



中國富佑集團有限公司  
China For You Group Company Limited

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 572)

Annual Report

2014



# Contents

	<i>Pages</i>
Corporate Information	2
Chairman's Statement	3
Biographical Details of Directors and Senior Management	8
Report of the Directors	10
Corporate Governance Report	16
Independent Auditor's Report	23
Consolidated Statement of Profit or Loss and Other Comprehensive Income	26
Consolidated Statement of Financial Position	27
Consolidated Statement of Changes in Equity	28
Consolidated Statement of Cash Flows	29
Notes to the Consolidated Financial Statements	30
Five-year Financial Summary	92

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chen Huaide (*Chairman*)  
Mr. Siu Yun Fat (*Chief Executive Officer*)  
Mr. Lau Fai Lawrence  
Mr. Yang Yang  
Mr. Yu Qingrui

### Independent Non-Executive Directors

Mr. Chan Yee Por Simon  
Mr. Siu Siu Ling, Robert  
Mr. Tam Tak Wah

## AUDIT COMMITTEE

Mr. Tam Tak Wah (*Chairman*)  
Mr. Chan Yee Por Simon  
Mr. Siu Siu Ling, Robert

## REMUNERATION COMMITTEE

Mr. Chan Yee Por Simon (*Chairman*)  
Mr. Siu Siu Ling, Robert  
Mr. Tam Tak Wah

## NOMINATION COMMITTEE

Mr. Chan Yee Por Simon (*Chairman*)  
Mr. Siu Siu Ling, Robert  
Mr. Tam Tak Wah

## COMPANY SECRETARY

Mr. Lau Cheuk Pun

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 912, 9<sup>th</sup> Floor  
New East Ocean Centre  
9 Science Museum Road  
Kowloon, Hong Kong

## REGISTERED OFFICE

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

## AUDITOR

ZHONGLEI (HK) CPA Company Limited  
Suites 313-316, 3/F., Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Public Bank (Hong Kong) Limited  
Chong Hing Bank Limited

## COMPANY WEBSITE

<http://www.chinaforyou.com.hk>

# Chairman's Statement

On behalf of the board of directors (the “**Board**”), of China For You Group Company Limited (the “**Company**”), I hereby present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2014.

## REVIEW OF RESULTS

The Group recorded a consolidated net profit attributable to owners of the Company of approximately HKD2,715,000 for the year ended 31 December 2014.

## BUSINESS AND FINANCIAL REVIEW

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in trading business and related services and trading of listed securities.

The year of 2014 was a challenging and difficult year for the Group. The Company has been focusing its resources on new opportunities in trading business and related services and trading of listed securities after the deconsolidation of Shanxi Zhanpen Metal Products Co., Ltd. (山西展鵬金屬製品有限公司) (“**Zhanpen**”), an indirect wholly-owned subsidiary of the Company, and Bloxworth Enterprises Limited (“**Bloxworth**”), an immediate holding company of Zhanpen and direct wholly-owned subsidiary of the Company, from its financial statements. For more information regarding Zhanpen and Bloxworth, please refer to below and to the Company's announcement dated 25 March 2014.

Since November 2013, Mr. He Jianhong (“**Mr. He**”) was continually absent from the Company without cause. Moreover, as disclosed under the section headed Note 31 to the consolidated financial statements, Mr. He is one of the defendants of the alleged claim. The Board decided that it is in the best interest of the Company and shareholders as a whole to suspend all positions, functions and duties held by Mr. He with effect from 27 January 2014. For details, please refer to the Company's announcement dated 28 January 2014. On 10 October 2014, Mr. He was removed from his office of the director of the Company by ordinary resolution passed at the extraordinary general meeting held on 10 October 2014.

The Board has conducted due diligence reviews of major projects and transactions of the Company further to the suspension of the positions, functions and duties held by Mr. He since January 2014. Despite repeated verbal and written requests, the Board has been unable to contact the legal representative, directors and management of Zhanpen, nor obtain and access the books and records of Zhanpen and Bloxworth.

Due to the non-cooperation of the management of Zhanpen and Bloxworth and the continued absence of Mr. He, who was also responsible for liaising with the abovementioned subsidiaries, the Board was unable to access to the books and records of Zhanpen and Bloxworth despite the fact that the Board has taken all reasonable steps and has used its best endeavors to resolve the matter.

On 25 March 2014, after all reasonable steps have been taken but to no avail, the Board resolved that the Group no longer had the power to govern the financial and operating policies of Zhanpen and Bloxworth, and the control over Zhanpen and Bloxworth was lost on that date. Given the situation described above, the Board is of the view that the Group does not have the necessary books and records to prepare accurate and complete financial statements for Zhanpen and Bloxworth. The Group therefore deconsolidated Zhanpen and Bloxworth (the “**Deconsolidated Subsidiaries**”) from its financial statements since 1 January 2013 (the “**Deconsolidation**”). As such, the results of the Deconsolidated Subsidiaries up to 24 March 2014 have not been included into the consolidated financial statements of the Group for the year ended 31 December 2014.

# Chairman's Statement

During the year ended 31 December 2014, although the Company has obtained Bloxworth's statutory records and changed all board members of Bloxworth, the Company was still unable to access to the books and records of Bloxworth. Moreover, despite repeated written requests, the Company was still unable to obtain and access the books and records of Zhanpen and to retain the control of Zhanpen. In the view of the above and after Mr. He was removed from his office of the director of the Company on 10 October 2014, the Board resolved on 31 December 2014 that the Group should cease to carry on the manufacture and sale of the plate cans for the packaging business and to utilize its current resources in other core business of the Group. Nevertheless, the Company has engaged a PRC legal representative to take legal actions against the Zhanpen management and retake the control of Zhanpen.

The profit attributable to shareholders for the year ended 31 December 2014 was HKD2,715,000 equivalent to an earning of Hong Kong 0.0991 cents per share, compared with a loss of HKD54,086,000, equivalent to a loss of Hong Kong 3.4958 cents per share for last year. During the year ended 31 December 2014, the Company recorded a share-based payment expenses of HKD4,861,000 arising from the granting of share options by the Company on 24 July 2014 and 1 September 2014 and gain on waiver of the amount due to a deconsolidated subsidiary of HKD3,066,000. If excluding these two non-cash items, the Company recorded the profit attributable to shareholders of approximately HKD4,510,000 for the year ended 31 December 2014 (2013: Loss of HKD14,819,000, excluding the non-cash item of loss from deconsolidation of subsidiaries of approximately HKD39,267,000).

