period	Exercise price
2,630,000	25 June 2015 – 31 December 2015	01 January 2016 – 30 June 2023	HK\$2.36
2,630,000	25 June 2015 – 31 December 2016	01 January 2017 – 30 June 2023	HK\$2.36
2,630,000	25 June 2015 – 31 December 2017	01 January 2018 – 30 June 2023	HK\$2.36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

40. SHARE OPTION SCHEME (CONTINUED)

(b) SiS Mobile Holdings Limited (continued)

	Granted during the year and outstanding at 31 December 2015
Grantee	
Directors	6,690,000
Employees and others	1,200,000
	<hr/>
	7,890,000

No options were exercised, exercisable, lapsed or forfeited during the year ended 31 December 2015.

41. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' salaries costs or HK\$1,500, (before 30 June 2014, HK\$1,250), whichever the lower, to the scheme.

Employees of the Group's subsidiaries incorporated in Singapore are members of pension schemes operated by the local government. The subsidiaries contributions to the pension schemes are ranging from 6.5% to 16% of the employees' salaries.

42. PLEDGE OF ASSETS

At the end of the reporting period,

- (a) The Group's investment properties with carrying values of HK\$2,288,456,000 (2014: HK\$1,436,778,000) were under legal charge to secure general banking facilities available to the Group.
- (b) Bank deposits of HK\$455,029,000 (2014: HK\$493,522,000) were pledged to secure bank loans drawn during the year.
- (c) Certain shares of subsidiaries have been pledged to the banks as at 31 December 2014 and 2015 to secure several banking facilities available to the Group.
- (d) Rental assignments over certain investment properties of the Group were under legal charge to secure general banking facilities available to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

43. RELATED PARTY TRANSACTIONS

The Group provides management service to an associate from which service income earned during the year amounted to HK\$2,552,000 (2014: HK\$2,768,000). The amount due from the associate at 31 December 2015 for the services provided included in trade and other receivables amounted to HK\$368,000 (2014: HK\$626,000).

Rental expenses of HK\$792,000 (2014: HK\$792,000) were incurred during the year for the lease of premises from one related company. One executive director and the spouse have ultimate controlling interest in the related company.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 10. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

44. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2015	2014	
			%	%	
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US\$45,001	100	100	Investment holding
SiS Mobile Holdings Limited	Cayman Islands	HK\$28,000,000	52.3	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
SiS Hospitality Holdings Limited	Cayman Island	HK\$0.1	100	N/A	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK\$2	100	100	Property investment
Ever Wealthy Limited	Hong Kong	HK\$1	100	100	Investment holding
Faith Prosper Ltd.	British Virgin Islands	US\$1	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

44. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2015	2014	
			%	%	
Indirect subsidiaries: (continued)					
Gain Best Limited	Hong Kong	HK\$1	100	100	Property investment
Gold Kite Limited	Hong Kong	HK\$1	100	100	Investment holding
Qool Bangladesh Limited	Bangladesh	TK1,000,000	99	99	Investment holding
Qool Labs Pte. Ltd.	Singapore	S\$2	100	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	HK\$1	52.3	100	Distribution of mobile phone products
Qool Distribution (M) Sdn Bhd	Malaysia	RM2	100	100	Distribution of IT and communication products
QR Capital Limited	Hong Kong	HK\$1	100	100	Property investment
SiS Asia Pte. Ltd.	Singapore	S\$2	100	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd	Singapore	S\$1	100	100	Investment holding
SiS Capital Limited	Hong Kong	HK\$1	100	100	Investment holding
SiS Capital (Bangladesh) Pte. Ltd.	Singapore	S\$2	100	100	Investment holding
SiS China Limited	Hong Kong	HK\$2	100	100	Property investment
SiS HK Limited	Hong Kong	HK\$400,000	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

44. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2015	2014	
			%	%	
Indirect subsidiaries: (continued)					
SiS International Limited	Hong Kong	HK\$1	100	100	Distribution of IT productions and provision of services
SiS Japan Inn TMK	Japan	JPY150,000	100	100	Property investment
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US\$1	100	100	Investment holding
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S\$2	100	100	Investment holding
Synergy Technologies (Asia)Limited	Hong Kong	HK\$5,000,000	52.3	100	Distribution of mobile phone and related products
Tokutei Mokuteki Kaisha SSG8	Japan	JPY470,000,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG13	Japan	JPY200,000	100	100	Property investment
SISJP9 Tokutei Mokuteki Kaisha	Japan	JPY198,250,000	100	N/A	Property investment
SISJP10 Tokutei Mokuteki Kaisha	Japan	JPY94,450,000	100	N/A	Property investment

None of the subsidiaries had issued any debt securities during the year nor held at the end of the year.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

44. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests as at 31 December 2015 and 2014.

