Annual Report 2013

GREEN INTERNATIONAL
Holdings Limited
格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2700)

Green International Holdings Limited
Annual Report 2013

Contents

Corporate Information

EXECUTIVE DIRECTORS

Dr. Yang Wang Jian *(Chairman)*
Mr. Wong Man Keung *(Chief Executive Officer)*
Ms. Yang Jun
Mr. Chen Hanhong
Ms. Yang Ya
Dr. Yu Qigang

NON-EXECUTIVE DIRECTOR

Ms. Yu Jiaoli

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan

AUDIT COMMITTEE

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth
Mr. Wu Hong

REMUNERATION COMMITTEE

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth
Dr. Yang Wang Jian

NOMINATION COMMITTEE

Dr. Yang Wang Jian *(Chairman)*
Mr. Low Chin Sin
Mr. Yeung King Wah, Kenneth

COMPANY SECRETARY

Ms. Man Ching Yan

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3007-08, 30/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung Solicitors
Suites 2001-2005, 20/F
Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR

Parker Randall CF (H.K.) CPA Limited
6/F, Two Grand Tower
625 Nathan Road
Kowloon
Hong Kong

PRINCIPAL BANKERS

Wing Hang Bank, Ltd.
Hang Seng Bank Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.irasia.com/listco/hk/greeninternational/index.htm

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 02700
Listing date: 29 September 2006
Board lot: 20,000 ordinary shares
Financial year end: 31 December
Share price as at the date of this annual report: HK$1.12
Market capitalisation as at the date of this annual report: approximately HK$1,423,600,000

Chairman's Statement

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Green International Holdings Limited (the "Company"), I hereby announce the full-year audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

2013 was a relatively difficult year for the Group. Although the Group has secured several important orders from certain famous international brands, the gross profit margin was lower than that of 2012. The Group recorded a loss in 2013 as compared to a profit in 2012 mainly due to the rising of production costs and provision for past due trade receivables. The Group expects that 2014 will continue to be a difficult year for the toys industry.

In view of the difficult environment of the toys industry and the toys industry is becoming increasingly competitive, the Group will consider devoting more resources to other potential business segments to provide higher potential return. To this end, the Group acquired a clubhouse business through its principal investment arm, Green Capital (Hong Kong) Limited ("Green Capital") in January 2014. Besides, the Group also entered into certain memorandums of understanding with several business partners to explore the business opportunities of other industries. Management of the Group considers that these current or potential investments could maximise return to the Company and shareholders in the long run.

From 2014 onwards, the Group will have new objectives for its development. With new business directions, the Group plans to take on new projects to further diversify its business operations and capture higher growth potentials. The Group expects revenue source in the future will be derived from different business segments.

I am grateful to our shareholders and business partners for their continued support and my fellow members of the Board and colleagues for their dedication and commitment.

Yang Wang Jian
Chairman of the Board

Hong Kong, 28 March 2014

Management Discussion and Analysis

OVERALL PERFORMANCE FOR THE YEAR

Total revenue of approximately HK$583,057,000 was recorded by the Group during the year ended 31 December 2013, as compared to approximately HK$441,551,000 for the year 2012. The rise in total revenue was due to the security of several orders from certain famous international brands. The Group's gross profit was approximately HK$10,664,000 in 2013, as compared to approximately HK$78,534,000 in 2012, representing a decrease of approximately HK$67,870,000; the gross profit margin has decreased from 17.8% in 2012 to 1.8% in 2013.

During 2013, the macro-economic and operating environment continued to be plagued by the increase in the cost of raw materials and labour in the PRC. Besides, the performance of the Group's business in toys of popular animations and online-games, which accounted for most of the Group's profit margin, was far from satisfactory due to the delay in the launching of certain animations and online-games. The Group expects uncertainties to persist in 2014. In light of this, management has taken a close look at the developments of the toys industry, and will take appropriate strategic measures to reshape the Group's business segments when necessary.

The loss for the year attributable to equity holders of the Company amounted to approximately HK$48,947,000 in 2013 whilst a profit of approximately HK$18,769,000 was recorded in 2012. This was mainly attributable to the decreasing gross profit and provision for discount on the Group's past due trade receivables.

The Group would also like to point out that the trade receivables ageing period might seem long. Management has noted this and is taking proactive measures in chasing the repayments from the customers which include, among other things, (a) liaison with the customers for repayment schedules; (b) close chasing and monitoring of the settlement amounts; and (c) tightening controls over the credit terms granted to customers in respect of new transactions. The Group will closely follow up with the customers in relation to the repayments and the Board considers it is unlikely that the trade receivables will not be recovered as approximately 35% of the trade receivables in the amount of approximately HK$112,233,000 has been settled subsequent from the end of the reporting period to the date of this annual report. The Directors are optimistic to have most of the outstanding balances be collected in the foreseeable future.

BUSINESS REVIEW

Management has focused on cost control in this difficult operating environment, in order to strive for a higher profit margin and return to the stakeholders. Developments on new products were slowed down as their initial research and development costs are high and the cost recovery period is long. Management is adopting a prudent and conservative approach in order to sustain the Group for the long term development.

The Group is also seeking cooperation and forming joint ventures with other prospective companies to expand its business.

On 16 December 2013, the Company, Green Capital (a wholly-owned subsidiary of the Company), China Real Estates Investment Holdings Limited and Mr. Tang Ho Ka entered into a sale and purchase agreement, pursuant to which Green Capital conditionally agreed to purchase 100% equity interest of Big Point Investment Limited from China Real Estates Investment Holdings Limited for a total consideration of RMB130 million (equivalent to approximately HK$166 million). Big Point Investment Limited is an investment holding company, which holds 100% direct equity interest in Dijia Restaurant Management (Shenzhen) Co., Ltd. (迪嘉餐飲管理（深圳）有限公司) and 95% equity interest in 深圳市迪嘉銀湖汽車服務有限公司 (Shenzhen Dijiayinhu Motor Services Co., Ltd.*) through its interest in Dijia Restaurant Management (Shenzhen) Co., Ltd.. Big Point Investment Limited and its subsidiaries are principally engaged in clubhouse business. In order to seek more business opportunities and to maximise return to the Company and the shareholders in the long run, the Directors considered that this acquisition was in the interest of the Company and the shareholders to explore the possibility of diversification of the business of the Group. This acquisition was completed on 30 January 2014, and convertible bonds in the principal amount of HK$76,620,000 have been issued by the Group in partial settlement of the consideration. For further details of the above acquisition, please refer to the announcements of the Company dated 16 December 2013, 30 January 2014 and the circular of the Company dated 14 January 2014.

Management Discussion and Analysis

THE MACRO-ECONOMIC ENVIRONMENT

Appreciation of Renminbi, increase in salaries, difficulties in labour recruitment and increase of production and material costs have put strain on the growth and profitability of the manufacturing industry. With the mounting pressure from Renminbi's appreciation, it has become increasingly difficult to derive profits from exports. Besides, the toy industry is becoming more competitive. The profit margin becomes lower and the new products have shorter life cycles. To stand out in this environment, the Group must focus on reshaping its business segments and looking for new directions for its development.

MANAGEMENT FORECAST AND PROSPECT

As a loss was recorded by the Group during the reporting period, management is prudent on the Group's business development. Management has taken proactive and initiative approach in observing and analyzing the prospects of the toys industry and will decide on whether exploring other potential business opportunities is in the better interest for the Company and its shareholders as a whole.

The Group is actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by management for expansion of the business segments of the Group. Management believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole. Management will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group held cash and bank balances of approximately HK$80,486,000 (2012: HK$37,475,000). Net current assets amounted to approximately HK$89,578,000 (2012: HK$180,115,000). Current ratio (defined as total current assets divided by total current liabilities) was 1.31 times (2012: 2.00 times). The ratio of the Group's total liabilities to total assets was approximately 57.9% (2012: 49.2%). As detailed in Note 3.2 to the consolidated financial statements, as at 31 December 2013, the gearing ratio of the Group was 17.6% (2012: 3.4%) when it was calculated as net debt divided by total capital. As at 31 December 2013, the carrying amounts and the principal amounts of the Group's outstanding borrowings amounted to approximately HK$126,760,000 (2012: HK$44,618,000) and approximately HK$128,755,000 (2012: HK$46,895,000), respectively.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk, as most of the Group's assets and liabilities, revenue and expenditure are denominated in Renminbi, U.S. Dollars and Hong Kong Dollars. As at 31 December 2013, the Group had insignificant exposure to foreign exchange risk as substantially all sales and purchases transactions, recognised assets and liabilities were primarily denominated in Renminbi, U.S. Dollars and Hong Kong Dollars which are currencies with a certain degree of stability.

CAPITAL STRUCTURE

During the year ended 31 December 2013, certain convertible bonds with an aggregate principal amount of HK$24,420,000 were converted into the shares of the Company at a conversion price of HK$0.182 per share and, accordingly, the Company issued and allotted a total of 134,175,824 shares to the convertible bond holders. As at 31 December 2013, there were outstanding convertible bonds in the principal amount of HK$6,163,639 which represented the first tranche of the convertible bonds issued for the acquisition of Tai Cheng International Limited, a subsidiary of the Company, in 2012 which could be convertible into, at HK$0.5 per share (subject to adjustments), 12,327,278 shares of the Company.

Management Discussion and Analysis

On 9 August 2013, the Company entered into a top-up placing and top-up subscription agreement with a placing agent and Gold Bless International Invest Limited ("Gold Bless") to place, through the placing agent, on a best effort basis, up to 180,800,000 shares to at least 6 independent placees at a price of HK$0.205 per share, representing a discount of approximately 14.58% to the closing price of HK$0.24 per share on 9 August 2013. Gold Bless conditionally agreed to subscribe for a number of new shares equivalent to the number of shares actually placed by the placing agent. The top-up placing was completed on 19 August 2013, in which an aggregate of 126,800,000 shares had been successfully placed to 6 independent placees. In accordance with the terms and conditions of the top-up placing and top-up subscription agreement, the Company allotted and issued 126,800,000 shares to Gold Bless on 21 August 2013. The net proceeds from the top-up subscription amounted to approximately HK$25,420,000 (equivalent to a net price of approximately HK$0.20 per share) has been fully applied as working capital of the Group. For further details of the above top-up placing and top-up subscription, please refer to the announcements of the Company dated 9 August and 21 August 2013.

On 20 November 2013, the Company entered into another top-up placing and top-up subscription agreement with a placing agent and Gold Bless to place, through the placing agent, on a best effort basis, up to 54,000,000 shares to at least 6 independent placees at a price of HK$0.24 per share, representing a discount of approximately 18.64% to the closing price of HK$0.295 per share on 20 November 2013. Gold Bless conditionally agreed to subscribe for a number of new shares equivalent to the number of shares actually placed by the placing agent. The top-up placing was completed on 22 November 2013, in which an aggregate of 54,000,000 shares had been successfully placed to 6 independent placees. In accordance with the terms and conditions of the top-up placing and top-up subscription agreement, the Company allotted and issued 54,000,000 shares to Gold Bless on 26 November 2013. The net proceeds from the top-up subscription amounted to approximately HK$12,700,000 (equivalent to a net price of approximately HK$0.235 per share) has been fully applied as working capital of the Group. For further details of the above top-up placing and top-up subscription, please refer to the announcements of the Company dated 20 November and 26 November 2013.

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2013.

On 11 May 2012, the Company granted 65,800,000 share options at an exercise price of HK$0.37 per share to certain substantial shareholders, Directors and employees of the Group, of which 63,800,000 share options were still outstanding as at 31 December 2013 as 2,000,000 share options were lapsed during the year. Subsequent to the end of the reporting period, a grantee exercised 1,000,000 of his share options in January 2014.

Subsequent to the end of the reporting period, on 30 January 2014, upon completion of the acquisition of 100% equity interest of Big Point Investment Limited, the Company issued convertible bonds in an aggregate principal amount of HK$76,620,000 as partial and final satisfaction for the consideration of the acquisition which could be convertible into, at HK$0.50 per share (subject to adjustments), 153,240,000 shares of the Company. In February 2014, certain of the above mentioned convertible bonds with an aggregate principal amount of HK$25,540,000 were converted into the shares of the Company at a conversion price of HK$0.50 per share and, accordingly, the Company issued and allotted a total of 51,080,000 shares to the convertible bond holders.

Pursuant to the subscription agreements entered into between the Company and two subscribers (the "Subscribers") on 14 January 2014, the Subscribers agreed to subscribe for convertible bonds in an aggregate principal amount of HK$80,000,000, which could be convertible into, at HK$0.50 per share (subject to adjustments), an aggregate 160,000,000 shares of the Company. The subscriptions for convertible bonds in respective aggregate principal amounts of HK$50,000,000 and HK$30,000,000 were completed on 28 March 2014 and 18 March 2014 respectively. For further details of the above issue of convertible bonds, please refer to the announcements of the Company dated 14 January 2014, 17 February 2014, 20 February 2014, 18 March 2014 and 28 March 2014 and the circular of the Company dated 29 January 2014.

CHARGES ON GROUP ASSETS

As at 31 December 2013, none of the Group's assets was pledged to secure any facilities or borrowings granted to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

Save for the Group's acquisition of 100% equity interest of Big Point Investment Limited which was completed subsequent to the end of the reporting period on 30 January 2014, details of which are stated in the "Business Review" section above, there were no significant acquisition and disposal of assets during the year ended 31 December 2013.

The Group has also entered into the following memorandums of understanding during the year and up to the date of this report:

1. On 2 May 2013, the Company entered into a memorandum of understanding with 內蒙古宏基房地產開發有限公司 (Neimenggu Hongji Property Development Limited*) ("Neimenggu Hongji"), pursuant to which, the Company proposed to acquire 60% equity interests in 內蒙古宏基路橋投資發展有限公司 (Neimenggu Hongji Infrastructures Investment Development Limited*), which, according to the information of Neimenggu Hongji, owns the entire interest of an approximately 87 kilometers toll road project connecting Fengzhen and Xinghe, and passing through Longshengzhuang, at Wulanchabu City, Inner Mongolia, the PRC, from Neimenggu Hongji based on the terms and conditions to be agreed between the Company and Neimenggu Hongji.