In regard to the operational front, the Group recorded a turnover of approximately HKD124,956,000 for the year ended 31 December 2014, representing an increase of 66,014% compared with last year. The increase in turnover was resulted from both the increase in scale of the trading business and trading of listed securities.

## IMPORTANT EVENTS AND PROSPECTS

Following the Deconsolidation and the events disclosed in Notes 31(a) and 31(b) to the consolidated financial statement, the management of the Company has engaged an external independent audit firm to review the internal control of the Group. Based on the findings from the external independent audit firm, the Board consider that the Group has adequate internal control systems in place to safeguard its assets and there is no major internal control deficiency of the Group that has given rise to material changes to the Group's operation after completion of the internal control review. The management of the Company has also directed its resources on exploring opportunities in trading business and related services and trading of listed securities so as to create long-term value for its shareholders. The Board believes that the business performance of the Group will be further improved.

In order to access the rapidly growing online shopping market in PRC, in December 2014, the Group launched its new mobile shopping platform. Customers can directly purchase through this one-stop online shopping platform using their internet-connected mobile devices such as smartphones and tablet PCs. This mobile shopping platform can be accessed through the WeChat Public Platform\* (微信公众平台).

The new mobile shopping platform features a membership system. By becoming the mobile shopping platform's registered member customers can place orders, make payment and arrange for delivery of products anytime at their convenience, not to mention receiving news of latest products and promotions. Members will further receive rewards in the form of bonus points and/or discounts etc. when introducing new members to join and purchase the products successfully, which the Board believes will provide an incentive for the members to purchase and to promote products under the mobile shopping platform to their friends and acquaintances.

By utilising the mobile shopping platform members' demographic information, purchase habits, purchase history etc collected in the sales process, the Group will be able to effectively and efficiently address the members' needs through introducing their desired products, and assist the Group to formulate the best marketing campaign.

# Chairman's Statement

In establishing this new mobile shopping platform, the Company's wholly-owned subsidiary, Guangzhou For You Internet Technology Company Limited\* (廣州富佑網絡科技有限公司) was incorporated in Guangzhou, the PRC on 19 November 2014. It leads a professional team in charge of setting-up and maintenance of this new mobile shopping platform so as to ensure the best quality mobile shopping experience for our members. The Company has engaged an external logistics provider to deliver the products. Settlement of sales proceeds from the mobile shopping platform was currently done through a third party mobile payment platform WeChat Payment\* (微信支付), which is one of the most popular mobile payment platform among the mobile payment users in the PRC.

The Company will initially focus on the marketing of female cosmetic products, and gradually expand to other types of products so as to cater for different needs of our members. The Company will continue to explore the possibility in developing its own products to be sold in our mobile shopping platform in the future.

During the year ended 31 December 2014, the turnover for the new mobile shopping platform together with the trading business of health and consumer products amounted to approximately HKD68,495,000.

For the segment of trading of listed securities, the Group's trading portfolio comprised of securities listed on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2014. The Group identified its investments based on the share price, the gain potential and the future prospect of the investments. The Group is optimistic on the economic growth in China and believe that Hong Kong would also be benefited. Therefore, it is expected that the Group will continue to invest in the Hong Kong equity market by enhancing the use of the surplus working capital and will continue to seek attractive investment opportunities with the aim of deriving dividend income and/or gain from trading of listed securities.

Other than trading of securities, the Group will commence the business in money lending in order to diversify the treasury business. The Board believes that the money lending business will give the Group an opportunity to obtain a higher return for the fund under the current low interest rate environment.

The Group is optimistic that the trading business and treasury business (i.e. trading of listed securities and money lending) will have positive gross profit and will generate positive cash flow from operations in the coming years.

Other than the existing business as named hereinabove which is on an on-going basis, the management will explore other business opportunities to diversify its trading business portfolio with a view to broaden its income stream which shall be in the best interests of the Company and its shareholders as a whole.

## **LIQUIDITY, FINANCIAL, RESOURCES AND FUNDING AFTER DECONSOLIDATION**

The Group had total cash and bank balances of approximately HKD45,082,000 as at 31 December 2014 (2013: HKD109,000). The Group had no borrowing, bank loans and overdraft as at 31 December 2014 (2013: Nil). The gearing ratio, which is calculated as total debt (including current and non-current liabilities) divided by total equity, was nil (2013: Nil). Net assets were approximately HKD63,899,000 (2013: Net liabilities HKD2,716,000).

The Group recorded total current assets of approximately HKD86,221,000 as at 31 December 2014 (2013: HKD18,565,000) and total current liabilities of approximately HKD22,901,000 (2013: HKD22,044,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 3.76 as at 31 December 2014 (2013: 0.84). The increase in current assets and improvement in current ratio was mainly due to the Group successfully raised funds of approximately HKD17,745,000 before expenses from placing completed in April 2014 and funds of approximately HKD43,807,000 before expenses from open offer completed in June 2014. These raised funds have significantly strengthened the financial position and enhanced the liquidity of the Group.

# Chairman's Statement

The Group's finance costs for the period under review was approximately HKD77,000 (2013: HKD773,000) in relation to interest paid on the working capital loan obtained in the first quarter of the year. The loan was fully settled during the year ended 31 December 2014.

The Group recorded a profit attributable to owners of the Company of approximately HKD2,715,000 (2013: Loss HKD54,086,000, including loss from deconsolidation of subsidiaries of approximately HKD39,267,000).

## Foreign Currency Management

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi.

The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

## Pledge of Assets

As 31 December 2014, the Group did not have any pledged assets.

## LITIGATIONS AND CONTINGENCIES

Details of litigations and contingencies are set out in Note 31 to the consolidated financial statements.

## EMPLOYEES AND REMUNERATION POLICIES AFTER DECONSOLIDATION

As at 31 December 2014, the Group had 26 employees including executive directors of the Company (2013: 10 employees situated in PRC and Hong Kong) situated in PRC and Hong Kong. The Group's emoluments policies are formulated based on industry practices and performance of individual employees. For the year ended 31 December 2014, the total staff costs including remuneration of directors and chief executive amounted to approximately HKD5,772,000 (2013: HKD8,142,000).