Name of subsidiary	Country of incorporation or registration/ operation	Proportion of nominal value of issued capital held by the Company		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interest	
		2015	2014	2015	2014	2015	2014
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Information Technology Consultants Limited	Bangladesh	-	43.6	-	(307)	-	75,282
SiS Mobile Holdings Limited	Hong Kong	52.3	100	306	-	50,139	-
				<u>306</u>	<u>(307)</u>	<u>50,139</u>	<u>75,282</u>

Summarised financial information in respect of ITCL as at 31 December 2014 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2014 HK\$'000
Non-current assets	<u>92,513</u>
Current assets	<u>97,296</u>
Current liabilities	<u>(47,951)</u>
Non-current liabilities	<u>(10,105)</u>
Equity attributable to owners of the Company	<u>56,471</u>
Non-controlling interests	<u>75,282</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

44. PRINCIPAL SUBSIDIARIES (CONTINUED)

	Year ended 31 December 2014 <i>HK\$'000</i>
Revenue	61,233
Expenses	(61,737)
Loss for the year	(504)
Loss for the year attributable to owners of the Company	(197)
Loss for the year attributable to owners of the non-controlling interests	(307)
Loss for the year	(504)
Other comprehensive expense attributable to owners of the Company	(334)
Other comprehensive expense to owners of the non-controlling interests	(525)
Other comprehensive expense for the year	(859)
Total comprehensive expense attributable to owners of the Company	(531)
Total comprehensive expense to owners of the non-controlling interests	(832)
Total comprehensive expense for the year	(1,363)
Net cash inflow from operating activities	618
Net cash outflow used in investing activities	(10,429)
Net cash inflow from financing activities	10,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

44. PRINCIPAL SUBSIDIARIES (CONTINUED)

Summarised financial information in respect of SiS Mobile as at 31 December 2015 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2015 HK\$'000
Non-current assets	<u>124</u>
Current assets	<u>157,270</u>
Current liabilities	<u>52,281</u>
Equity attributable to owners of the Company	<u>54,974</u>
Non-controlling interests	<u>50,139</u>
	Year ended 31 December 2015 HK\$'000
Revenue	<u>832,452</u>
Expenses	<u>(831,811)</u>
Profit for the year	<u>641</u>
Profit for the year attributable to owners of the Company	<u>335</u>
Profit for the year attributable to owners of the non-controlling interests	<u>306</u>
Profit for the year	<u>641</u>
Total comprehensive income attributable to owners of the Company	<u>335</u>
Total comprehensive income to owners of the non-controlling interests	<u>306</u>
Total comprehensive income for the year	<u>641</u>
Net cash used in operating activities	<u>(78,018)</u>
Net cash used in investing activities	<u>(16)</u>
Net cash from financing activities	<u>56,021</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

45. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2015 HK\$'000	2014 HK\$'000
Assets		
Interest in subsidiaries	1,223,629	1,203,288
Bank balances and cash	57,457	48,440
Other assets	11,498	50,925
	<u>1,292,584</u>	<u>1,302,653</u>
Liabilities		
Payables and accruals	(24,717)	(24,014)
Other liabilities	(5,528)	–
	<u>(30,245)</u>	<u>(24,014)</u>
Net assets	<u>1,262,339</u>	<u>1,278,639</u>
Share capital	27,747	27,709
Share premium	72,313	71,488
Reserves (Note below)	1,162,279	1,179,442
Total equity	<u>1,262,339</u>	<u>1,278,639</u>

Note: The movement in reserves are presented below:

	Investments reserve HK\$'000	Share options reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	(579)	522	29,186	1,174,007	1,203,136
Loss for the year	–	–	–	(2,134)	(2,134)
Other comprehensive expense for the year	639	–	–	–	639
Total comprehensive expense for the year	639	–	–	(2,134)	(1,495)
Issue of shares upon exercise of share option	–	(32)	–	–	(32)
Dividend recognised as distribution	–	–	–	(22,167)	(22,167)
At 31 December 2014	<u>60</u>	<u>490</u>	<u>29,186</u>	<u>1,149,706</u>	<u>1,179,442</u>
Loss for the year	–	–	–	(7,389)	(7,389)
Other comprehensive expense for the year	2,446	–	–	–	2,446
Total comprehensive expense for the year	2,446	–	–	(7,389)	(4,943)
Issue of shares upon exercise of share option	–	(213)	–	–	(213)
Recognition of equity settled share-based payment	–	1,866	–	–	1,866
Dividend recognised as distribution	–	–	–	(13,873)	(13,873)
At 31 December 2015	<u>2,506</u>	<u>2,143</u>	<u>29,186</u>	<u>1,128,444</u>	<u>1,162,279</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

46. NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK\$40,991,000.

47. EVENT AFTER THE END OF THE REPORTING PERIOD

On 25 February 2016, the Group has entered into an agreement to acquire the trust beneficial interest of a property (including land and building) situated in Japan for a consideration of approximately JPY5,963,000,000 (equivalent to approximately HK\$411,447,000). The acquisition was partially financed through the issuance of preferred shares by a subsidiary of the Group. The Group indirectly held 70% of the preferred shares and the remaining 30% were held by the ultimate holding company of the seller, a third party independent of the Company and its connected persons. The acquisition was completed on 1 March 2016.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Revenue	1,328,274	2,098,168	1,643,902	1,716,868	1,145,780
Profit before taxation	146,795	130,066	266,234	185,603	281,845
Income tax expense	(1,359)	(2,465)	(11,146)	(9,736)	(42,532)
Gain on disposal of subsidiaries constituting discontinued operations	549,885	31,742	–	–	–
Profit for the year	695,321	159,343	255,088	175,867	239,313
Attributable to:					
Owners of the Company	695,321	159,343	254,368	176,174	240,684
Non-controlling interests	–	–	720	(307)	(1,371)
	695,321	159,343	255,088	175,867	239,313

ASSETS AND LIABILITIES

	At 31 December				
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Total assets	2,124,775	2,508,657	3,334,635	3,625,787	4,334,643
Total liabilities	(193,827)	(480,124)	(1,013,263)	(1,174,547)	(1,735,480)
Net assets	1,930,948	2,028,533	2,321,372	2,451,240	2,599,163
Attributable to:					
Owners of the Company	1,930,948	2,028,533	2,245,258	2,375,958	2,546,982
Non-controlling interests	–	–	76,114	75,282	52,181
	1,930,948	2,028,533	2,321,372	2,451,240	2,599,163

Particulars of Investment Properties

At 31 December 2015

Name of property and location	Lease terms	Use
Investment properties		
#11-07/23 Maxwell House 20 Maxwell Road Singapore	Long-term lease	Commercial
#01-08 23 Dalvey Estate Singapore	Freehold	Residential
#03-07 23 Dalvey Estate Singapore	Freehold	Residential
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
8th Floor Nine Queen's Road Central Hong Kong	Long-term lease	Commercial
6 Carparking spaces and carport basement Nine Queen's Road Central Hong Kong	Long-term lease	Commercial
23rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
33rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 1, 11th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office

Particulars of Investment Properties

At 31 December 2015

Name of property and location	Lease terms	Use
Unit 6, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Unit 6, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Unit 7, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Flat B, 7/F., Ming Kung Mansion Kam Din Terrence 22 Tai Koo Shing Road Hong Kong	Long-term lease	Residential
Rinku Gate Building Tower 1 Rinku-Oraikita Izumisaho, Osaka Japan	Freehold	Commercial and hotel
Toyoko Inn Naha Asahi-bashi Ekimae 1-20, 2 chome, Kume Naha City, Okinawa Japan	Freehold	Hotel
Toyoko Inn Kanazawa Kenrokuen Korinbo 2-4-28, Korinbo, Kanazawa City Ishikawa Japan	Freehold	Hotel
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1 1-1 Akashicho, Hiratsuka City Kanagawa Japan	Freehold and medium-term lease	Hotel

Particulars of Investment Properties

At 31 December 2015

Name of property and location	Lease terms	Use
Toyoko Inn Niigata Furumachi 1168-2, 7 Bancho, Kamiokawamaedori Chuo-Ku, Niigata City, Niigata Japan	Freehold	Hotel
Toyoko Inn Tokushima Ekimae 1-5, Ryogokuhoncho, Tokushima City, Tokushima Japan	Freehold	Hotel
Dormy Inn Premium Otaru No. 123 Inaho, 3-chome, Otaru-shi, Hokkaido, Japan	Freehold	Hotel
Hakodate Rich Hotel Goryokaku 35-3, Goryokaku-chu, Hakodate-shi, Hokkaido, Japan	Freehold	Hotel
First Cabin Tsukiji 11-10, 2-chome, Tsukiji, Chuo-ku, Tokyo, Japan	Freehold	Hotel
The b' Kyoto Sanjo 49-1, Nichome, Sanjo-dori Ohashi-higashi, Higashiyama-ku, Kyoto-shi, Kyoto, Japan	Freehold	Hotel