2. On 26 November 2013, 致福玩具（深圳）有限公司 (Zhifu Toys (Shenzhen) Limited*, a wholly-owned subsidiary of the Company, "Zhifu") entered into a memorandum of understanding with 深圳市滙豐和投資有限公司 (Shenzhen Huifenghe Investment Limited*, "Shenzhen Huifenghe"), pursuant to which, Zhifu proposed to acquire the entire interest in Shops Nos. 101 to 118, 201 to 205 and 207 of 頤景峰苑 (Yijingfengyuan*) which is situated on and including the parcel of land numbered G09303-0362 at Longgang Town, Longgang District, Shenzhen, Guangdong, the PRC from Shenzhen Huifenghe pursuant to the terms and conditions to be agreed between Zhifu and Shenzhen Huifenghe.

3. On 27 December 2013, Green Capital entered into a memorandum of understanding with 富恩德糧食產業基金管理有限公司 (Fuende Foodstuff Industry Fund Management Limited*, "Fuende"), Shanghai Zhenrong Petroleum Co. Ltd. ("Shanghai Zhenrong") and 黑龍江新良農業科技開發有限公司 (Heilongjiang Xinliang Agricultural Technology Development Limited*) (all of the above entities collectively as the "Proposed Joint Venturers"), pursuant to which, the Proposed Joint Venturers proposed to establish a joint venture, tentatively named 亞糧交易所有限公司 (Asia Agricultural Products Exchange Limited*, "Asia Agricultural Products Exchange") at Qianhai District, Shenzhen, Guangdong, the PRC, subject to further agreements between the Proposed Joint Venturers. It is proposed that the principal business activity of Asia Agricultural Products Exchange is provision of trading and warehousing services of foodstuff and related foodstuff by-products.

4. On 6 January 2014, Green Capital entered into a memorandum of understanding with Fuende and Shanghai Zhenrong (all of the above entities collectively as the "Proposed Fund Builders"), pursuant to which, the Proposed Fund Builders proposed to establish 吉糧投資基金 (Jiliang Foodstuff Investment Fund*) subject to further agreements between the Proposed Fund Builders, to facilitate the development of Asia Agricultural Products Exchange.

5. On 25 March 2014, Green Capital entered into a memorandum of understanding with Hong Kong TV International Media Group Limited ("Hong Kong TV") and Hong Kong Net TV Limited ("Hong Kong Net TV"), pursuant to which, Green Capital proposed to acquire the entire or part of the issued share capital of Hong Kong Net TV from Hong Kong TV, subject to the terms and conditions to be agreed between Green Capital and Hong Kong TV. The tentative consideration is proposed to be 5 times of the profit after tax for the year ended 31 December 2013 of Hong Kong Net TV to be determined based on the audited financial statements of Hong Kong Net TV for the year ended 31 December 2013 audited by an accounting firm in Hong Kong to be appointed by Green Capital. The principal business activity of Hong Kong Net TV is the operation of new media platforms and net television.

Each of the above memorandums of understanding shall be valid for 1 year from the date of its execution (except for the memorandums of understanding dated 26 November 2013 and 25 March 2014 be valid for 6 months), within which parties to the respective memorandums of understanding shall not negotiate or enter into any documents with other third parties in relation to projects or business equivalent or similar to those stipulated in the respective memorandums of understanding.

As at the date of this report, management is still assessing the feasibility studies of the above projects, and no formal agreements have been entered into between the parties involved.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital and operating lease commitments as at 31 December 2013 are detailed in Note 31 to the consolidated financial statements.

The Group did not have any material contingent liabilities as at 31 December 2013.

EMPLOYEES AND REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate employees by linking their compensation to the Group's performance and benchmarking their compensation against corporate goals, so that the interests of the employees are in line with those of the Company's shareholders.

As at 31 December 2013, the Group employed approximately 90 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing its employees with adequate and regular trainings. The Group remunerates its directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

* *for identification purpose only*

Profile of Directors and Company Secretary

EXECUTIVE DIRECTORS

Dr. Yang Wang Jian, aged 57, was appointed as an executive Director and Chairman of the Board on 7 November 2011 and resigned from both positions on 8 November 2012. He subsequently acted as a senior consultant of the Company since 1 December 2012 and ceased to hold the position of senior consultant upon his re-appointment as an executive Director and Chairman of the Board on 5 September 2013. He is the chairman of GEV Investments (Hong Kong) Limited, the Hong Kong operating arm of GEV Investments Limited, which is primarily engaged in the provision of advisory services of mergers and acquisitions, strategic planning, valuations, management or leverage buyouts and capital raising. He has over 25 years of experience in international finance and investment. He was the managing director of Corporate Finance International Ltd. and a director of Uni Core Holdings Corporation (Stock symbol: UCHC), a company listed on the OTC Bulletin Board in the United States. He is currently a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference, an executive director of the China Overseas Chinese Entrepreneurs Association, a vice president of the Cooperative Finance Committee of the China Society of Cooperative Economics, a consultant and a visiting professor of the Law School of the Renmin University of China and the chairman of the Greater China Experts & Entrepreneurs Union. He graduated from the University of International Business and Economics (formerly known as the College of Beijing Economics and Foreign Trade), with a bachelor's degree in economics. He holds a doctor's degree in advanced international finance from the National University in the United States. He is the father of Ms. Yang Jun and Ms. Yang Ya, both of whom are executive Directors.

Mr. Wong Man Keung, aged 46, was appointed as an executive Director and Chief Executive Officer of the Company on 7 November 2011 and was appointed as Acting Chairman of the Board on 8 November 2012. He ceased to act as Acting Chairman of the Board on 5 September 2013. He was also appointed as directors of several of the Company's subsidiaries. He has over 25 years of experience in direct investment, commercial banking and manufacturing in the PRC. He has also served as the senior management member of various light and heavy manufacturing companies based in the PRC and overseen the finance and the production departments. He was an investment manager in Million Base (China) Ltd from 2008 to 2011. Prior to that, he worked in the commercial banking division of a financial institution for approximately 15 years.

Ms. Yang Jun, aged 30, was appointed as an executive Director on 7 November 2011. She was also appointed as directors of several of the Company's subsidiaries. She was previously the financial controller of GEV Investments (Hong Kong) Limited, managing advisory services for valuation and strategic planning. She held various senior positions in the financing and banking industry field. She performed as assistant manager in Citibank Singapore and senior financial analyst in Royal Bank of Scotland and was in charge of the Singapore, international and NRI business. She holds a bachelor's degree in business (economics and finance) with high distinction awarded by RMIT University, Australia. She is a daughter of Dr. Yang Wang Jian, an executive Director and Chairman of the Board, and a sister of Ms. Yang Ya, an executive Director.

Mr. Chen Hanhong, aged 61, was appointed as an executive Director on 1 July 2013. He has over 17 years of experience in the management and investment industries. He is currently the president of 東莞市半島實業發展有限公司 (Dongguan Bandao Industry Development Co., Limited*) and a vice president of Shenzhen Eli Eco-technology Co., Limited. Mr. Chen has also served as the managing director in 深圳市東方明珠投資有限公司 (Shenzhen Oriental Pearl Investment Co., Limited*) from 1998 to 2005. Prior to that, Mr. Chen performed as a vice managing director in 深圳市大愚投資有限公司 (Shenzhen Dayu Investment Co., Limited*). Mr. Chen completed the Tsinghua Executive Master in Business Administration Research and Advanced Study Class organized by the Research Institute of Tsinghua University in Shenzhen.

Profile of Directors and Company Secretary

Ms. Yang Ya, aged 28, was appointed as an executive Director on 1 August 2013. She has wide knowledge in the finance, marketing and investment banking fields. She was the marketing manager of the Company from 1 February 2012 to 31 July 2013. She was also appointed as directors of two of the Company's subsidiaries. She is a member of the Futian Committee of The Chinese People's Political Consultative Conference. She is currently a director and was previously an investment manager of GEV Investments (Hong Kong) Limited, in charge of consulting, financial and business development and pursuing strategic business relationships with various corporate and organization partners to the company. Prior to that, she performed as a project manager in MGA Services (USA). Ms. Yang graduated from the University of California Irvine with a bachelor's degree in economics. She is a daughter of Dr. Yang Wang Jian, an executive Director and Chairman of the Board, and a sister of Ms. Yang Jun, an executive Director.

Dr. Yu Qigang, aged 49, was appointed as an executive Director on 5 September 2013. He is currently a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference, the vice president of the Shenzhen General Chamber of Commerce, the vice president of 深圳市服裝協會 (Shenzhen Garment Industry Association*), the executive vice president of the Shenzhen Promotion Association for Small and Medium Enterprises, the vice president of Guangzhou Youth Entrepreneurs Association and an executive council member of the China Glory Society of Shenzhen. He has over 25 years of experience in the corporate management field. From 1987 to 1998, he operated 紹興永盛貿易有限公司 (Shao Xing Yong Sheng Industry & Trading Co., Ltd.*), 東莞東日織造廠 (Dong Guan Winter Sun Shine Co., Ltd.*) and 東莞俞隆貿易有限公司 (Dong Guan Yu Long Trading Co., Ltd*). In 1996, he founded 深圳影兒時裝有限公司 (Shenzhen Yinger Fashion Co., Ltd*) and in 2001 he successfully developed it to 深圳影兒時尚集團有限公司 (Shenzhen Yinger Fashion Group Co., Ltd.*) and has since been its legal representative and president. He is a Manager of Advanced Business Administration (US) certified under the US International Practice Attesting & Login Union and Manager of Advanced Business Administration (China). He holds a doctor's degree in business administration from the California University of Management in the United States. He is an uncle of Ms. Yu Jiaoli, a non-executive Director.

NON-EXECUTIVE DIRECTOR

Ms. Yu Jiaoli, aged 24, was appointed as a non-executive Director on 1 July 2013. She is currently a designer of Shenzhen Yinger Fashion Group Co., Ltd. She graduated from Guangzhou Science and Technology Trade Vocational College in fashion design. She is a niece of Dr. Yu Qigang, an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung King Wah, Kenneth, aged 55, was appointed as an independent non-executive Director on 7 November 2011. He is the founder of Yeung and Co., Chartered Accountants, a firm of registered auditors based in the United Kingdom, and China Consulting Consortium Ltd. He has over 20 years of experience in auditing, taxation, corporate finance, treasury, financial consulting and management gained from working in Europe and the Asia Pacific region. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Chartered Institute of Taxation in the United Kingdom and a full member of the Association of Corporate Treasurers in the United Kingdom. He was a director of EC Venture Ltd, Azure Management Consulting Ltd, ILS (Far East) Ltd, ILS (China) Ltd and Tendpress Ltd. He is currently a director of MTL Asia Limited, K&M Nominees Ltd and China Consulting Consortium Ltd. He was an independent non-executive director of Pizu Group Holdings Limited (formerly known as China Electric Power Technology Holdings Limited) (Stock code: 8053), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from 1 August 2007 to 14 December 2012 and was an independent non-executive director of eForce Holdings Limited (Stock code: 943), a company listed on the Main Board of the Stock Exchange, from 3 July 2007 to 1 December 2011.

Profile of Directors and Company Secretary

Mr. Wu Hong, aged 54, was appointed as an independent non-executive Director on 7 November 2011. He is currently a professor and dean of the College of Design at Shenzhen University in the PRC. He has over 18 years of experience in the field of design, and has worked in both the academic field and in commercial areas in the PRC. He graduated from Chinese National Academy of Arts with a doctoral degree in art & design.

Mr. Low Chin Sin, aged 53, was appointed as an independent non-executive Director on 15 November 2012. He is the founder of Thico Ltd. He is currently the managing director of Thico Ltd., which is an importer and distributor of food supplements. He has over 20 years of experience in direct marketing business. He held a position as operation manager for YMM Sun Chlorella Malaysia Sdn. Bhd. from 1985 to 1986. He joined Win Win Direct Sales (HK) Ltd. as general manager from 1986 to 1989. He joined Media Master Holdings Limited as a consultant from 2009 to 2010. He graduated from The University of Windsor, Canada with Bachelor of Commerce (honour) in business administration.

Mr. Ye Yunhan, aged 55, was appointed as an independent non-executive Director on 5 September 2013. He has over 25 years of experience in management field. From 1988 to 2000, he had been a vice president in the operations department of the Hong Kong COSCO Group (previously known as Ocean Tramping Inc.) and the deputy managing director of Hong Kong Panwell Company Limited. He is now the deputy managing director of YHL (H.K.) Limited. He graduated from the Radio Specialists Class of the Physics Department at Naikai University in Tianjin.

COMPANY SECRETARY

Ms. Man Ching Yan, aged 33, was appointed as the company secretary of the Company on 7 November 2011. She holds a bachelor's degree in economics and finance from The University of Hong Kong. She is a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She is a Chartered Financial Analyst Charterholder and a member of the Chartered Financial Analyst Institute and the Hong Kong Society of Financial Analysts Ltd.

* *for identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provisions A.2.1 and A.6.7 which were explained below, the Company has been in compliance with all code provisions set out in the CG Code for the year ended 31 December 2013.

Under code provision A.2.1, the roles of Chairman of the Board and Chief Executive Officer should be separated and should not be performed by the same individual. The Company had appointed Mr. Wong Man Keung, an executive Director and Chief Executive Officer of the Company, as Acting Chairman of the Board, upon the resignation of Dr. Yang Wang Jian on 8 November 2012. The Board considered that this structure will not impair the balance of power and authority between the Board and the management of the Company, as the Board will meet regularly to consider major matters affecting the operations of the Group. The roles of the respective executive Directors and senior management who are in charge of different functions complement the roles of Chairman of the Board and Chief Executive Officer. The Board believed that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. On 5 September 2013, Dr. Yang Wang Jian was re-appointed as an executive Director and Chairman of the Board and Mr. Wong Man Keung ceased to act as Acting Chairman of the Board. The Company has been in compliance with code provision A.2.1 from 5 September 2013.

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors did not attend the annual general meeting held on 18 June 2013 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Group and collectively responsible for promoting success of the Group by directing and supervising the Group's affairs. The Board also formulates objectives, overall corporate strategies and business plans, and oversees the financial and management performance of the Group. Senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group, which include the implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management on behalf of the Group.