## CAPITAL STRUCTURE

### Placing of New Shares under General Mandate

On 14 March 2014, 17 March 2014 and 28 March 2014, the Company and Get Nice Securities Limited, as placing agent, entered into a placing agreement, supplemental agreement and extension letter pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 169,000,000 new shares of the Company to independent third parties at a price of HK\$0.105 per placing share ("**Placing**"). The Placing was completed on 10 April 2014. The 169,000,000 placing shares under the Placing were issued under the general mandate which was granted to the directors at the annual general meeting of the Company held on 21 June 2013. Further details of the Placing were set out in the announcement of the Company dated 14 March 2014, 17 March 2014, 28 March 2014 and 10 April 2014.

# Chairman's Statement

## Open Offer

On 22 April 2014, the Company announced that it proposed to raise approximately HK\$43.8 million before expenses by issuing not less than 1,095,162,666 offer shares and not more than 1,096,112,353 offer shares at the subscription price of HK\$0.04 per offer share on the basis of one (1) offer share for every two (2) existing shares held (the "**Open Offer**"). The Open Offer was underwritten by Get Nice Securities Limited (the "**Underwriter**"). The Open Offer was completed on 17 June 2014 and the Company has issued 1,095,162,666 offer shares under the Open Offer. Further details of the Open Offer were set out in the announcements of the Company dated 22 April 2014, 5 May 2014, 9 May 2014, 15 May 2014 and 16 June 2014 and the prospectus of the Company dated 26 May 2014.

As at 31 December 2014, the share capital of the Company comprises of 3,285,487,998 issued shares with par value of HK\$0.001 as enlarged by the issue of placing shares and open offer shares.

## APPRECIATION

I would like to take this opportunity to express the Board's sincere gratitude to all Shareholders, investors, bankers, business associates and customers for their continuous support to the Group, and to all staff members for their hard work and contributions during the past year.

On behalf of the Board

**Chen Huaide**

*Chairman*

Hong Kong, 31 March 2015



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

### Mr. Chen Huaide

Mr. Chen, aged 51, is an executive Director and the chairman of the Company. Mr. Chen is the chairman of For You Group L.L.C. (美國富佑集團), the parent company of For You Healthcare Technology Company Limited (富迪健康科技有限公司) in Shanghai.

Graduated from the University of Shenzhen with a degree in Business Administration, Mr. Chen is a successful entrepreneur and is recognised as one of China's top ten philanthropist for seven consecutive years since 2007. He is currently the vice-president of China Association of Poverty Alleviation and Development (中國扶貧開發協會) and China Economic Trading Promotion Agency (中國經濟貿易促進會), and a representative for the Guangdong Province to attend the 12th National People's Congress (廣東省第十二屆人大代表).

### Mr. Siu Yun Fat

Mr. Siu, aged 32, is an executive Director and chief executive officer of the Company. Mr. Siu obtained a Bachelor of Arts (Honours) degree in Accountancy from the Hong Kong Polytechnic University in November 2004. He has been a member of the Association of Chartered Certified Accountants since October 2008 and the Hong Kong Institute of Certified Public Accountants since February 2009, and has over ten years of experience in auditing, accounting and financial management. Mr. Siu served in various position of local and international accountants firms and securities companies.

### Mr. Lau Fai Lawrence

Mr. Lau, aged 43, is currently a practising certified public accountant in Hong Kong, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants in the UK. Mr. Lau graduated from The University of Hong Kong with a bachelor's degree in business administration in 1994 and obtained a master's degree in corporate finance from Hong Kong Polytechnic University in 2007.

Mr. Lau joined BBMG Corporation (listed on the Main Board of the Stock Exchange) (Stock Code: 2009) on 6 August 2008 as joint company secretary and qualified accountant. Since 26 October 2012, Mr. Lau serves as the company secretary of BBMG Corporation.

Before joining BBMG Corporation, Mr. Lau has served as the group financial controller and qualified accountant of Founder Holdings Limited (Stock Code: 418) and PKU Resources (Holdings) Company Limited (previously know as EC-Founder (Holdings) Company Limited) (Stock Code: 618), both companies listed on the Main Board of the Stock Exchange.

Mr. Lau is also an independent non-executive director of Artini China Co. Ltd., (Stock Code: 789) and an independent non-executive director of Titan Petrochemicals Group Limited (Stock Code: 1192), both of these companies are listed on the Main Board of the Stock Exchange.

### Mr. Yang Yang

Mr. Yang, aged 30, has extensive experience in sales and marketing in the PRC. He joined an automobile distributor in Shantou as sales manager after obtaining his diploma in electronic commerce from Guangdong Province Huanan Xinan Polytechnic\* (廣東省華南師範新安職業技術學院) in 2007. Mr. Yang subsequently joined a trading company and served as the assistant to the general manager in 2010. In 2011 he joined another trading company that specializes in the trading of precious metals and served as their general manager. Since 2012, Mr. Yang served as the director of sales (銷售總監) of a reputable business entity in Guangdong Province, who is responsible for overseeing the sales and marketing of European automobiles in the Shantou area.

### Mr. Yu Qingrui

Mr. Yu, aged 43, specializes in property investment and trading business in the PRC. After graduating from high-school in 1989, Mr. Yu joined the shipping and trading business in the PRC. He was the general manager of a shipping company before he became a private investor in 2003. In 2011, Mr. Yu joined a marketing and management firm in Shanghai and served as their property investment manager.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Siu Siu Ling, Robert

Mr. Siu, aged 62, has been appointed as independent non-executive Director with effect from 1 November 2011. He is a sole proprietor of the firm, Messrs. Robert Siu & Co., Solicitors. Mr. Siu has been appointed as a director of MBMI Resources Inc. as from November 2012, a company listed on the Toronto Stock Exchange. He is also an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203) and Finet Group Limited (stock code: 8317), both of them are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Siu holds a bachelor's degree in laws from University of London in the United Kingdom and a postgraduate certificate in laws from The University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance.

### Mr. Tam Tak Wah

Mr. Tam, aged 49, has been appointed as independent non-executive Director with effect from 1 November 2011. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He has been appointed to membership of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants for the period from 1 February 2014 to 31 January 2016. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of International Standard Resources Holding Limited (stock code: 91) and an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), both of them are listed on the Main Board of the Stock Exchange. He has been appointed non-executive director of Kingbo Strike Limited (stock code: 1421), a company is listed on the Main Board of the Stock Exchange, with effect from 17 November 2014. Mr. Tam has been an independent non-executive director of Goldenway Inc., a company the common stock of which were traded in the OTCQB of the USA during the period from 10 November 2011 to 16 August 2013 and an independent non-executive director of Siberian Mining Group Company Limited, a Main Board listed company during the period from 11 June 2007 to 18 February 2014.

### Mr. Chan Yee Por Simon

Mr. Chan, aged 61, has been appointed as independent non-executive Director with effect from 2 April 2013. Mr. Chan is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and sole proprietor of Simon Y.P. Chan & Co. Mr. Chan has been appointed as an independent non-executive director of Finsoft Corporation (stock code: 8018), a company is listed on the Growth Enterprise Market of the Stock Exchange, with effect from 23 March 2015. Mr. Chan holds a Higher Diploma in Accountancy from Hong Kong Polytechnic. He is a fellow member of The Chartered Association of Certified Accountants, the United Kingdom and The Hong Kong Institute of Certified Public Accountants.

## SENIOR MANAGEMENT

**Mr. Lau Cheuk Pun**, aged 40, is the chief financial officer and Company Secretary of the Company. Mr. Lau was graduated from University of Hertfordshire, United Kingdom with a Bachelor Degree. He is a member of the Hong Kong Institute of Certified Public Accountants. He has more than 10 years of experience in the field of finance and accounting including working in an international accounting firm.

# Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

## **CHANGE OF COMPANY NAME AND STOCK SHORT NAME**

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 6 November 2014 and approved and issued a certificate of change of company name by the Registrar of Companies in the Cayman Islands on 10 November 2014 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 20 November 2014, the name of the Company was changed from “China Packaging Group Company Limited 中國包裝集團有限公司” to “China For You Group Company Limited 中國富佑集團有限公司” with effect from 25 November 2014.

In connection with the change of company name, the shares of the Company have been traded on the Stock Exchange under the new stock name of “CH FOR YOU GP” in English and “中國富佑” in Chinese, in place of “CHINA PACKAGING” in English and “中國包裝集團” in Chinese, respectively, with effect from 1 December 2014. The stock code of the shares remain as “572”.

## **PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding. Details of the principal activities of its principal subsidiaries are set out in Note 34 to the consolidated financial statements.

## **RESULTS**

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 26.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: nil).

## **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 92. This summary does not form part of the audited consolidated financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

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

## **SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES**

Details of movements in the Company’s share capital, share options and Convertible Notes during the year are set out in Notes 27, 28 and 24 to the consolidated financial statements, respectively.

# Report of the Directors

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's articles of association and laws of the Cayman Islands.

## **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for the year ended 31 December 2014 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board under the recommendation of the Audit Committee.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 31 December 2014, none of the Directors had an interest in a business which competes or may compete with the business of the Group during the period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **RESERVES**

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 38 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate revenue during the year attributable to the Group's five largest customers was 94.21% of the Group's total revenue, of which 38.36% was made to the largest customer.

The aggregate purchase during the year attributable to the Group's five largest suppliers was 99.06% of the Group's total purchase, of which 39.71% was made to the largest supplier.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's customer or suppliers during the year.

# Report of the Directors

## DIRECTORS

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

### *Executive Directors*

Mr. Chen Huaide ( <i>Chairman</i> )	(appointed on 26 September 2014)
Mr. Siu Yun Fat ( <i>Chief Executive Officer</i> )	(appointed on 28 January 2014)
Mr. Lau Fai Lawrence	(appointed on 28 January 2014)
Mr. Yang Yang	(appointed on 26 September 2014)
Mr. Yu Qingrui	(appointed on 26 September 2014)
Mr. He Jianhong	(removed on 10 October 2014)
Mr. Zhang Zhantao	(removed on 10 October 2014)

### *Independent Non-Executive Directors*

Mr. Chan Yee Por Simon  
Mr. Siu Siu Ling, Robert  
Mr. Tam Tak Wah

In accordance with Article 112 of the Company's Articles of Association, Mr. Chen Huaide, Mr. Yang Yang and Mr. Yu Qingrui, being directors appointed by the Board, will hold office until the forthcoming annual general meeting (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

In accordance with Article 108 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation. Details of the retiring Directors shall be set out in the circular, among other things for proposal for re-election of retiring directors accompanying to the notice of annual general meeting to be sent to be shareholders in due course.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 12 to the consolidated financial statements.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

### Interests and short positions in shares and underlying shares of the Company:

Name of director	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Mr. Chen Huaide ("Mr. Chen")	Beneficial owner	82,920,000	2.52

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had registered any interests or short positions in the Shares or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in Shares, underlying Shares and debentures" above and in the "Share Option Scheme" disclosure in Note 28 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 28 to the consolidated financial statements.

# Report of the Directors

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2014, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

### Interest and short positions in shares and underlying shares of the Company:

<u>Name of Shareholder</u>	<u>Capacity and nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of the Company's issued share capital</u>
Chinese Top Holdings Limited	Beneficial owner	349,180,000	10.63
Gold Access Development Limited	Beneficial owner	274,820,000	8.36
Chen Ge Zhou	Beneficial owner	167,500,000	5.10
Hon Hak Ka	Beneficial owner	165,040,000	5.02

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2014 as required pursuant to section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in Note 32 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

## EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included provident fund scheme, share option scheme as well as discretionary bonuses. The determination of emoluments of the Directors had taken into consideration of their respective experience, responsibilities in the Company and the prevailing market conditions.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued ordinary share capital was held by the public as at the date of this report.