Specifically in relation to corporation governance function, the Board is responsible for the corporation governance function as a whole, and establishes an internal control group to be responsible for the specific operation. During the reporting period and up to the date of this report, the Board had performed the following duties:–

1. Developing and reviewing relevant corporate governance policy and practice of the Company;

2. Reviewing and inspecting continuous professional development and training of Directors and senior management;

3. Reviewing and monitoring the policies and practices of the Company being in compliance with the statutory and other regulatory provisions;

4. Developing, reviewing and checking code and provision of conducts applicable to the Directors and employees; and

5. Reviewing that the Company being in compliance with the CG Code and corporate governance reporting requirements.

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary, if and when required, with a view to ensure that the procedures are in compliance and all applicable rules and regulations are followed.

There are established procedures for Directors upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

The Company has arranged appropriate liability insurance for the Directors and the senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

The Board currently comprises 6 executive Directors, 1 non-executive Director and 4 independent non-executive Directors from different businesses and professional fields. The Directors, including independent non-executive Directors, have brought a balance of valuable and diversified businesses and professional expertises, experiences and independent judgment to the Board for its efficient and effective management of the Group's business.

The Board during the year and up to the date of this report has comprised the following Directors:

Executive Directors

Dr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012 and re-appointed on 5 September 2013)*
Mr. Wong Man Keung *(Chief Executive Officer) (ceased to act as Acting Chairman on 5 September 2013)*
Ms. Yang Jun
Mr. Chan Yin Tsung *(resigned on 1 August 2013)*
Mr. Tung Yee Shing *(resigned on 1 August 2013)*
Mr. Chen Hanhong *(appointed on 1 July 2013)*
Ms. Yang Ya *(appointed on 1 August 2013)*
Dr. Wen Jialong *(appointed on 5 September 2013 and resigned on 15 January 2014)*
Dr. Yu Qigang *(appointed on 5 September 2013)*

Non-Executive Directors

Mr. Jonathan Cheung *(resigned on 7 January 2013)*
Ms. Leung Pui Kwan *(appointed on 7 January 2013 and resigned on 1 July 2013)*
Ms. Yu Jiaoli *(appointed on 1 July 2013)*

Independent Non-executive Directors

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan *(appointed on 5 September 2013)*

Corporate Governance Report

The profiles of each Director are set out in the "Profile of Directors and Company Secretary" section in this annual report.

Chairman of the Board and Chief Executive Officer

The key role of Chairman of the Board is to provide leadership to the Board. In performing his duties, Chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities. Chairman of the Board also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Group.

The key role of Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and the business of the Group. The duties of Chief Executive Officer mainly include:

- providing leadership and supervising the effective management of the Group;

- monitoring and controlling the financial and operational performance of various divisions; and

- implementing the strategy and policies adopted by the Group, setting and implementing objectives and development plans.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed 4 independent non-executive Directors (number increased from 3 to 4 since 5 September 2013), of whom Mr. Yeung King Wah, Kenneth has appropriate professional qualifications and related experiences in financial matters.

The Company has received written annual confirmation from each independent non-executive Director of their independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of 1 year which could be terminated by either party giving to the other not less than 1 month's written notice.

Appointment and Re-election of Directors

The Board retains the functions of selecting and approving candidates to become Board members. Directors who are appointed by the Board are subject to retirement by rotation in accordance with the Company's articles of association.

In accordance with the articles of association of the Company, any director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every 3 years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Any Director appointed by the Directors either to fill a casual vacancy on the Board or as an addition to the existing Board shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Induction and Continuing Professional Development for Directors

Each newly appointed Director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. The Directors are continually updated with legal and regulatory developments, business and market changes in order to discharge their responsibilities. During the year, the Company has arranged an in-house training in respect of the updates on recent changes on the Listing Rules to the Directors and the company secretary.

During the year, all Directors are provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for preparing the Group's financial statements. The financial statements for the year ended 31 December 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

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

The responsibilities of the external auditor, Parker Randall CF (H.K.) CPA Limited, are set out in the Independent Auditor's Report on page 31.

BOARD AND COMMITTEE MEETINGS

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least 4 times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all Directors before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. All Directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to senior management whenever necessary.

Apart from the regular board meetings, the Board met on other occasions from time to time when a board-level decision on a particular matter was required.

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

During the year, 28 Board meetings and 1 general meeting (an annual general meeting on 18 June 2013) were held and the individual attendance of each Director is set out below:

Director Name	Attendance of general meetings	Attendance of Board meetings
Executive Directors		
Dr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012 and re-appointed on 5 September 2013)*	1/1	10/10
Mr. Wong Man Keung *(Chief Executive Officer) (ceased to act as Acting Chairman on 5 September 2013)*	1/1	28/28
Ms. Yang Jun	1/1	28/28
Mr. Chan Yin Tsung *(resigned on 1 August 2013)*	1/1	13/13
Mr. Tung Yee Shing *(resigned on 1 August 2013)*	1/1	13/13
Mr. Chen Hanhong *(appointed on 1 July 2013)*	0/0	18/18
Ms. Yang Ya *(appointed on 1 August 2013)*	0/0	15/15
Dr. Wen Jialong *(appointed on 5 September 2013 and resigned on 15 January 2014)*	0/0	5/10
Dr. Yu Qigang (*appointed on 5 September 2013)*	0/0	10/10
Non-executive Directors		
Mr. Jonathan Cheung *(resigned on 7 January 2013)*	0/0	1/1
Ms. Leung Pui Kwan *(appointed on 7 January 2013 and resigned on 1 July 2013)*	1/1	9/9
Ms. Yu Jiaoli *(appointed on 1 July 2013)*	0/0	18/18
Independent Non-executive Directors		
Mr. Yeung King Wah, Kenneth	0/1	28/28
Mr. Wu Hong	0/1	28/28
Mr. Low Chin Sin	1/1	28/28
Mr. Ye Yunhan *(appointed on 5 September 2013)*	0/0	10/10

Board Committees

The Board has established 3 committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference.

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Corporate Governance Report

Audit Committee

The Audit Committee comprises 3 independent non-executive Directors, namely

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth
Mr. Wu Hong

None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(b) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;

(c) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit; and

(d) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

Work performed by the Audit Committee during the year includes the following:

- reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the reappointment of external auditors;
- reviewed the annual and interim reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the Listing Rules and other laws;
- reviewed the effectiveness of the internal control system and the internal control manual of the Group; and
- reviewed the Group's accounting principles and practices, financial reporting and statutory compliance matters.

During the year, the Audit Committee convened 2 meetings. Members and their attendances are as follows:

Director Name	**Attendance**
Mr. Low Chin Sin *(Chairman)*	2/2
Mr. Yeung King Wah, Kenneth	2/2
Mr. Wu Hong	2/2

Remuneration Committee

The Remuneration Committee comprises the Chairman/Acting Chairman (as the case maybe) of the Board and 2 independent non-executive Directors, namely

Mr. Low Chin Sin *(Chairman)*
Dr. Yang Wang Jian *(resigned on 8 November 2012 and re-appointed on 5 September 2013)*
Mr. Wong Man Keung *(ceased to act as a member on 5 September 2013)*
Mr. Yeung King Wah, Kenneth

The main duties of the Remuneration Committee include the followings:

(a) To review, recommend and approve the remuneration policy and structure and remuneration packages of executive Directors and senior management;

(b) To review, recommend and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(c) To review, recommend and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(d) To establish transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

Work performed by the Remuneration Committee during the year includes the following:

- reviewed the remuneration policy of Directors and senior management;
- assessed performance of executive Directors;
- reviewed and determined, with delegated responsibility from the Board, the remuneration package of each Director and the company secretary including bonus payment, pension right and compensation payable; and
- approved the forms of the service agreement for each executive Director and the appointment letter for each non-executive Director and independent non-executive Director.

During the year, the Remuneration Committee convened 7 meetings. Members and their attendances are as follows:

Director Name	**Attendance**
Mr. Low Chin Sin *(Chairman)*	7/7
Dr. Yang Wang Jian *(resigned on 8 November 2012 and re-appointed on 5 September 2013)*	2/2
Mr. Wong Man Keung *(ceased to act as a member on 5 September 2013)*	5/5
Mr. Yeung King Wah, Kenneth	7/7

Nomination Committee

The Nomination Committee comprises the Chairman/Acting Chairman (as the case maybe) of the Board and 2 independent non-executive Directors, namely

Dr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012 and re-appointed on 5 September 2013)*
Mr. Wong Man Keung *(Chairman) (ceased to act as chairman and a member on 5 September 2013)*
Mr. Yeung King Wah, Kenneth
Mr. Low Chin Sin

The main duties of the Nomination Committee include the followings:

(a) To review the criteria and procedures of selection of Directors and senior management, and provide suggestions;

(b) To conduct extensive search for qualified candidates for Directors and senior management;

(c) To review the Board diversity policy and the progress on achieving the objectives set for implementing the said policy; and

(d) To assess the candidates for Directors and senior management and provide the relevant recommendations.

Nomination procedures and the process and criteria adopted by the Nomination Committee include the followings:

- in considering the nomination of new Directors, the Nomination Committee will take into account a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service of the individual as the selection criteria;

- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; and

- assess the independence of independent non-executive Directors.

During the year, the Nomination Committee convened 5 meetings. Members and their attendances are as follows:

Director Name	Attendance
Dr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012 and re-appointed on 5 September 2013)*	0/0
Mr. Wong Man Keung *(Chairman) (ceased to act as chairman and a member on 5 September 2013)*	5/5
Mr. Yeung King Wah, Kenneth	5/5
Mr. Low Chin Sin	5/5

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

During the year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have confirmed their compliance with the required standard as set out in the Model Code during the year.

AUDITOR'S REMUNERATION

Parker Randall CF (H.K.) CPA Limited has been appointed as the Company's external auditor since 2012.

PricewaterhouseCoopers was the external auditor of the Company from 2006 to 2011.

The Audit Committee has been notified of the nature and service charges of the non-audit services to be performed by Parker Randall CF (H.K.) CPA Limited and considered that such services have no adverse effect on the independence of their audit works.

A summary of audit and non-audit services provided by the external auditor for the year ended 31 December 2013 and their corresponding remunerations are as follows:

Nature of services	**Amount**
	HK$'000
Audit services	660
Non-audit services (confirmation of adjustment in conversion price of convertible bonds)	8

INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the internal control systems of the Group and in reviewing its effectiveness, is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's internal control system continuously, which covers financial, operational, compliance as well as risk management function, in order to cope with the changing business environment.

SHAREHOLDERS' RIGHTS

Article 58 of the Company's articles of association states that shareholders holding not less than one-tenth of the Group's paid-up capital carrying voting rights shall at all times have the right to requisition an extraordinary general meeting to discuss specified business transactions. To request the convening of a meeting, individuals must send a written notice to the Board or the secretary of the Company for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Shareholders and other stakeholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company's address at Suite 3007-08, 30/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong (addressed to the company secretary).

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognizes the importance of continuing communications with the Company's shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports.

The Company's registrars serve the shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. Board members and management of the Company are available to answer shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are normally sent to all shareholders at least 20 clear business days before the annual general meeting.

All shareholders' communications, including interim and annual reports, announcements and press releases as well as the shareholders communication policy and the procedures for the election of Directors by shareholder are available on the Company's website at www.irasia.com/listco/hk/greeninternational/. The latest business developments and core strategies of the Company can also be found on the website, keeping the communications with investors open and transparent.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2169 0813 during normal business hours, by fax at (852) 2169 0663 or by e-mail at ir@green-international.com.

During the year, the Company did not make any changes to the memorandum and articles of association and the current version of which is available on the websites of the Stock Exchange and the Company.

Report of the Directors

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities and other particulars of its principal subsidiaries are set out in Note 18 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year are set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Group and the Company as at that date are set out on pages 32 to 88. Directors do not recommend the payment of any dividend in respect of the year.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 24 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on page 37 of this annual report and Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company had the following distributable reserves which may be applied to pay up unissued shares to be issued to shareholders of the Company as fully paid bonus shares subject to relevant laws and regulations:

	HK$'000
Share premium	208,389
Accumulated losses	(115,668)
	92,721

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company are set out in Note 26 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past 5 financial years are set out on pages 89 to 90 of this annual report.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed in the paragraph headed "Capital Structure" in the "Management Discussion and Analysis" section above, neither the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's securities listed on the Stock Exchange during the year.

DIRECTORS

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

Executive Directors

Dr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012 and re-appointed on 5 September 2013)*
Mr. Wong Man Keung *(Chief Executive Officer) (ceased to act as Acting Chairman on 5 September 2013)*
Ms. Yang Jun
Mr. Chan Yin Tsung *(resigned on 1 August 2013)*
Mr. Tung Yee Shing *(resigned on 1 August 2013)*
Mr. Chen Hanhong *(appointed on 1 July 2013)*
Ms. Yang Ya *(appointed on 1 August 2013)*
Dr. Wen Jialong *(appointed on 5 September 2013 and resigned on 15 January 2014)*
Dr. Yu Qigang *(appointed on 5 September 2013)*

Non-Executive Directors

Mr. Jonathan Cheung *(resigned on 7 January 2013)*
Ms. Leung Pui Kwan *(appointed on 7 January 2013 and resigned on 1 July 2013)*
Ms. Yu Jiaoli *(appointed on 1 July 2013)*

Independent Non-executive Directors

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan *(appointed on 5 September 2013)*

In accordance with the Company's articles of association, Dr. Yang Wang Jian, Ms. Yang Jun, Mr. Chen Hanhong, Ms. Yang Ya, Dr. Yu Qigang, Ms. Yu Jiaoli, Mr. Wu Hong and Mr. Ye Yunhan are required to retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical particulars of the Directors are set out on pages 9 to 11 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors Mr. Wong Man Keung and Ms. Yang Jun, has entered into a service agreement with the Company for a period of 3 years commencing on 7 November 2011 which could be terminated by either party giving to the other not less than 3 months' written notice.

Mr. Chen Hanhong, an executive Director, has entered into a service agreement with the Company for a period of 3 years commencing on 1 July 2013 which could be terminated by either party giving to the other not less than 1 month's written notice.

Ms. Yang Ya, an executive Director, has entered into a service agreement with the Company for a period of 3 years commencing on 1 August 2013 which could be terminated by either party giving to the other not less than 1 month's written notice.

Each of the executive Directors Dr. Yang Wang Jian and Dr. Yu Qigang, has entered into a service agreement with the Company for a period of 3 years commencing on 5 September 2013 which could be terminated by either party giving to the other not less than 1 month's written notice.

Ms. Yu Jiaoli, a non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 1 July 2013 which could be terminated by either party giving to the other not less than 1 month's written notice.