# Report of the Directors

## EVENTS AFTER THE END OF REPORTING PERIOD

No significant event occurred after the balance sheet date.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2014 were audited by ZHONGLEI (HK) CPA Company Limited (“ZHONGLEI”) who are due to retire and, being eligible, will offer themselves for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Chen Huaide**

*Chairman*

Hong Kong, 31 March 2015



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

The Company has complied with all code provisions of the Corporate Governance Code (the “**CG Code**”) during the year ended 31 December 2014 as set out in Appendix 14 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) except for the following deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (“**CEO**”) should be separate people and should not be performed by the same individual. During the period from 1 January 2014 to 9 October 2014, the Company did not have any office with CEO title. The roles and duties of CEO were shared by the Directors. On 10 October 2014, Mr. Siu Yun Fat was appointed as CEO of the Company.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in article 108A of the Company’s articles of association which provides that at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company’s shareholders and the retirement and re-election requirements of independent non-executive directors have given the Company’s shareholders the right to approve continuation of independent non-executive directors’ offices.

Code Provision A.6.7 of the CG Code stipulates that non-executive directors, including independent non-executive directors, should attend general meetings. One of the independent non-executive directors, namely Siu Siu Ling, Robert, was unable to attend the adjourned annual general meeting (the “**Adjourned AGM**”) of the Company held on 21 July 2014 as he had other business engagements. However, he subsequently requested the company secretary of the Company to report to him on the views of the shareholders of the Company in the Adjourned AGM. As such, the Board considers that the development of a balanced understanding of the views of shareholders of the Company among the independent non-executive directors was ensured.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, overseeing the Group’s businesses, strategic decisions and performance, evaluating the performance of the Group and supervising the management. In addition, the Board reserves the authority to make final decisions for all major matters of the Company, including internal control and risk management, dividend payout, material transaction, preparation and release of financial information, appointment of Directors, and other significant financial matters. The Board is also responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code. In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the executive Directors and senior management.

As at 31 December 2014, the Board comprised eight directors, five of which are Executive Directors, namely Mr. Chen Huaide, Mr. Lau Fai Lawrence, Mr. Siu Yun Fat, Mr. Yang Yang and Mr. Yu Qingrui and three are independent non-executive Directors, namely Mr. Chan Yee Por Simon, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah.

# Corporate Governance Report

In light of Mr. He's extended absence without cause since November 2013 and non-response to the Company's inquiries on the alleged guarantees, and the fact that Mr. He is one of the defendants of the claim as disclosed in Note 31 to the consolidated financial statements, the Board has suspended Mr. He from his position as the chairman of the Board and executive director (including executive function as authorised representative of the Company and to sign any documents for and on behalf of the Company) with effect from 27 January 2014. In order not to affect the daily operations of the Company, Mr. Siu Yun Fat and Mr. Lau Fai Lawrence have been appointed as executive directors of the Company with effect from 28 January 2014. On 10 October 2014, Mr. He was removed from his office of the director of the Company by ordinary resolution passed at the extraordinary general meeting.

The Company received a letter from Mr. Zhang Zhantao ("**Mr. Zhang**") dated 6 March 2014, in which he, on his own accord, tendered to the Company a request for suspension of his position, functions and duties due to his involvement in the Sales Contract as mentioned in Note 18(ii) to the consolidated financial statements with effect from 6 March 2014. On the same date, the Board resolved to suspend Mr. Zhang from his position as an executive director of the Company (including executive function as authorised representative of the Company and to sign any documents for and on behalf of the Company) with effect from 6 March 2014. On 10 October 2014, Mr. Zhang was removed from his office of the director of the Company by ordinary resolution passed at the extraordinary general meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules.

The Company considers all the independent non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 8 to 9 of this annual report.

To the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among members of the Board.

Directors are continually updated on the latest development and changes in the Listing Rules, the CG Code and other regulatory requirements in order to ensure the compliance with the same by the Directors. Directors are also encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. All of the existing Directors namely Mr. Chen Huaide, Mr. Lau Fai Lawrence, Mr. Siu Yun Fat, Mr. Yang Yang, Mr. Yu Qingrui, Mr. Chan Yee Por Simon, Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah, had provided a record of training they received during the year to the Company. They participated in continuous professional development mainly by attending seminars or reading various materials regarding directors' responsibilities, updates on the Listing Rules and disclosure of inside information, etc.

## **CHIEF EXECUTIVE OFFICER**

During the period from 1 January 2014 to 9 October 2014, the Company did not have any officer with CEO title. The roles and duties of CEO were shared by the Directors. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies. With the change of the composition of the Board and appointment of the new management during the year, Mr. Siu Yun Fat was appointed as CEO of the Company on 10 October 2014 and took up the role and duties of CEO.

# Corporate Governance Report

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in the Company's articles of association which provides that at each annual general meeting one third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation.

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") on 1 September 2013 which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

### Summary of the Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

### Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

### Monitoring and Reporting

The nomination committee of the Company (the "**Nomination Committee**") will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

A copy of the Board Diversity Policy has been published on the Stock Exchange's website for public information.

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 1 November 2011 with specific written terms of reference as set out in the CG Code. Members of the Remuneration Committee of the Company during the year and up to the date of this report were:

### Independent non-executive Directors

Mr. Chan Yee Por, Simon  
Mr. Siu Siu Ling, Robert  
Mr. Tam Tak Wah

# Corporate Governance Report

The major roles and functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; and
2. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee discharged its duties by reviewing the remuneration packages of the Directors and senior management during 2014.

## **NOMINATION COMMITTEE**

The Nomination Committee was established on 20 March 2012 with specific written terms of reference as set out in the CG Code. Members of the Nomination Committee of the Company during the year and up to the date of this report were:

### **Independent non-executive Directors**

Mr. Chan Yee Por, Simon  
Mr. Siu Siu Ling, Robert  
Mr. Tam Tak Wah

The major roles and functions of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
3. to assess the independence of independent non-executive directors; and
4. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

During 2014, the Nomination Committee discharged its duties by reviewing the structure, size and composition of the Board, qualifications for all Directors and senior management of the Group and independence of the independent non-executive directors as well as nominating candidate to the Board.

## **AUDITOR'S REMUNERATION**

An amount of approximately HKD500,000 and HKD448,000 in relation to the audit service and non-audit related services provided by the Company's auditor, ZHONGLEI, was charged to the Group's consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2014.