Mr. Ye Yunhan, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 5 September 2013 which could be terminated by either party giving to the other not less than 1 month's written notice.

Each of the independent non-executive Directors Mr. Yeung King Wah, Kenneth and Mr. Wu Hong, has entered into a letter of appointment with the Company for a period of 1 year commencing on 7 November 2013 which could be terminated by either party giving to the other not less than 1 month's written notice. Mr. Yeung King Wah, Kenneth and Mr. Wu Hong were appointed as independent non-executive Directors on 7 November 2011.

Mr. Low Chin Sin, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 15 November 2013 which could be terminated by either party giving to the other not less than 1 month's written notice. Mr. Low Chin Sin was appointed as an independent non-executive Director on 15 November 2012.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not terminable by the employing company within 1 year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Notes 32(b) and 32(c) to the consolidated financial statements (Dr. Yang Wang Jian, an executive Director and Chairman of the Board, is the controlling shareholder of the Company), no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in Notes 32(b) and 32(c) to the consolidated financial statements, at no time during the year had the Company or any of its subsidiaries, and controlling shareholder or any entities beneficially owned by controlling shareholder entered into any contract of significance.

CONNECTED TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS

The transactions as set out in Note 32 to the consolidated financial statements were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As far as the transactions as set out in Note 32(a) to the consolidated financial statements are concerned, the remuneration of the Directors as determined pursuant to the service agreements/letters of appointment entered into between the Directors and the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors is considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register (the "Register") referred to therein, or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were are follows:

The Company

(a) Long positions in shares

Name of Director	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Dr. Yang Wang Jian *(Note i)*	Interest of controlled corporations	673,220,000	55.23%
Dr. Yu Qigang *(Note ii)*	Others	100,983,000	8.28%

Notes:

(i) The shares are beneficially owned by Gold Bless International Invest Limited, a company of which 85% of its share capital is owned by Dr. Yang Wang Jian and therefore, Dr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO.

(ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless International Invest Limited, which is the beneficial owner of 673,220,000 shares. Dr. Yu Qigang is therefore effectively interested in approximately 8.28% of the existing issued share capital of the Company.

(iii) The percentages are calculated based on the total number of issued shares as at 31 December 2013.

(b) Long positions in underlying shares

Name of Director	Capacity in which the underlying shares are held	Interest in the underlying shares	Approximate percentage of total issued shares
Dr. Yang Wang Jian *(Note i)*	Beneficial owner	9,000,000	0.74%
Mr. Wong Man Keung *(Note i)*	Beneficial owner	9,000,000	0.74%
Ms. Yang Jun *(Note i)*	Beneficial owner	6,000,000	0.49%
Ms. Yang Ya *(Note i)*	Beneficial owner	5,800,000	0.48%

Notes:

(i) These are the shares which may be issued upon full exercise of the share options granted to the respective Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

(ii) The percentages are calculated based on the total number of issued shares as at 31 December 2013.

Associated corporation – Gold Bless International Invest Limited (the Company is a controlled corporation)

Long positions in shares

Name of Director	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Dr. Yang Wang Jian	Beneficial owner	85	85.00%
Dr. Yu Qigang *(Note i)*	Interest of controlled corporations	15	15.00%

Notes:

(i) The shares are beneficially owned by Winning Top Investments Limited, a company of which the entire share capital is owned by Dr. Yu Qigang and therefore, Dr. Yu Qigang is deemed to be interested in such shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2013, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section below and in Note 24 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the particulars of the corporations or persons (not being a Director or chief executive of the Company) who had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the Register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

The Company

(a) Long positions in shares

Name of substantial shareholder	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Gold Bless International Invest Limited *(Note i & ii)*	Beneficial owner	673,220,000	55.23%
Dr. Yang Wang Jian *(Note i)*	Interest of controlled corporations	673,220,000	55.23%
Ms. Tan Li *(Note i)*	Interest of spouse	673,220,000	55.23%
Dr. Yu Qigang *(Note ii)*	Others	100,983,000	8.28%
Ms. Zhou Cuiqiong *(Note ii)*	Interest of spouse	100,983,000	8.28%

Notes:

(i) The shares are beneficially owned by Gold Bless International Invest Limited, a company of which 85% of its share capital is owned by Dr. Yang Wang Jian and therefore, Dr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Ms. Tan Li is the spouse of Dr. Yang Wang Jian, therefore Ms. Tan Li is also deemed to be interested in the shares. Dr. Yang Wang Jian is the sole director of Gold Bless International Invest Limited.

(ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless International Invest Limited, which is the beneficial owner of 673,220,000 shares. Dr. Yu Qigang is therefore effectively interested in approximately 8.28% of the existing issued share capital of the Company. Ms. Zhou Cuiqiong is the spouse of Dr. Yu Qigang, therefore Ms. Zhou Cuiqiong is also deemed to be effectively interested in approximately 8.28% of the existing issued share capital of the Company.

(iii) The percentages are calculated based on the total number of issued shares as at 31 December 2013.

(b) Long positions in underlying shares

Name of substantial shareholder	Capacity in which the underlying shares are held	Interest in the underlying shares	Approximate percentage of total issued shares
Dr. Yang Wang Jian *(Note i)*	Beneficial owner	9,000,000	0.74%
Ms. Tan Li *(Note ii)*	Interest of spouse	9,000,000	0.74%
China Real Estates Investment Holdings Limited *(Note iii)*	Beneficial owner	153,240,000	12.57%
Ms. Tang Ho Yee Aoi *(Note iii)*	Interest of controlled corporations	153,240,000	12.57%
Ms. Tang Sin Yee *(Note iii)*	Interest of controlled corporations	153,240,000	12.57%
Mr. Fang Bai Jin *(Note iv)*	Interest of controlled corporations	60,000,000	4.92%
(Note i)	Beneficial owner	9,000,000	0.74%

Notes:

(i) These are the shares which may be issued upon full exercise of the share options granted to the respective substantial shareholders and Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

(ii) Ms. Tan Li is the spouse of Dr. Yang Wang Jian, therefore Ms. Tan Li is also deemed to be interested in the shares which may be issued upon full exercise of the share options granted to Dr. Yang Wang Jian.

(iii) These are the shares which may be issued upon full exercise of the conversion rights attached to the convertible bonds (detailed in Note 17 to the consolidated financial statements) to be issued to China Real Estates Investment Holdings Limited, a company of which 50% and 49% of its share capital is respectively owned by Ms. Tang Ho Yee Aoi and Ms. Tang Sin Yee and therefore, Ms. Tang Ho Yee Aoi and Ms. Tang Sin Yee are deemed to be interested in such shares pursuant to Part XV of the SFO.

(iv) These are the shares which may be issued upon full exercise of the conversion rights attached to the convertible bonds (detailed in Note 30 to the consolidated financial statements) issued and to be issued to Hong Kong Tai Shing Toys Trading Limited, a company which is entirely owned by Mr. Fang Bai Jin and therefore, Mr. Fang Bai Jin is deemed to be interested in such shares pursuant to Part XV of the SFO.

(v) The percentages are calculated based on the total number of issued shares as at 31 December 2013.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 31 December 2013, had the Voting Entitlements or any interests or short positions in the shares or underlying shares as recorded in the Register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's 5 largest customers accounted for approximately 94.7% and the largest customer accounted for approximately 67.0% of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's 5 largest suppliers accounted for the entire of the Group's total purchases for the year and the largest supplier accounted for approximately 99.4% of the Group's total purchases for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had an interest in the five largest suppliers or customers of the Group.

Report of the Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the sufficiency of public float requirement under the Listing Rules at any time during the year and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

On 2 September 2006, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company, under which, the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

The movements in share options during the year are as follows:

Name of grantee	Exercise price	Exercisable period	As at 1 January 2013	Granted during the year	Exercised/ Lapsed during the year	As at 31 December 2013
	HK$					
Directors and/or substantial shareholders						
Dr. Yang Wang Jian	0.37	11.5.2012 to 10.5.2022	9,000,000	–	–	9,000,000
Mr. Wong Man Keung	0.37	11.5.2012 to 10.5.2022	9,000,000	–	–	9,000,000
Ms. Yang Jun	0.37	11.5.2012 to 10.5.2022	6,000,000	–	–	6,000,000
Ms. Yang Ya	0.37	11.5.2012 to 10.5.2022	5,800,000	–	–	5,800,000
Mr. Fang Bai Jin	0.37	11.5.2012 to 10.5.2022	9,000,000	–	–	9,000,000
Other persons	0.37	11.5.2012 to 10.5.2022	27,000,000	–	(2,000,000)	25,000,000
			65,800,000	–	(2,000,000)	63,800,000

PENSION SCHEME ARRANGEMENTS

The Company and its subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme of the Group set up in accordance with the Hong Kong Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). Under the scheme, employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,250 per month (HK$1,000 prior to June 2012) and they may choose to make additional contributions. The employer's monthly contribution is at the rate of 5% of each employee's monthly salary up to the maximum limit of HK$1,250 per month (HK$1,000 prior to June 2012).

Subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes organised by the relevant local government authorities since incorporation.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 21 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director in writing an annual confirmation of his independence and the Company considered all independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The financial statements for the years ended 31 December 2006 to 2011 were audited by PricewaterhouseCoopers.

Parker Randall CF (H.K.) CPA Limited has been appointed as the Company's external auditor since 2012 until the conclusion of the next annual general meeting. A resolution for the re-appointment of Parker Randall CF (H.K.) CPA Limited as independent auditor of the Company will be proposed at the annual general meeting in 2014.

On behalf of the Board
Yang Wang Jian
Chairman

Hong Kong, 28 March 2014

Independent Auditor's Report

TO THE SHAREHOLDERS OF GREEN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Green International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 32 to 88, which comprise the consolidated and the Company's statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Seto Man Fai
Practising Certificate No.: P05229

Hong Kong
28 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	5 & 6	**583,057**	441,551
Cost of sales	8	**(572,393)**	(363,017)
Gross profit		**10,664**	78,534
Other income and gains	7	**531**	994
Selling expenses	8	**(1,215)**	(1,385)
Administrative expenses	8	**(22,778)**	(31,935)
Provision for impairment of property, plant and equipment	15	**(1,128)**	–
Provision for impairment of goodwill	16	**(1,744)**	–
Discount on past due balances of trade receivables	21	**(28,846)**	(4,369)
Operating (loss)/profit		**(44,516)**	41,839
Finance income/(costs), net	9	**225**	(7,790)
(Loss)/Profit before income tax		**(44,291)**	34,049
Income tax expense	10	**(1,444)**	(12,145)
(Loss)/Profit for the year		**(45,735)**	21,904
(Loss)/Profit for the year attributable to:			
– Equity holders of the Company		**(48,947)**	18,769
– Non-controlling interests		**3,212**	3,135
		(45,735)	21,904
(Loss)/Earnings per share for (loss)/profit for the year attributable to the equity holders of the Company			
– Basic *(HK cents)*	13	**(5.02)**	2.29
– Diluted *(HK cents)*	13	**(5.02)**	2.29

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Dividends payable to the equity holders of the Company are set out in Note 14.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
(Loss)/Profit for the year	**(45,735)**	21,904
Other comprehensive income/(expenses), net of tax		
Items that may be reclassified subsequently to profit or loss		
Translation of foreign currency financial statements	**158**	(358)
Total comprehensive (expenses)/income for the year	**(45,577)**	21,546
Total comprehensive (expenses)/income for the year attributable to:		
– Equity holders of the Company	**(48,941)**	18,527
– Non-controlling interests	**3,364**	3,019
	(45,577)	21,546

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**19,574**	3,577
Goodwill	16	**29,759**	31,446
Deposit paid for acquisition of a subsidiary	17	**88,692**	–
		138,025	35,023
Current assets			
Inventories	19	**1,271**	3,904
Trade receivables	21	**282,610**	301,403
Prepayments, deposits and other receivables	22	**8,965**	16,624
Amount due from a non-controlling shareholder of a subsidiary		**3,764**	–
Tax recoverable		**1,271**	–
Cash and cash equivalents	23	**80,486**	37,475
		378,367	359,406
Total assets		**516,392**	394,429

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	24	**12,190**	9,040
Share premium	25(a)	**208,389**	143,588
Other reserves	25(a)	**22,629**	35,343
(Accumulated losses)/Retained earnings	25(a)	**(32,453)**	9,190
		210,755	197,161
Non-controlling interests		**6,580**	3,216
Total equity		**217,335**	200,377
LIABILITIES			
Non-current liabilities			
Convertible bonds	26	**4,169**	–
Contingent consideration payable	30	**6,099**	14,761
		10,268	14,761
Current liabilities			
Trade payables	27	**144,956**	75,979
Other payables, accruals and deposits received	28	**18,332**	31,390
Convertible bonds	26	**–**	22,143
Amount due to controlling shareholder	32(c)	**122,591**	22,475
Amount due to a non-controlling shareholder of a subsidiary		**–**	215
Tax payable		**2,910**	27,089
		288,789	179,291
Total liabilities		**299,057**	194,052
Total equity and liabilities		**516,392**	394,429
Net current assets		**89,578**	180,115
Total assets less current liabilities		**227,603**	215,138

On behalf of the Board

Yang Wang Jian
Director

Wong Man Keung
Director

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	18	**–**	–
Current assets			
Prepayments, deposits and other receivables	22	**1,330**	1,306
Amounts due from subsidiaries	32(d)	**125,657**	92,691
Cash and cash equivalents	23	**8,431**	349
		135,418	94,346
Total assets		**135,418**	94,346
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	24	**12,190**	9,040
Share premium	25(b)	**208,389**	143,588
Other reserves	25(b)	**15,991**	18,852
Accumulated losses	25(b)	**(115,668)**	(99,492)
Total equity		**120,902**	71,988
LIABILITIES			
Non-current liabilities			
Convertible bonds	26	**4,169**	–
Current liabilities			
Other payables, accruals and deposits received	28	**347**	215
Convertible bonds	26	**–**	22,143
Amount due to controlling shareholder	32(c)	**10,000**	–
		10,347	22,358
Total liabilities		**14,516**	22,358
Total equity and liabilities		**135,418**	94,346
Net current assets		**125,071**	71,988
Total assets less current liabilities		**125,071**	71,988

On behalf of the Board

Yang Wang Jian
Director

Wong Man Keung
Director

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to the equity holders of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	(Accumulated losses)/ Retained earnings HK$'000	Total HK$'000	Non-Controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	6,030	90,721	17,765	(9,579)	104,937	–	104,937
Total comprehensive income for the year							
Profit for the year	–	–	–	18,769	18,769	3,135	21,904
Translation of foreign currency financial statements	–	–	(242)	–	(242)	(116)	(358)
	–	–	(242)	18,769	18,527	3,019	21,546
Transactions with owners							
Issue of shares on conversion of convertible bonds *(Note 24(a)(i))*	3,010	52,867	(12,349)	–	43,528	–	43,528
Acquisition of a subsidiary *(Note 30)*	–	–	16,733	–	16,733	197	16,930
Issue of share options *(Note 24(b)(i))*	–	–	13,436	–	13,436	–	13,436
	3,010	52,867	17,820	–	73,697	197	73,894
At 31 December 2012	**9,040**	**143,588**	**35,343**	**9,190**	**197,161**	**3,216**	**200,377**
Total comprehensive (expenses)/income for the year							
(Loss)/Profit for the year	**–**	**–**	**–**	**(48,947)**	**(48,947)**	**3,212**	**(45,735)**
Translation of foreign currency financial statements	**–**	**–**	**6**	**–**	**6**	**152**	**158**
	–	**–**	**6**	**(48,947)**	**(48,941)**	**3,364**	**(45,577)**
Transactions with owners							
Issue of shares upon completion of a top-up placing and top-up subscription *(Note 24(a)(ii))*	**1,268**	**24,150**	**–**	**–**	**25,418**	**–**	**25,418**
Issue of shares upon completion of a top-up placing and top-up subscription *(Note 24(a)(iii))*	**540**	**12,157**	**–**	**–**	**12,697**	**–**	**12,697**
Issue of shares on conversion of convertible bonds *(Note 24(a)(iv))*	**1,342**	**28,494**	**(5,416)**	**–**	**24,420**	**–**	**24,420**
Lapse of share options *(Note 24(b)(ii))*	**–**	**–**	**(408)**	**408**	**–**	**–**	**–**
Fair value change of contingent consideration payable *(Note 30)*	**–**	**–**	**(6,896)**	**6,896**	**–**	**–**	**–**
	3,150	**64,801**	**(12,720)**	**7,304**	**62,535**	**–**	**62,535**
At 31 December 2013	**12,190**	**208,389**	**22,629**	**(32,453)**	**210,755**	**6,580**	**217,335**

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	29	**40,727**	(479)
Profits tax paid		**(26,894)**	(641)
Net cash generated from/(used in) operating activities		**13,833**	(1,120)
Cash flows from investing activities			
Additions to property, plant and equipment	15	**(18,390)**	(900)
Interest received		**14**	4
Net cash inflow on acquisition of a subsidiary	30	**–**	210
Deposit paid for acquisition of a subsidiary	17	**(88,692)**	–
Net cash used in investing activities		**(107,068)**	(686)
Cash flows from financing activities			
Proceeds from other borrowings raised		**5,000**	–
Repayment of other borrowings		**(5,000)**	–
Advances from controlling shareholder		**108,592**	20,175
Repayments to controlling shareholder		**(8,476)**	–
Interest paid		**(2,005)**	(2,466)
Net proceeds from issue of shares upon completion of the top-up placings and top-up subscriptions		**38,115**	–
Net cash generated from financing activities		**136,226**	17,709
Net increase in cash and cash equivalents		**42,991**	15,903
Cash and cash equivalents at 1 January		**37,475**	22,265
Effects of exchange rate changes on balances denominated in foreign currencies		**20**	(693)
Cash and cash equivalents at 31 December	23	**80,486**	37,475

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of the Stock Exchange in 2006.

The Group's principal activities have not been changed during the year and the Group was engaged in manufacturing and trading of recreational and educational toys and equipment.

The Directors consider Gold Bless International Invest Limited ("Gold Bless"), a company incorporated in the British Virgin Islands, to be the immediate and ultimate holding company of the Company.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), and all values are rounded to the nearest thousand unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of the Company on 28 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and Appendix 16 to the Listing Rules. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of contingent consideration payable, which is carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Application of new standards, amendments and interpretations

(a) Effect of adopting new standards, amendments and interpretations to existing standards

The following new standards, amendments and interpretations to existing standards have been adopted by the Group in the current year.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 1	Amendments to HKFRS 1 first-time adoption of HKFRSs – Government loans
Amendments to HKFRS 7	Amendments to HKFRS 7 financial instruments: Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Amendments to HKAS 1 presentation of financial statements: Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

The adoption of these new standards, amendments and interpretations has no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods. Nevertheless, certain changes in disclosures have been adopted by the Group in compliance with the following new and revised HKFRSs:

(i) Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendments to HKAS 1 has no impact on the recognised assets, liabilities and comprehensive income and expenses of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Application of new standards, amendments and interpretations *(Continued)*

(a) Effect of adopting new standards, amendments and interpretations to existing standards (Continued)

(ii) HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single framework for measuring fair values and making disclosures about fair value measurements, when such measurements are required or permitted by other HKFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other HKFRSs, including HKFRS 7 "Financial instruments: Disclosures". Accordingly, the Group has included additional disclosures in this regard. Please refer to Note 3.3 for details.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(b) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following published new standards, amendments and interpretations to existing standards are mandatory for the Group's financial periods beginning on or after 1 January 2014 and have not been early adopted by the Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[3]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures[1]
Amendments to HKAS 39	Novation of derivatives[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Effective for annual periods beginning on or after 1 July 2014
4 The effective date will be determined once the classification and measurement and impairment phases of HKFRS 9 are finalised

The Directors anticipate that the adoption of the above new standards, amendments and interpretations to existing standards will not result in a significant impact on the results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions and balances, and unrealised profits arising on transactions between group companies are fully eliminated. Unrealised losses arising on transactions between group companies are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity instruments issued by the Group to the former owners of the acquiree. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquirer's previously held equity interests in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

(a) Consolidation (Continued)

(i) Business combinations *(Continued)*

Goodwill is initially measured as the excess of the aggregate 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 acquisition-date net fair values of the identifiable assets acquired and liabilities assumed. If this aggregate is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration and the amount by which the non-controlling interests are adjusted is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interests in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interests as an associate, a joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the consolidated financial statements.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions. The chief executive officer of the Company is empowered by the Board to manage the assets and activities of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where the items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) *Group companies*

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) *Disposal and partial disposal of foreign operation*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, 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 (that is, reductions in the Group's ownership interests to associates, joint ventures or financial assets), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3 years or the lease period, whichever is shorter
Plant and machinery	5 – 10 years
Office equipment, furniture and fixtures	3 years
Transportation vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalised of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for construction in progress.

2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the aggregate 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 fair value of the net identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the Group's operating segment level.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Goodwill *(Continued)*

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial instruments

(a) Classification

The Group classifies all of its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprises trade and other receivables and cash and cash equivalents (Notes 2.11 and 2.12).

The Group's financial liabilities carried at fair value through profit or loss includes contingent consideration payable arising from business combinations (Note 2.3(a)(i)). The Group's other financial liabilities comprising convertible bonds, trade and other payables and borrowings (Notes 2.14, 2.15 and 2.16) are measured at amortised costs.

(b) Recognition and measurement

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, for financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets or assumption of the financial liabilities, otherwise the transaction costs are expensed in profit or loss.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised using trade date accounting.

Loans and receivables and financial liabilities other than those carried at fair value are subsequently carried at amortised cost using the effective interest method.

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset, together with substantially all the risks and rewards of ownership, have been transferred. The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial instruments *(Continued)*

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated provision for impairment.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts (if any). In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.13 Share capital

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

2.14 Convertible bonds

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Borrowings

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

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

2.17 Borrowing costs

General and specific 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.

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

2.18 Current and deferred income tax

Tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Current and deferred income tax *(Continued)*

Deferred income tax assets arising from deductible temporary differences associated with such investments are recognised only to the extent that it is probable the temporary difference will reverse in the forseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) *Pension obligations*

(i) Hong Kong

The Group participates in a mandatory provident fund scheme (the "MPF scheme"), which is a defined contribution scheme, for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in an independent administered fund.

Both the Group and the employees are required to contribute 5% of the employee's relevant income, subject to a maximum of HK$1,250 per employee per month (HK$1,000 prior to June 2012). The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund is available.

(ii) The PRC

The Group participates in a defined contribution scheme administrated by the relevant authorities of the PRC. Contributions to the scheme are calculated as a percentage of employees' salaries and the Group has no further payment obligations once the contributions have been paid. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits *(Continued)*

(c) *Share-based compensation plan*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) *Bonus plan*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Revenue from sales of goods*

Revenue from sales of goods is recognised when 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.

Deposits and instalments received prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under other payables, accruals and deposits received as current liabilities.

(b) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.24 Dividend distribution

Dividend distributable to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) an entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to each other);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third party and the other entity is an associate of the third party;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Exceptional items

Exceptional items are disclosed and described separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items that have been shown separately due to the significance of their nature or amount.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with its transactions mainly denominated in HK$, Renminbi ("RMB") and United States dollars ("US$"). The Group is therefore exposed to foreign exchange risk arising from RMB and US$, primarily with respect to HK$ which is the Company's functional and the Group's presentation currency. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities or net investments in foreign operations are denominated in a currency that is not an entity's functional currency.

As HK$ are reasonably stable with US$ under the Linked Exchange Rate System, management considers the Group's foreign exchange risk arisen from US$ is low.

As at 31 December 2013, if HK$ had weakened/strengthened by 5% against RMB, with all other variables constant, loss before income tax for the year would have been approximately HK$3,548,000 higher/lower (2012: profit before income tax be HK$634,000 lower/higher) mainly as a result of foreign exchange differences on translation of RMB-denominated monetary assets and liabilities.

The Group does not use any foreign exchange derivative contracts to manage foreign exchange risk.

(b) Credit risk

The Group has significant concentrations of credit risk as 2 to 3 customers account for a significant portion of the Group's revenue. The carrying amounts of trade receivables (Note 21), deposits and other receivables (Note 22), amount due from a non-controlling shareholder of a subsidiary and cash and cash equivalents (Note 23) included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2013 and 2012, the majority of bank balances are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

The Group also has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors.

(c) Liquidity risk

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining periods at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for convertible bonds, balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	2013	2012
	HK$'000	*HK$'000*
Group		
Less than 1 year or repayable on demand:		
– Trade payables *(Note 27)*	**144,956**	75,979
– Other payables and accruals *(Note 28)*	**11,484**	15,627
– Convertible bonds *(Note 26)*	**–**	24,420
– Amount due to controlling shareholder *(Note 32(c))*	**122,591**	22,475
– Amount due to a non-controlling shareholder of a subsidiary	**–**	215
	279,031	138,716
More than 1 year:		
– Convertible bonds *(Note 26)*	**6,164**	–
– Contingent consideration payable *(Note 30)*	**11,519**	30,000
	17,683	30,000
Company		
Less than 1 year:		
– Other payables and accruals *(Note 28)*	**347**	215
– Convertible bonds *(Note 26)*	**–**	24,420
– Amount due to controlling shareholder *(Note 32(c))*	**10,000**	–
	10,347	24,635
More than 1 year:		
– Convertible bonds *(Note 26)*	**6,164**	–

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Cash flow and fair value interest rate risk

Except for cash and cash equivalents (Note 23), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk arises from interest bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2013, the Group has amount due to controlling shareholder which a part thereof carried interest at fixed rates (2012: convertible bonds at fixed rates). Save as disclosed above, the Group does not have any other interest bearing borrowings. The details of the amount due to controlling shareholder and convertible bonds are disclosed in Notes 32(c) and 26 respectively.

The Group does not use derivative financial instruments to hedge its cash flow and fair value interest rate risk.

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including convertible bonds (Note 26) and amount due to controlling shareholder (Note 32(c)) as shown in the consolidated statement of financial position) less cash and cash equivalents (Note 23). Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

The Group's strategy is to maintain the gearing ratio below 50%. The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013	2012
	HK$'000	*HK$'000*
Total borrowings	**126,760**	44,618
Less: Cash and cash equivalents *(Note 23)*	**(80,486)**	(37,475)
Net debt	**46,274**	7,143
Total equity	**217,335**	200,377
Total capital	**263,609**	207,520
Gearing ratio	**17.6%**	3.4%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's liabilities that are measured at fair value as at 31 December 2013 and 2012. The Group has no assets that are measured at fair value as at 31 December 2013 and 2012.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2013				
Contingent consideration payable *(Note 30)*	**–**	**–**	**6,099**	**6,099**
2012				
Contingent consideration payable *(Note 30)*	–	–	14,761	14,761

As one or more of the significant inputs required to fair value the contingent consideration payable is not based on observable market data, it is included in Level 3. The valuation technique used to value it is discounted cash flow analysis.

There were no transfers between Levels 1, 2 and 3 during the years ending 31 December 2013 and 2012.

The following table presents the changes in Level 3 instruments (contingent consideration payable) for the years ended 31 December 2013 and 2012.

	2013	2012
	HK$'000	*HK$'000*
Balance at 1 January	**14,761**	–
Acquisition of a subsidiary *(Note 30)*	**–**	13,267
Fair value change *(Note 9)*	**(4,587)**	1,494
Settlement by issuance of convertible bonds *(Note 26)*	**(4,075)**	–
Balance at 31 December	**6,099**	14,761
Total (gain)/loss for the year included in profit or loss under 'finance income/costs, net'	**(4,587)**	1,494

The Group does not offset its financial assets and financial liabilities for presentation purposes in the consolidated statement of financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates (Note 16).

In 2013, an impairment charge of approximately HK$1,744,000 (2012: Nil) arose in a manufacturing CGU of the Group, resulting in the carrying amount of the related goodwill being fully written off.

(b) Impairment of other non-financial assets

Non-financial assets including investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant change in the projected performance and resulting future cash flow projections, it may be necessary to reverse the previously recognised impairment losses, or to take further impairment charge to the consolidated income statement.

In 2013, an impairment charge of approximately HK$1,128,000 (2012: Nil) arose in a manufacturing CGU of the Group, resulting in the carrying amount of the related plant and machinery being fully written off.