# Corporate Governance Report

## AUDIT COMMITTEE

The Audit Committee was established on 1 November 2011. Two of the independent non-executive Directors possess appropriate professional qualifications, or accounting or related financial management expertise as required under the Listing Rules. Members of the Audit Committee of the Company during the year and up to the date of this report were:

### Independent non-executive Directors

Mr. Chan Yee Por, Simon  
Mr. Siu Siu Ling, Robert  
Mr. Tam Tak Wah

The major roles and functions of the Audit Committee are:

1. to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of auditor;
2. to discuss with the external auditor before the audit commences, the nature and scope of the audit;
3. to review the interim and annual financial statements before submission to the Board;
4. to discuss problems and reservations arising from the review of interim results and audit of final results, and any matters the external auditor may wish to discuss; and
5. to review the Group's financial and accounting policies and practices.

During 2014, the Audit Committee discharged its duties by reviewing the financial matters, financial statements and internal control as well as discussing with executive Directors and the auditor of the Company, and making recommendations to the Board.

## CORPORATE GOVERNANCE FUNCTIONS

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

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

# Corporate Governance Report

## ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following table summaries the attendance of individual Director and committee member in 2014:

	Number of Board meetings attended/held	Number of Audit Committee's meetings attended/held	Number of Nomination Committee's meetings attended/held	Number of Remuneration Committee's meetings attended/held	Number of general meetings attended/held	Number of extraordinary general meetings attended/held
Mr. Chen Huaide	3/3	-	-	-	-	2/2
Mr. Lau Fai Lawrence	18/20	-	-	-	2/2	2/2
Mr. Siu Yun Fat	20/20	-	-	-	2/2	2/2
Mr. Yang Yang	2/3	-	-	-	-	1/2
Mr. Yu Qingrui	3/3	-	-	-	-	1/2
Mr. Chan Yee Por, Simon	21/21	2/2	3/3	7/7	2/2	2/2
Mr. Siu Siu Ling, Robert	21/21	2/2	3/3	7/7	1/2	2/2
Mr. Tam Tak Wah	21/21	2/2	3/3	7/7	2/2	2/2
Mr. He Jianhong	0/1	-	-	-	-	-
Mr. Zhang Zhantao	3/3	-	-	-	-	-

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2014.

## INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguard assets against unauthorised use, maintain proper accounting records for the provision of reliable financial information for internal use and for publication. During the year, the Board has, through the Audit Committee, conducted annual review of the effectiveness of the internal control system of the Group. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

As reflected by the incidents as disclosed in Notes 31(a) and 31(b) to the consolidated financial statements, the present members of the Board consider that there is room for improvement in the previous internal control systems of the Company for the year ended 31 December 2014. In order to improve the internal control, the Company has engaged an external independent audit firm to perform a review of the procedures, systems and controls for the Group. Based on the opinion of the external independent audit firm, the Board consider that the Group has adequate internal control systems to comply with the Listing Rules and other relevant rules and regulations and there is no major internal control deficiency of the Group that has given rise to material changes to the Group's operation after completion of the internal control review.

# Corporate Governance Report

## **SHAREHOLDERS' RIGHTS**

One or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings can convene an extraordinary general meeting pursuant to Article 64 of the Company's Articles of Association. For proposing resolution at the general meeting, Shareholders should submit it in writing to the Directors or the Company Secretary with details. The Board welcomes views and questions from the Shareholders who may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post to Unit 912, 9<sup>th</sup> Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong or by fax number: (852) 2311-7738. In addition, the Group maintains its own website at which the Shareholders can access to for the Company's information and communication with the Company.

## **INVESTOR RELATIONS**

During the year, there was no change in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

# Independent Auditor's Report



中磊 ( 香港 ) 會計師事務所有限公司  
ZHONGLEI (HK) CPA Company Limited

## TO THE SHAREHOLDERS OF CHINA FOR YOU GROUP COMPANY LIMITED

中國富佑集團有限公司

(FORMERLY KNOWN AS CHINA PACKAGING GROUP COMPANY LIMITED)

(前稱中國包裝集團有限公司)

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of China For You Group Company Limited (formerly known as China Packaging Group Company Limited) (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 26 to 91, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the Basis for Disclaimer of Opinion paragraphs, 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. However, because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## BASIS FOR DISCLAIMER OF OPINION

### Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2013 (the “**2013 Financial Statements**”), which forms the basis for the corresponding figures presented in the current year's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related explanatory notes, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our audit report dated 31 March 2014. Any adjustments found to be necessary to the opening balances as at 1 January 2014 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2014. The comparative figures for the year ended 31 December 2013 shown in these consolidated financial statements may not be comparable with the figures for the current year.



# Independent Auditor's Report

## Deconsolidation of subsidiaries

As disclosed in Note 2 to the consolidated financial statements, two subsidiaries of the Company, Shanxi Zhanpen Metal Products Co. Limited (山西展鵬金屬製品有限公司) ("**Zhanpen**") and Bloxworth Enterprises Limited ("**Bloxworth**") (collectively known as the "**Deconsolidated Subsidiaries**") were deconsolidated from the Group since 1 January 2013 as the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries and on 25 March 2014, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, and the control over the Deconsolidated Subsidiaries was lost on that date.

In the opinion of the Directors, the consolidated financial statements of the Group for the year ended 31 December 2014 are prepared on the aforementioned basis which present more fairly the results, state of affairs and cashflow position of the Group as a whole in light of the aforesaid incomplete books and records of the Deconsolidated Subsidiaries. However, the deconsolidation of the Deconsolidated Subsidiaries from 1 January 2014 to 24 March 2014 (the "**Deconsolidation**") was not in compliance with the requirements of Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". Had the Deconsolidated Subsidiaries at the date been consolidated till to the date when the control over the Deconsolidated Subsidiaries was lost, many elements in the consolidated financial statements would have been materially affected.

## Impairment assessment of other receivables

As disclosed in Note 18 to the consolidated financial statements, included in the Group's trade and other receivables, net of allowance for doubtful debts, of approximately HKD40,826,000 as at 31 December 2014, was an amount due from a debtor of approximately HKD17,616,000.