(c) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. Management reassesses the provision at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Impairment of trade and other receivables *(Continued)*

As at 31 December 2013, the Group had outstanding receivables of approximately HK$323,988,000 (2012: HK$313,935,000); out of which approximately HK$237,975,000 (2012: HK$251,234,000) were overdue. Management believes those outstanding receivables can be fully recovered and up to 31 December 2013 has made an accumulated provision of approximately HK$41,378,000 (2012: HK$12,532,000) for the discounting effect for the time value of money.

(d) Income taxes

The Group is subject to income taxes in the PRC and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Estimated fair values of convertible bonds and contingent consideration payable

The fair values of convertible bonds and contingent consideration payable are determined based on the Directors' estimation in light of the latest information obtained relating to the convertible bonds and contingent consideration payable or with reference to independent valuer's assessment. Any new development in the convertible bonds, contingent consideration payable or the market conditions and changes in assumptions and estimates can affect the fair values of these convertible bonds and contingent consideration payable.

5 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board is identified as the Group's chief operating decision-maker. As the Group is principally engaged in the manufacturing and trading of recreational and educational toys and equipment which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision-maker considers the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

The Group primarily operates in Hong Kong and the PRC.

5 SEGMENT INFORMATION *(Continued)*

The Group's sales are delivered to customers located in the following regions:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**10,408**	336,558
The PRC	**7,844**	2,929
Europe	**127,170**	67,871
Japan	**409,033**	26,980
South America	**–**	4,439
North America	**21,189**	2,774
Others	**7,413**	–
	583,057	441,551

Sales are allocated based on the places/countries in which customers are located. During the year ended 31 December 2013, sales of approximately HK$508,815,000 (2012: HK$365,131,000) were derived from 2 major customers (2012: 3 customers) who individually account for more than 10% of the total sales.

The Group's total assets are located in the following regions:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**373,695**	375,161
The PRC	**142,697**	19,268
	516,392	394,429

Total assets are allocated based on where the assets are located.

The Group's non-current assets are located in the following regions:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**29,910**	31,789
The PRC	**108,115**	3,234
	138,025	35,023

Non-current assets are allocated based on where the assets are located.

5 SEGMENT INFORMATION *(Continued)*

The Group's capital expenditures are located in the following regions:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**3**	71
The PRC	**18,387**	829
	18,390	900

Capital expenditures are allocated based on where the assets are located.

6 REVENUE

The Group is principally engaged in the manufacturing and trading of recreational and educational toys and equipment. Revenue recognised during the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of goods	**583,057**	441,551

7 OTHER INCOME AND GAINS

	2013	2012
	HK$'000	*HK$'000*
Exchange gain	**415**	–
Sundry income	**116**	994
	531	994

Notes to the Consolidated Financial Statements

8 EXPENSES BY NATURE

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration		
– audit services		
– current year	**660**	600
– under-provision in respect of prior years	**–**	235
– non-audit services		
– current year	**8**	–
Depreciation of property, plant and equipment *(Note 15)*	**1,346**	1,257
Merchandise purchased and raw materials used *(Note 19)*	**566,247**	301,804
Change in inventories of work-in-progress	**203**	384
Change in inventories of finished goods	**2,411**	(1,085)
Subcontracting charges	**1,005**	55,854
Employee benefit expenses *(Note 11)*	**12,148**	24,381
Operating lease rental expenses	**5,130**	4,575
Others	**7,228**	8,332
Total cost of sales, selling expenses and administrative expenses	**596,386**	396,337

9 FINANCE INCOME/COSTS, NET

	2013	2012
	HK$'000	*HK$'000*
Interest income on bank deposits	**14**	4
Fair value change of contingent consideration payable *(Note 30)*	**4,587**	(1,494)
Interest expense:		
– Amount due to controlling shareholder *(Note 32(c))*	**(655)**	–
– Other borrowings due within 1 year	**(129)**	–
– Convertible bonds *(Note 26)*	**(3,592)**	(6,300)
Finance income/(costs), net	**225**	(7,790)

10 INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (2012: 16.5%) and 25% (2012: 25%), respectively, on the estimated assessable profits during the year, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax expense charged to the consolidated income statement represent:

	2013	2012
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**1,444**	10,677
– PRC Enterprise Income Tax	**10**	9
	1,454	10,686
(Write back of over-provision)/Under-provision in respect of prior years		
– Hong Kong profits tax	**(10)**	1,459
	1,444	12,145

The taxation on the Group's loss/profit before income tax differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	2013	2012
	HK$'000	*HK$'000*
(Loss)/Profit before income tax	**(44,291)**	34,049
Calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**(7,308)**	5,620
Effect of different tax rates in other jurisdictions	**(328)**	(207)
Income not subject to tax	**(757)**	–
Expenses not deductible	**8,229**	749
Tax losses for which no deferred income tax asset was recognized	**1,587**	4,452
(Write back of over-provision)/Under-provision in respect of prior years	**(10)**	1,459
Others	**31**	72
Income tax expense	**1,444**	12,145

11 EMPLOYEE BENEFIT EXPENSES

	2013	2012
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**11,602**	10,220
Pension costs – defined contribution plans	**546**	725
Share option expenses	**–**	13,436
	12,148	24,381

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2013 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
YANG, Wang Jian *(Note 1)*	–	116	5	–	121
WONG, Man Keung	–	960	15	–	975
YANG, Jun	–	540	15	–	555
CHAN, Yin Tsung *(Note 2)*	–	420	9	–	429
TUNG, Yee Shing *(Note 3)*	–	315	9	–	324
CHEN, Hanhong *(Note 4)*	90	–	–	–	90
YANG, Ya *(Note 5)*	–	150	6	–	156
WEN, Jialong *(Note 6)*	116	–	–	–	116
YU, Qigang *(Note 7)*	116	–	–	–	116
Non-executive Directors					
CHEUNG, Jonathan *(Note 8)*	2	–	–	–	2
LEUNG, Pui Kwan *(Note 9)*	58	–	–	–	58
YU, Jiaoli *(Note 10)*	60	–	–	–	60
Independent Non-executive Directors					
YEUNG, King Wah, Kenneth	120	–	–	–	120
WU, Hong	120	–	–	–	120
LOW, Chin Sin *(Note 14)*	120	–	–	–	120
YE, Yunhan *(Note 11)*	39	–	–	–	39
	841	2,501	59	–	3,401

11 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31 December 2012 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
YANG, Wang Jian *(Note 1)*	–	921	12	1,838	2,771
WONG, Man Keung	–	960	14	1,838	2,812
YANG, Jun	–	540	14	1,225	1,779
ZHU, Pei Heng *(Note 12)*	204	–	–	–	204
CHAN, Yin Tsung *(Note 2)*	–	356	8	–	364
TUNG, Yee Shing *(Note 3)*	–	81	3	–	84
Non-executive Director					
CHEUNG, Jonathan *(Note 8)*	59	–	–	–	59
Independent Non-executive Directors					
YEUNG, King Wah, Kenneth	120	–	–	–	120
WU, Hong	120	–	–	–	120
WONG, Kwong Chung, James *(Note 13)*	105	–	–	–	105
LOW, Chin Sin *(Note 14)*	15	–	–	–	15
	623	2,858	51	4,901	8,433

Notes:

(1) Resigned on 8 November 2012 and re-appointed on 5 September 2013

(2) Appointed on 3 July 2012 and resigned on 1 August 2013

(3) Appointed on 7 November 2012 and resigned on 1 August 2013

(4) Appointed on 1 July 2013

(5) Appointed on 1 August 2013

(6) Appointed on 5 September 2013 and resigned on 15 January 2014

(7) Appointed on 5 September 2013

(8) Appointed on 3 July 2012 and resigned on 7 January 2013

(9) Appointed on 7 January 2013 and resigned on 1 July 2013

(10) Appointed on 1 July 2013

(11) Appointed on 5 September 2013

(12) Resigned on 7 November 2012

(13) Resigned on 15 November 2012

(14) Appointed on 15 November 2012

During the year, no Directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

11 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) 5 highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 include 2 Directors (2012: 3), whose emoluments are disclosed in Note 11(a). Details of emoluments of the remaining 3 (2012: 2) individuals are as follows:

	2013	2012
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**2,302**	788
Pension costs – defined contribution plans	**45**	27
Share option expenses	**–**	2,859
	2,347	3,674

The emoluments are within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
Nil – HK$500,000	**–**	–
HK$500,001 – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**–**	2
	3	2

12 LOSS/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss/profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss of approximately HK$16,584,000 (2012: loss of HK$21,746,000) (Note 25(b)).

13 LOSS/EARNINGS PER SHARE

Basic

The calculation of basic loss/earnings per share is based on the consolidated loss attributable to the equity holders of the Company of approximately HK$48,947,000 (2012: profit of HK$18,769,000) divided by the weighted average number of approximately 975,560,000 (2012: 818,205,000) ordinary shares in issue.

	2013	2012
(Loss)/Profit attributable to the equity holders of the Company *(HK$'000)*	**48,947**	18,769
Weighted average number of ordinary shares in issue *(thousands)*	**975,560**	818,205
Basic (loss)/earnings per share *(HK cents)*	**(5.02)**	2.29

Diluted

Diluted loss/earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has 3 categories of dilutive potential ordinary shares: share options (Note 24(b)), convertible bonds (Note 26) and convertible bonds issuable for the acquisition of Tai Cheng International Limited (the "Tai Cheng CB") (Note 30).

The computation of diluted loss/earnings per share for the years ended 31 December 2013 and 2012 did not assume the exercise of the Company's outstanding share options (Note 24(b)) because the exercise price of the Company's share options was higher than the average market prices per share.

The computation of diluted loss/earnings per share for the years ended 31 December 2013 and 2012 did not assume the conversion of the Company's outstanding convertible bonds (Note 26) and Tai Cheng CB (Note 30) since their assumed conversion would result in a decrease in loss per share (2012: an increase in earnings per share).

14 DIVIDENDS

No dividend in respect of the year ended 31 December 2013 (2012: Nil) is to be proposed at the forthcoming annual general meeting.

15 PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Office equipment, furniture and fixtures *HK$'000*	Transportation vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 January 2012						
Cost	341	4,324	178	–	–	4,843
Accumulated depreciation and impairment	(38)	(1,075)	(30)	–	–	(1,143)
Net book amount	303	3,249	148	–	–	3,700
Year ended 31 December 2012						
Opening net book amount	303	3,249	148	–	–	3,700
Additions	627	–	273	–	–	900
Acquisition of a subsidiary *(Note 30)*	–	–	9	–	–	9
Depreciation *(Note 8)*	(317)	(851)	(89)	–	–	(1,257)
Exchange realignment	(2)	228	(1)	–	–	225
Closing net book amount	611	2,626	340	–	–	3,577
At 31 December 2012						
Cost	968	4,546	460	–	–	5,974
Accumulated depreciation and impairment	(357)	(1,920)	(120)	–	–	(2,397)
Net book amount	611	2,626	340	–	–	3,577
Year ended 31 December 2013						
Opening net book amount	**611**	**2,626**	**340**	**–**	**–**	**3,577**
Additions	**–**	**79**	**7**	**362**	**17,942**	**18,390**
Depreciation *(Note 8)*	**(326)**	**(870)**	**(150)**	**–**	**–**	**(1,346)**
Provision for impairment	**–**	**(1,128)**	**–**	**–**	**–**	**(1,128)**
Exchange realignment	**11**	**64**	**6**	**–**	**–**	**81**
Closing net book amount	**296**	**771**	**203**	**362**	**17,942**	**19,574**
At 31 December 2013						
Cost	**986**	**4,891**	**474**	**362**	**17,942**	**24,655**
Accumulated depreciation and impairment	**(690)**	**(4,120)**	**(271)**	**–**	**–**	**(5,081)**
Net book amount	**296**	**771**	**203**	**362**	**17,942**	**19,574**

Depreciation expense for the year ended 31 December 2013 of approximately HK$812,000 (2012: HK$799,000) and HK$534,000 (2012: HK$458,000) have been recognised as cost of sales and administrative expenses, respectively.

The Group has not pledged any of its property, plant and equipment during the years ended 31 December 2013 and 2012 for any facilities granted to the Group.

16 GOODWILL

	Group 2013 HK$'000	2012 HK$'000
Year ended 31 December		
Net book amount at 1 January	**31,446**	1,581
Acquisition of a subsidiary *(Note 30)*	**–**	29,759
Provision for impairment	**(1,744)**	–
Exchange realignment	**57**	106
Net book amount at 31 December	**29,759**	31,446
At 31 December		
Cost	**31,503**	31,446
Accumulated impairment	**(1,744)**	–
Net book amount	**29,759**	31,446

Impairment tests for goodwill

The Directors have performed an impairment review of the carrying amount of goodwill as at 31 December 2013 and have concluded that an impairment charge of approximately HK$1,744,000 (2012: Nil) arose in a manufacturing CGU of the Group, resulting in the carrying amount of the related goodwill being fully written off.

For the purposes of impairment testing, goodwill acquired has been allocated to the smallest individual CGUs identified as at 31 December 2013. The recoverable amounts of each of the CGUs are determined based on value-in-use calculations. The calculation uses cash flow projections based on financial estimates made by the Directors, with reference to the prevailing market conditions, covering a period of 10 years (2012: 10-20 years) and assuming gross profit margins of 2%-3% (2012: 9%-25%). Management assumes that the sales beyond the above-mentioned period will keep stable. The cash flow projections are discounted at a post-tax discount rate of 20% (2012: 10%-20%) per annum.

17 DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 16 December 2013, the Company, Green Capital (Hong Kong) Limited (a wholly-owned subsidiary of the Company, "Green Capital"), China Real Estates Investment Holdings Limited ("China Real Estates") and Mr. Tang Ho Ka ("Mr. Tang") entered into a sale and purchase agreement pursuant to which Green Capital has conditionally agreed to purchase the 100% equity interests of Big Point Investment Limited ("Big Point"), a company incorporated in Hong Kong, from China Real Estates at a total consideration of RMB130,000,000, out of which RMB70,000,000 will be settled in cash and the remaining consideration of RMB60,000,000 (equivalent to HK$76,620,000) will be settled by the issue of convertible bonds by the Company.

17 DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY *(Continued)*

The convertible bonds will be denominated in Hong Kong dollars, unsecured, interest-free and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. In respect of the conversion by the bondholder, (a) for the principal amount of HK$25,540,000, the convertible bonds can be converted into shares before maturity, and (b) for the remaining principal amount of HK$51,080,000, the convertible bonds can be converted into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK$0.50 per share (subject to adjustments). In respect of the conversion by the Company, for the principal amount of HK$76,620,000, the convertible bonds can be converted into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK$0.50 per share (subject to adjustments). Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date by issuing shares to the bondholder at the conversion price of HK$0.50 per share (subject to adjustments).

Big Point is an investment holding company, which holds 100% direct equity interest in Dijia Restaurant Management (Shenzhen) Co., Ltd. (迪嘉餐飲管理（深圳）有限公司, "Dijia Restaurant") and 95% equity interest in 深圳市迪嘉銀湖汽車服務有限公司 (Shenzhen Dijiayinhu Motor Services Co., Ltd.*) through its interest in Dijia Restaurant. Big Point and its subsidiaries are principally engaged in clubhouse business.

Pursuant to the terms of the sale and purchase agreement, on 26 December 2013, a deposit of RMB70,000,000 (equivalent to approximately HK$88,692,000) was paid to a designated nominee of China Real Estates. The acquisition was subsequently completed on 30 January 2014, and the convertible bonds have been issued to China Real Estates on 30 January 2014 as final payment of the consideration of the acquisition. In February 2014, certain of the above mentioned convertible bonds with an aggregate principal amount of HK$25,540,000 were converted into the shares of the Company at a conversion price of HK$0.50 per share and, accordingly, the Company issued and allotted a total of 51,080,000 shares to the convertible bondholders.

Also, on completion of the acquisition, Mr. Tang and 深圳市寶渝貿易有限公司 (Shenzhen Baoyu Trading Co., Ltd.*, a company controlled by Mr. Tang's spouse) assigned the indebtedness owed by Dijia Restaurant to them in the respective amounts of approximately RMB19,234,000 and RMB12,582,000 to a subsidiary of the Company at nominal considerations of RMB1 each.

18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Investments, at cost:		
Unlisted shares *(Note)*	**–**	–

Balances with subsidiaries are detailed in Note 32(d) to the consolidated financial statements.

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2013 and 2012 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Company name	Places of incorporation/ establishment and kind of legal entity	Issued and fully paid-up share capital/paid-in capital	Equity interests attributable to the Company				Principal activities and places of operations
			Direct		Indirect		
			2013	2012	**2013**	2012	
Sino Front Limited	Hong Kong, limited liability	HK$1	**100%**	100%	**–**	–	Trading of toys in Hong Kong
致福玩具(深圳)有限公司	The PRC, wholly-owned foreign enterprise	HK$1,000,000	**–**	–	**100%**	100%	Investment holding in the PRC
東莞市金翮玩具有限公司	The PRC, wholly-owned foreign enterprise	RMB500,000	**–**	–	**100%**	100%	Manufacturing of toys in the PRC
Green Capital (Hong Kong) Limited	Hong Kong, limited liability	HK$1	**100%**	100%	**–**	–	Investment holding in Hong Kong and the PRC
Cheerful Top Group Limited	British Virgin Islands, limited liability	US$1	**100%**	100%	**–**	–	Investment holding in Hong Kong
Tai Cheng International Limited	Hong Kong, limited liability	HK$10,000	**–**	–	**55%**	55%	Trading of toys in Hong Kong
廣西靈山泰晴玩具有限公司	The PRC, wholly-owned foreign enterprise	RMB19,830,000	**–**	–	**55%**	55%	Design and manufacturing of toys in the PRC

Note: It represents investments in Sino Front Limited of HK$1, Cheerful Top Group Limited of US$1 (equivalent to approximately HK$8), Green Capital (Hong Kong) Limited of HK$1 and Asia Agricultural Products Exchange Group Limited of HK$51 (2012: investments in Sino Front Limited of HK$1, Cheerful Top Group Limited of US$1 and Green Capital (Hong Kong) Limited of HK$1). The amount is not shown due to rounding.

19 INVENTORIES

	Group 2013 HK$'000	2012 HK$'000
Raw materials	**1,271**	1,290
Work in progress	**–**	203
Finished goods	**–**	2,411
	1,271	3,904

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31 December 2013 amounted to approximately HK$566,247,000 (2012: HK$301,804,000) (Note 8).

20 FINANCIAL INSTRUMENTS BY CATEGORY

	Group Loans and receivables HK$'000	Company Loans and receivables HK$'000
Assets as per statement of financial position		
At 31 December 2013		
Trade and other receivables, excluding prepayments and trade deposits paid	**284,248**	**723**
Amount due from a non-controlling shareholder of a subsidiary	**3,764**	**–**
Amounts due from subsidiaries	**–**	**125,657**
Cash and cash equivalents	**80,486**	**8,431**
	368,498	**134,811**
At 31 December 2012		
Trade and other receivables, excluding prepayments and trade deposits paid	302,622	697
Amounts due from subsidiaries	–	92,691
Cash and cash equivalents	37,475	349
	340,097	93,737

20 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Group		Company
	Financial liabilities at fair value	**Financial liabilities at amortised cost**	**Financial liabilities at amortised cost**
	HK$'000	*HK$'000*	*HK$'000*
Liabilities as per statement of financial position			
At 31 December 2013			
Convertible bonds	**–**	**4,169**	**4,169**
Contingent consideration payable	**6,099**	**–**	**–**
Trade and other payables, excluding trade deposits received	**–**	**156,440**	**347**
Amount due to controlling shareholder	**–**	**122,591**	**10,000**
	6,099	**283,200**	**14,516**
At 31 December 2012			
Convertible bonds	–	22,143	22,143
Contingent consideration payable	14,761	–	–
Trade and other payables, excluding trade deposits received	–	91,606	215
Amount due to controlling shareholder	–	22,475	–
Amount due to a non-controlling shareholder of a subsidiary	–	215	–
	14,761	136,439	22,358

21 TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**323,988**	313,935
Less: Provision for discount on past due balances	**(41,378)**	(12,532)
	282,610	301,403

The Group's trade receivables are generally with credit periods of 90 days (2012: 90 days). The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise credit risk.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security.

21 TRADE RECEIVABLES *(Continued)*

The carrying amounts of trade receivables approximate their fair values.

The ageing analysis of trade receivables as at 31 December 2013 and 2012 are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**39,806**	18,008
31 – 60 days	**38,278**	12,547
61 – 90 days	**7,929**	32,037
91 – 180 days	**3,088**	100,465
Over 180 days	**234,887**	150,878
	323,988	313,935

Management assessed the credit quality of those trade receivables of approximately HK$86,013,000 (2012: HK$62,592,000) that are neither past due nor impaired by reference to the repayment history and current financial position of these customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and these balances are expected to be fully recoverable.

As at 31 December 2013, trade receivables of approximately HK$237,975,000 (2012: HK$251,234,000) were past due but not impaired. These relate to several customers for whom there is settlement during the year. The ageing analysis of these trade receivables is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
91 – 180 days	**3,088**	100,363
Over 180 days	**234,887**	150,871
	237,975	251,234

For the year ended 31 December 2013, the Group has made a provision of approximately HK$28,846,000 (2012: HK$4,369,000) to account for the discounting effect of the time value of money because of the delay in settlement of the outstanding trade receivables.

21 TRADE RECEIVABLES *(Continued)*

Movement in the provision for discount on past due balances is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**12,532**	8,163
Charged to the consolidated income statement	**28,846**	4,369
At 31 December	**41,378**	12,532

Subsequent settlement of trade receivables after the end of the reporting period up to the date of this annual report amounted to approximately HK$112,233,000 (2012: HK$35,158,000). Since there have been settlements from customers, the Directors believe that most of the remaining balances can be recovered in the foreseeable future.

Trade receivables are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong dollars	**255**	452
Renminbi	**24,568**	8,491
US dollars	**299,165**	304,992
	323,988	313,935

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**621**	667	**607**	609
Trade deposits paid	**6,706**	14,738	**–**	–
Other deposits paid	**978**	963	**723**	697
Other receivables	**660**	256	**–**	–
	8,965	16,624	**1,330**	1,306

Prepayments, deposits and other receivables are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**8,100**	16,339	**1,330**	1,306
Renminbi	**865**	–	**–**	–
US dollars	**–**	285	**–**	–
	8,965	16,624	**1,330**	1,306

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and on hand	**80,486**	37,475	**8,431**	349

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**44,459**	18,021	**8,431**	349
Renminbi	**32,640**	12,683	**–**	–
US dollars	**3,387**	6,771	**–**	–
	80,486	37,475	**8,431**	349

Cash at banks earns interest at floating rates based on daily bank deposit rates.

24 SHARE CAPITAL

Authorised capital

	Number of shares	Nominal value *HK$'000*
At 1 January 2012, 31 December 2012 and 31 December 2013, ordinary shares of HK$0.01 each	4,000,000,000	40,000

Issued and fully paid capital

	Number of shares	Nominal value *HK$'000*
At 1 January 2012	603,007,900	6,030
Issue of shares upon conversion of convertible bonds *(Note (a)(i))*	301,000,000	3,010
At 31 December 2012	**904,007,900**	**9,040**
Issue of shares upon completion of a top-up placing and top-up subscription *(Note (a)(ii))*	**126,800,000**	**1,268**
Issue of shares upon completion of a top-up placing and top-up subscription *(Note (a)(iii))*	**54,000,000**	**540**
Issue of shares upon conversion of convertible bonds *(Note (a)(iv))*	**134,175,824**	**1,342**
At 31 December 2013	**1,218,983,724**	**12,190**

24 SHARE CAPITAL *(Continued)*

Notes:

(a) Issue of new shares

(i) On 15 February, 21 February and 27 April 2012, certain of the convertible bonds with an aggregate principal amount of HK$55,685,000 were converted into the shares of the Company at a conversion price of HK$0.185 per share and, accordingly, the Company allotted and issued a total of 301,000,000 shares to the convertible bond holders.

(ii) Pursuant to a top-up placing and top-up subscription agreement entered into between the Company, Gold Bless and a placing agent dated 9 August 2013, Gold Bless placed 126,800,000 shares of the Company to 6 independent placees at a placing price of HK$0.205 per share on 19 August 2013, and the Company allotted and issued 126,800,000 new shares of the Company at HK$0.205 per share to Gold Bless on 21 August 2013.

(iii) Pursuant to a top-up placing and top-up subscription agreement entered into between the Company, Gold Bless and a placing agent dated 20 November 2013, Gold Bless placed 54,000,000 shares of the Company to 6 independent placees at a placing price of HK$0.24 per share on 22 November 2013, and the Company allotted and issued 54,000,000 new shares of the Company at HK$0.24 per share to Gold Bless on 26 November 2013.

(iv) On 7 November 2013, the outstanding convertible bonds with an aggregate principal amount of HK$24,420,000 were converted into the shares of the Company at a conversion price of HK$0.182 per share (as adjusted to reflect the top-up placing and top-up subscription as detailed in (ii) above) and, accordingly, the Company allotted and issued a total of 134,175,824 shares to the convertible bond holders.

(b) Share option scheme

On 2 September 2006, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

(i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

(ii) Pursuant to the terms and conditions as stipulated in the Share Option Scheme, any unexercised options will lapse 6 months after the grantee leaves the services of the Group by retirement. As a grantee (who was an employee of the Group) retired during the year 2013, all of his 2,000,000 unexercised share options were lapsed in August 2013.

24 SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Share option scheme *(Continued)*

(iii) Movements in the share options are as follows:

	2013		2012	
	Average exercise price in HK$ per share	**Number of share options**	Average exercise price in HK$ per share	Number of share options
At 1 January	**0.37**	**65,800,000**	–	–
Granted	**–**	**–**	0.37	65,800,000
Lapsed	**0.37**	**(2,000,000)**	–	–
At 31 December	**0.37**	**63,800,000**	0.37	65,800,000

	2013	2012
– Range of exercise prices	**HK$0.37**	HK$0.37
– Weighted average remaining contractual life	**8.35 years**	9.35 years

The weighted average fair value of options granted in 2012 determined using the Trinomial Option Pricing Model was HK$0.21 per option. The significant inputs into the model were weighted average share price of HK$0.37 at the grant date, exercise price as shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

25 RESERVES

(a) Group

	Attributable to the equity holders of the Company					
	Share premium	Share-based equity reserve	Convertible bonds – equity component reserve	Exchange reserve	(Accumulated losses)/ Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	90,721	–	17,765	–	(9,579)	98,907
Profit for the year	–	–	–	–	18,769	18,769
Translation of foreign currency financial statements	–	–	–	(242)	–	(242)
Issue of shares on conversion of convertible bonds *(Note 24(a)(i))*	52,867	–	(12,349)	–	–	40,518
Acquisition of a subsidiary *(Note 30)*	–	–	16,733	–	–	16,733
Issue of share options *(Note 24(b)(i))*	–	13,436	–	–	–	13,436
At 31 December 2012	**143,588**	**13,436**	**22,149**	**(242)**	**9,190**	**188,121**
Loss for the year	**–**	**–**	**–**	**–**	**(48,947)**	**(48,947)**
Translation of foreign currency financial statements	**–**	**–**	**–**	**6**	**–**	**6**
Issue of shares upon completion of a top-up placing and top-up subscription *(Note 24(a)(ii))*	**24,150**	**–**	**–**	**–**	**–**	**24,150**
Issue of shares upon completion of a top-up placing and top-up subscription *(Note 24(a)(iii))*	**12,157**	**–**	**–**	**–**	**–**	**12,157**
Issue of shares on conversion of convertible bonds *(Note 24(a)(iv))*	**28,494**	**–**	**(5,416)**	**–**	**–**	**23,078**
Lapse of share options *(Note 24(b)(ii))*	**–**	**(408)**	**–**	**–**	**408**	**–**
Fair value change of contingent consideration payable *(Note 30)*	**–**	**–**	**(6,896)**	**–**	**6,896**	**–**
At 31 December 2013	**208,389**	**13,028**	**9,837**	**(236)**	**(32,453)**	**198,565**

25 RESERVES *(Continued)*

(b) Company

	Share premium HK$'000	Share-based equity reserve HK$'000	Convertible bonds – equity component reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	90,721	–	17,765	(77,746)	30,740
Loss for the year	–	–	–	(21,746)	(21,746)
Issue of shares on conversion of convertible bonds *(Note 24(a)(i))*	52,867	–	(12,349)	–	40,518
Issue of share options *(Note 24(b)(i))*	–	13,436	–	–	13,436
At 31 December 2012	**143,588**	**13,436**	**5,416**	**(99,492)**	**62,948**
Loss for the year	**–**	**–**	**–**	**(16,584)**	**(16,584)**
Issue of shares upon completion of a top-up placing and top-up subscription *(Note 24(a)(ii))*	**24,150**	**–**	**–**	**–**	**24,150**
Issue of shares upon completion of a top-up placing and top-up subscription *(Note 24(a)(iii))*	**12,157**	**–**	**–**	**–**	**12,157**
Issue of Tai Cheng CB *(Note 26)*	**–**	**–**	**2,963**	**–**	**2,963**
Issue of shares on conversion of convertible bonds *(Note 24(a)(iv))*	**28,494**	**–**	**(5,416)**	**–**	**23,078**
Lapse of share options *(Note 24(b)(ii))*	**–**	**(408)**	**–**	**408**	**–**
At 31 December 2013	**208,389**	**13,028**	**2,963**	**(115,668)**	**108,712**

26 CONVERTIBLE BONDS

On 7 November 2011, the Company placed, through a placing agent, convertible bonds in the aggregate principal amount of HK$85,100,000 (the "2011 CB") of which HK$63,825,000 in aggregate principal amount were placed to Gold Bless and the remaining balance of HK$21,275,000 were subscribed by independent holders. The 2011 CB were denominated in Hong Kong dollars, unsecured, borne interest at 5% per annum which was payable on a quarterly basis and was matured on 7 November 2013. The 2011 CB can be converted into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.185 per share which was subsequently adjusted to HK$0.182 per share with effect from 21 August 2013 as a result of the completion of a top-up placing and top-up subscription on 21 August 2013 (Note 24(a)(ii)). The effective interest rate of the 2011 CB was 23.24% per annum. The 2011 CB with an aggregate principal amount of HK$55,685,000 (2011: HK$4,995,000) were converted into 301,000,000 shares (2011: 27,000,000 shares) of the Company during 2012. The remaining 2011 CB in the principal amount of HK$24,420,000 were converted into 134,175,824 shares of the Company on the maturity date.

Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited in 2012 (Note 30), the Company issued the first tranche of the Tai Cheng CB on 29 October 2013 in an aggregate principal amount of HK$6,163,639 ("1st Tai Cheng CB") to Hong Kong Tai Shing Toys Trading Limited. The 1st Tai Cheng CB was denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 29 October 2016. The 1st Tai Cheng CB can be converted into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.50 per share (subject to adjustments). The effective interest rate of the 1st Tai Cheng CB was 17.90% per annum.

The values of the liability component and the equity component were determined at issuance of the convertible bonds. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in equity within other reserves.

The liability component of the convertible bonds recognised in the statements of financial position is calculated as follows:

	Group and Company		
	2011 CB	**1st Tai Cheng CB**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2012	61,837	–	61,837
Right of conversion exercised by bond holders *(Note 24(a)(i))*	(43,528)	–	(43,528)
Interest expenses *(Note 9)*	6,300	–	6,300
Interest paid	(2,466)	–	(2,466)
At 31 December 2012	**22,143**	**–**	**22,143**
Right of conversion exercised by bond holders *(Note 24(a)(iv))*	**(24,420)**	**–**	**(24,420)**
Issue of 1st Tai Cheng CB	**–**	**4,075**	**4,075**
Interest expenses *(Note 9)*	**3,498**	**94**	**3,592**
Interest paid	**(1,221)**	**–**	**(1,221)**
At 31 December 2013	**–**	**4,169**	**4,169**

26 CONVERTIBLE BONDS *(Continued)*

The fair value of the liability component of the convertible bonds at 31 December 2013 amounted to approximately HK$5,369,000 (2012: HK$23,352,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5% (2012: 5%).

27 TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2013 and 2012 are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**49,443**	17,436
31 – 60 days	**72,692**	12,115
61 – 90 days	**7,120**	9,924
91 days – 1 year	**1,372**	30,991
Over 1 year	**14,329**	5,513
	144,956	75,979

Trade payables are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong dollars	**128,790**	70,426
Renminbi	**465**	594
US dollars	**15,701**	4,959
	144,956	75,979

The carrying amounts of trade payables approximate their fair values.

28 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**9,080**	14,111	**347**	215
Trade deposits received	**6,848**	15,763	**–**	–
Other payables	**2,404**	1,516	**–**	–
	18,332	31,390	**347**	215

28 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(Continued)*

Other payables, accruals and deposits received are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**4,813**	12,831	**347**	215
Renminbi	**6,672**	2,919	**–**	–
US dollars	**6,847**	15,640	**–**	–
	18,332	31,390	**347**	215

The carrying amounts of other payables, accruals and deposits received approximate their fair values.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from/used in operations

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
(Loss)/Profit before income tax		**(44,291)**	34,049
Adjustment for:			
– Depreciation of property, plant and equipment	*8,15*	**1,346**	1,257
– Provision for impairment of property, plant and equipment	*15*	**1,128**	–
– Provision for impairment of goodwill	*16*	**1,744**	–
– Discount on past due balances of trade receivables	*21*	**28,846**	4,369
– Share option expenses	*11*	**–**	13,436
– Interest income	*9*	**(14)**	(4)
– Fair value change of contingent consideration payable	*9*	**(4,587)**	1,494
– Interest expense	*9*	**4,376**	6,300
		(11,452)	60,901
Changes in working capital:			
– Inventories		**2,633**	(959)
– Trade receivables		**(10,053)**	146,650
– Prepayments, deposits and other receivables		**7,659**	(15,101)
– Trade payables		**68,977**	(206,281)
– Other payables, accruals and deposits received		**(13,058)**	14,250
– Amount due from/to a non-controlling shareholder of a subsidiary		**(3,979)**	61
Cash generated from/(used in) operations		**40,727**	(479)

30 ACQUISITION OF A SUBSIDIARY IN PRIOR YEAR

On 8 May 2012, the Group acquired 55% equity interest in Tai Cheng International Limited ("Tai Cheng"), a company incorporated in Hong Kong, at a total consideration of not exceeding HK$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

Tai Cheng contributed revenue and net profit of approximately HK$105,143,000 and HK$6,968,000 respectively to the Group for the period from 8 May 2012 to 31 December 2012.

The following table summarises the consideration for the acquisition of Tai Cheng, and the fair values of the assets acquired and liabilities assumed recognised on the acquisition date.

	Fair values recognised on acquisition *HK$'000*
Purchase consideration	
– Cash paid *(Note (i))*	–
– Contingent consideration payable *(Note (ii))*	**30,000**
Total purchase consideration	**30,000**
Recognised fair values of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 15)*	**9**
Trade receivables	**897**
Prepayment, deposits and other receivables	**23**
Cash and cash equivalents	**210**
Trade payables	**(547)**
Amount due to a non-controlling shareholder of a subsidiary	**(154)**
Total identifiable net assets	**438**
Non-controlling interests	**(197)**
Goodwill *(Note 16)*	**29,759**
	30,000

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition is as follows:

Cash and cash equivalents acquired	**210**
Less: Consideration satisfied by cash *(Note (i))*	–
Net cash inflow on acquisition of a subsidiary	**210**

30 ACQUISITION OF A SUBSIDIARY IN PRIOR YEAR *(Continued)*

Notes:

(i) The cash consideration paid was HK$100. The amount shown above was a result of rounding.

(ii) Contingent consideration payable in aggregate not exceeding HK$30,000,000 shall be settled by the issue of the Tai Cheng CB in 3 tranches of not exceeding HK$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK$10,000,000. The benchmark profit is HK$12,000,000, HK$13,000,000 and HK$14,000,000 for the financial years ended 31 December 2012, 2013 and 2014 respectively.

The Tai Cheng CB, if issued, will be denominated in Hong Kong dollars, unsecured, interest free, will mature on the date falling on the third anniversary of the date of issue and is convertible into the shares of the Company at an initial conversion price of HK$0.50 per share (subject to adjustments). The Company issued the first tranche of the Tai Cheng CB on 29 October 2013 in an aggregate principal amount of HK$6,163,639 (Note 26).

A liability component and an equity component were classified at initial recognition of the contingent consideration payable.

The fair value of the liability component of the contingent consideration payable was initially recognised at the date of acquisition at approximately HK$13,267,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15% and the Directors' expectation on the amount of the Tai Cheng CB to be issued. This liability component was subsequently measured as at 31 December 2013 at fair value of approximately HK$6,099,000 (2012: HK$14,761,000), with decrease in fair value of approximately HK$4,587,000 (2012: increase of HK$1,494,000) recognised within finance income/costs, net (Note 9) in the consolidated income statement.

The initially recognised equity component of the contingent consideration payable of approximately HK$16,733,000, which represents the value of the equity conversion option, was included in shareholders' equity within other reserves (Note 25(a)). At the end of the reporting period, as the Directors expected that an aggregate principal amount of less than HK$30,000,000 of the Tai Cheng CB will be issued, the related adjustment to the equity component of approximately HK$6,896,000 has been transferred from other reserves to accumulated losses.

31 COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments as at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of land	**–**	4,786
– Construction of plant	**1,053**	10,000
– Purchase of machinery	**–**	6,136
	1,053	20,922

The Company did not have any capital commitments as at 31 December 2013 and 2012.

31 COMMITMENTS *(Continued)*

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than 1 year	**4,600**	3,299	**2,515**	1,337
Later than 1 year but not later than 5 years	**2,018**	2,119	**1,362**	–
	6,618	5,418	**3,877**	1,337

None of the leases include contingent rentals.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Group	
	2013	2012
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**3,342**	3,481
Pension costs – defined contribution plans	**59**	51
Share option expenses	**–**	4,901
	3,401	8,433

(b) Transactions

Material transactions carried out between the Group and controlling shareholder of the Company and related companies beneficially owned by controlling shareholder of the Company are summarised as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Consultancy fee paid	**651**	80
Interest paid	**655**	–
Rentals paid	**979**	835

32 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with controlling shareholder

The amounts due to controlling shareholder are unsecured and with other terms as follows:

Annual interest rate	Maturity	Currency denominated in	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Interest-free	Dec 2013	HK$	**–**	20,000	**–**	–
Interest-free	Repayable on demand	RMB	**–**	2,475	**–**	–
4.50%	Feb 2014	HK$	**10,000**	–	**10,000**	–
4.50%	May 2014	HK$	**3,300**	–	**–**	–
4.50%	June 2014	HK$	**3,300**	–	**–**	–
4.50%	July 2014	HK$	**3,300**	–	**–**	–
Interest-free	Dec 2014	HK$	**14,000**	–	**–**	–
Interest-free	Dec 2014	RMB	**88,691**	–	**–**	–
			122,591	22,475	**10,000**	–

(d) Balances with subsidiaries

The amounts due from subsidiaries are denominated in Hong Kong dollars. The balances are unsecured, interest-free and repayable on demand.

33 CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities as at 31 December 2013 and 2012.

34 SUBSEQUENT EVENTS

(a) One of the grantee of the share options granted on 11 May 2012 (Note 24(b)(i)) exercised 1,000,000 of his share options in January 2014.

(b) On 30 January 2014, Green Capital completed the acquisition of 100% equity interests of Big Point. Certain convertible bonds issued for part satisfaction of the consideration were converted in February 2014. Please refer to Note 17 for details.

(c) On 14 January 2014, the Company entered into two separate subscription agreements with two subscribers respectively in relation to the issue of convertible bonds. The gross proceeds from the issue of the convertible bonds were HK$80,000,000. The first subscriber, Shanghai Zhenrong Petroleum Co., Ltd ("Shanghai Zhenrong"), subscribed for the convertible bonds in the principal amount of HK$50,000,000 and the second subscriber, Ms. You Xia ("Ms. You"), subscribed for the convertible bonds in the principal amount of HK$30,000,000.

The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 5% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the convertible bonds are neither converted nor redeemed prior to the maturity date. The convertible bonds can be converted into shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.50 per share (subject to adjustments).

Convertible bonds of aggregate principal amounts of HK$50,000,000 and HK$30,000,000 were issued respectively to a nominee of Shanghai Zhenrong and Ms. You on 28 March 2014 and 18 March 2014.

35 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

* *for identification purposes only*

5 Years' Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last 5 financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The financial statements for the years ended 31 December 2009, 2010, 2011 had been disclaimed by the auditors of the Company. Details of the disclaimer of opinions of the auditors have been set out in the annual reports for the years 2009, 2010 and 2011 of the Company, respectively.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**583,057**	441,551	572,267	358,441	98,140
Costs of sales	**(572,393)**	(363,017)	(498,999)	(324,333)	(93,384)
Gross profit	**10,664**	78,534	73,268	34,108	4,756
Other income and gains	**531**	994	2,979	6,237	9,676
Gain on group restructuring	**–**	–	300,248	–	–
Selling expenses	**(1,215)**	(1,385)	(5,553)	(1,430)	–
Administrative expenses	**(22,778)**	(31,935)	(25,067)	(10,658)	(15,292)
Provision for impairment of property, plant and equipment	**(1,128)**	–	–	–	(144)
Provision for impairment of goodwill	**(1,744)**	–	–	–	–
Discount on past due balances of trade receivables	**(28,846)**	(4,369)	(8,163)	–	–
Provision for financial guarantees to an unconsolidated subsidiary	**–**	–	(16,710)	(17,373)	(13,917)
Write back of provision for legal claims	**–**	–	–	5,368	204
Write back of provision for amount due from a former subsidiary	**–**	–	–	11,066	–
Finance income/(costs), net	**225**	(7,790)	(5,529)	(3,597)	(2,048)
PROFIT/(LOSS) BEFORE INCOME TAX	**(44,291)**	34,049	315,473	23,721	(16,765)
Income tax expense	**(1,444)**	(12,145)	(10,203)	(4,782)	(600)
PROFIT/(LOSS) FOR THE YEAR	**(45,735)**	21,904	305,270	18,939	(17,365)
Profit/(loss) for the year attributable to:					
Equity holders of the Company	**(48,947)**	18,769	305,270	18,939	(17,365)
Non-controlling interests	**3,212**	3,135	–	–	–
	(45,735)	21,904	305,270	18,939	(17,365)

5 Years' Financial Summary

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**516,392**	394,429	483,517	246,216	50,983
TOTAL LIABILITIES	**(299,057)**	(194,052)	(378,580)	(560,236)	(383,942)
Non-controlling interests	**(6,580)**	(3,216)	–	–	–
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**210,755**	197,161	104,937	(314,020)	(332,959)