As a writ of summons endorsed with a full statement of claim was issued in the High Court of The Hong Kong Special Administrative Region by Great Rich Trading Limited, a wholly owned subsidiary of the Company dated 25 March 2014 to claim back the receivable, the Directors are of the view that the Group is able to recover the outstanding balance due from that debtor, and therefore no impairment had been provided on such balance. However, we were unable to obtain sufficient appropriate audit evidence we consider necessary and there were no other alternative audit procedures that we could perform in order to assess whether such receivable could be recovered in full or to determine the amount of impairment, if any. Any adjustments to the amount of the above receivable found to be necessary would affect the Group's net current assets and net assets as at 31 December 2014 and the Group's profit for the year then ended and related note disclosures to the consolidated financial statements.

## Balance of the amount due to Able Success Asia Limited ("**Able Success**")

At 31 December 2014, included in other payable is a balance of approximately HKD15,264,000 being amount due to the former holding company, Able Success, a company incorporated in the British Virgin Island with limited liability, the entire issued share capital of which is beneficially owned by Mr. He Jianhong ("**Mr. He**"). Mr. He's position as the chairman and executive director of the Company was suspended with effect from 27 January 2014 and was removed with effect from 10 October 2014. We were unable to obtain direct confirmation from Able Success and other supporting evidence to satisfy ourselves as to whether the balance are free from material misstatement. There were no other alternative audit procedures that we could carry out to obtain sufficient and appropriate audit evidence to verify the accuracy and completeness of this balance as at 31 December 2014. Accordingly, we were unable to satisfy ourselves as to whether the amount due to Able Success were fairly stated.

# Independent Auditor's Report

## DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **ZHONGLEI (HK) CPA Company Limited**

*Certified Public Accountants (Practising)*

#### **Lam Chik Tong**

Practising Certificate Number: P05612

Suites 313-316, 3/F., Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

31 March 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>HKD'000</b>	2013 HKD'000 (Restated)
<b>Continuing operations</b>			
<b>Turnover – gross proceeds</b>	6	<b>124,956</b>	189
<b>Revenue</b>	7	<b>68,821</b>	189
Cost of sales		<b>(45,012)</b>	–
<b>Gross profit</b>		<b>23,809</b>	189
Other revenue	8	<b>13</b>	1,650
Selling and distribution expenses		<b>(520)</b>	–
Administrative expenses		<b>(17,155)</b>	(15,885)
Share-based payments expenses		<b>(4,861)</b>	–
<b>Operating gain (loss)</b>		<b>1,286</b>	(14,046)
Finance costs	9	<b>(77)</b>	(773)
<b>Profit (loss) before income tax</b>		<b>1,209</b>	(14,819)
Income tax expense	10	<b>(1,560)</b>	–
<b>Loss for the year from continuing operations</b>	11	<b>(351)</b>	(14,819)
<b>Discontinued operations</b>			
Loss on deconsolidation of subsidiaries	30	–	(39,267)
Gain on waiver of the amount due to a deconsolidated subsidiary	23	<b>3,066</b>	–
<b>Profit (loss) for the year from discontinued operations</b>		<b>3,066</b>	(39,267)
<b>Profit (loss) for the year attributable to owners of the Company</b>		<b>2,715</b>	(54,086)
<b>Other comprehensive expense</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<b>(60)</b>	–
<b>Total comprehensive income (expense) for the year attributable to owners of the Company</b>		<b>2,655</b>	(54,086)
<b>Earnings (loss) per share attributable to owners of the Company</b>			
	14		
<b>From continuing and discontinued operations</b>			
– Basic		<b>0.0991 cents</b>	(3.4958 cents)
– Diluted		<b>0.0968 cents</b>	N/A
<b>From continuing operations</b>			
– Basic		<b>(0.0128 cents)</b>	(0.9578 cents)
– Diluted		<b>N/A</b>	N/A

# Consolidated Statement of Financial Position

At 31 December 2014

	<i>Notes</i>	<b>31 December 2014 HKD'000</b>	31 December 2013 HKD'000 (Restated)	1 January 2013 HKD'000 (Restated)
<b>NON-CURRENT ASSETS</b>				
Prepaid lease payments	15	–	–	–
Property, plant and equipment	16	<b>579</b>	763	12,569
		<b>579</b>	763	12,569
<b>CURRENT ASSETS</b>				
Inventories	17	<b>313</b>	–	3,228
Trade and other receivables	18	<b>40,826</b>	18,456	48,728
Cash and bank balances	19	<b>45,082</b>	109	13,977
		<b>86,221</b>	18,565	65,933
<b>CURRENT LIABILITIES</b>				
Trade and other payables	20	<b>21,237</b>	3,492	6,120
Amount due to a director	21	<b>104</b>	–	–
Amount due to a related party	21	–	220	–
Amount due to the holding company	22	–	15,266	–
Amount due to a deconsolidated subsidiary	23	–	3,066	–
Receipt in advance		–	–	405
Tax liabilities		<b>1,560</b>	–	2,599
		<b>22,901</b>	22,044	9,124
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>63,320</b>	(3,479)	56,809
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>63,899</b>	(2,716)	69,378
<b>NON-CURRENT LIABILITIES</b>				
Convertible loan notes	24	–	–	10,293
<b>NET ASSETS (LIABILITIES)</b>		<b>63,899</b>	(2,716)	59,085
<b>CAPITAL AND RESERVES</b>				
Share capital	27	<b>3,285</b>	2,021	860
Reserves		<b>60,614</b>	(4,737)	58,225
<b>TOTAL EQUITY (DEFICITS)</b>		<b>63,899</b>	(2,716)	59,085

The consolidated financial statements on the pages from 26 to 91 were approved and authorised for issue by the board of directors on 31 March 2015 and are signed on its behalf by:

**Lau Fai Lawrence**  
*Director*

**Siu Yun Fat**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital HKD'000 (Note 27)	Share premium HKD'000 (Note a)	Share options reserve HKD'000 (Note 28)	Convertible loan notes equity reserve HKD'000 (Note 24)	Translation reserve HKD'000	Surplus reserve fund HKD'000 (Note b)	Accumulated losses HKD'000	Total HKD'000
At 1 January 2013 (restated)	860	94,370	1,121	9,232	8,780	9,821	(65,099)	59,085
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(54,086)	(54,086)
Issuance of shares upon exercise of convertible loan notes	150	19,968	-	(9,232)	-	-	-	10,886
Issuance of shares upon bonus issue	1,011	(1,011)	-	-	-	-	-	-
Release of reserve upon deconsolidation of subsidiaries (Note 30)	-	-	-	-	(8,780)	(9,821)	-	(18,601)
At 31 December 2013 (restated)	2,021	113,327	1,121	-	-	-	(119,185)	(2,716)
Profit for the year	-	-	-	-	-	-	2,715	2,715
Other comprehensive expense	-	-	-	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(60)	-	-	(60)
Total comprehensive income for the year	-	-	-	-	(60)	-	2,715	2,655
Issuance of shares upon placing, net of transaction costs	169	17,311	-	-	-	-	-	17,480
Issuance of shares upon open offer, net of transaction costs	1,095	40,524	-	-	-	-	-	41,619
Recognition of equity-settled share-based payments	-	-	4,861	-	-	-	-	4,861
<b>At 31 December 2014</b>	<b>3,285</b>	<b>171,162</b>	<b>5,982</b>	<b>-</b>	<b>(60)</b>	<b>-</b>	<b>(116,470)</b>	<b>63,899</b>

## Notes:

- Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.
- According to the relevant enterprises regulations in the People's Republic of China (the "PRC"), Shanxi Zhanpen Metal Products Co., Limited ("Zhanpen"), a subsidiary of the Company for the year ended 31 December 2012 which was established in the PRC, is required to transfer not less than 10% of their profit after taxation to surplus reserve until the balance reaches 50% of its registered capital, as determined under accounting principles generally accepted in the PRC. The surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additions capital of the subsidiary. On 1 January 2013, the Group deconsolidated Zhanpen and therefore released the reserve upon deconsolidation.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HKD'000	2013 HKD'000 (restated)
<b>OPERATING ACTIVITIES</b>		
Profit (loss) before tax from continuing operations	1,209	(14,819)
Profit (loss) before tax from discontinued operations	3,066	(39,267)
Profit (loss) before tax	4,275	(54,086)
Adjustments for:		
Finance costs	77	773
Interest income	(11)	–
Depreciation of property, plant and equipment	184	273
Share-based payments expenses	4,861	–
Gain on waiver of the amount due to a deconsolidated subsidiary	(3,066)	–
Loss on disposal of property, plant and equipment	–	33
Loss on deconsolidation of subsidiaries	–	39,267
<b>Operating cash flows before movements in working capital</b>	<b>6,320</b>	<b>(13,740)</b>
Increase in inventories	(313)	–
Increase in trade and other receivables	(22,370)	(18,107)
Increase in trade and other payables	2,256	3,202
Increase in amount due to a related party	–	220
Increase in amount due to a director	104	–
Increase in amount due to a deconsolidated subsidiary	–	1,500
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(14,003)</b>	<b>(26,925)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	11	–
Net cash inflow from acquisition of a subsidiary	3	–
Purchase of property, plant and equipment	–	(1,527)
Net cash outflow from deconsolidation of subsidiaries	–	(960)
Proceed from disposal of property, plant and equipment	–	458
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>14</b>	<b>(2,029)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in amount due to the holding company	–	15,266
Interest paid	(77)	(180)
Loan from an independent third party	7,680	–
Loan repayment to an independent third party	(7,680)	–
Proceeds from issuance of shares upon placing, net of transaction costs	17,480	–
Proceeds from issuance of shares upon open offer, net of transaction costs	41,619	–
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>59,022</b>	<b>15,086</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>45,033</b>	<b>(13,868)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>109</b>	<b>13,977</b>
<b>Effect of foreign exchange rates changes, net</b>	<b>(60)</b>	<b>–</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>45,082</b>	<b>109</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 1. GENERAL

China For You Group Company Limited (formerly known as “China Packaging Group Company Limited”) (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Able Success Asia Limited, (“**Able Success**”), was the holding company of the Company as at 31 December 2013. With effect from 2 September 2014, Able Success ceased to be the holding company of the Company thereafter.

Pursuant to the special resolution passed at the extraordinary general meeting of the Company on 6 November 2014, the Company’s name has been changed from “China Packaging Group Company Limited 中國包裝集團有限公司” to “China For You Group Company Limited 中國富佑集團有限公司”.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in the trading business and related services and securities trading and investment. On 31 December 2014, the Board resolved to discontinue the operating segment of manufacture and sale of tinplate cans for the packaging of beverage in the People’s Republic of China (the “**PRC**”), due to the reallocation and concentration of resources to other business sectors.

### Change in presentation currency of the consolidated financial statements

In prior years, the consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Group. However, following i) the Board resolved that the control over its indirect wholly owned subsidiary, Shanxi Zhanpen Metal Products Co., Limited\* (山西展鵬金屬製品有限公司) (“**Zhanpen**”) was lost on 25 March 2014 (details please refer to Note 30); ii) Mr. He Jianhong (“**Mr. He**”) was removed from his position as the chairman and executive director of the Company with effect from 10 October 2014; and iii) the Group’s continuous develop the trading business and related services and the securities trading and investment business, the Company and most of its major operating subsidiaries’ business transactions in terms of operating, investment and financing activities have increasingly placed greater reliance on Hong Kong dollars (“**HKD**”). The directors of the Company (“**Directors**”) reassessed the Group’s functional currency and considered that the functional currency of the Group has changed from RMB to HKD as HKD has become the currency that mainly influences the operation of the Group’s significant entities.

The Directors also consider that the use of HKD is more meaningful in presenting the operating results and financial position of the Group given the current operations of the Group. As a result, the Group elected to change its presentation currency from RMB to HKD in the current year. The comparative figures for the year ended 31 December 2013 have been restated to reflect the change in presentation currency from RMB to HKD accordingly.

\* For identification purpose only

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 2. BASIS OF PREPARATION OF THE CONSOLIDATION FINANCIAL STATEMENTS

### Deconsolidation of two subsidiaries of the Company

Following the Board has suspended Mr. He from his position as the chairman and executive director of the Company with effect from 27 January 2014 due to continued absence without cause, despite repeated verbal and written requests, the Board has been unable to contact the legal representative, directors and management of its indirect wholly owned subsidiary, Zhanpen, the principal and operating subsidiary of the Company, and obtain and access to the books and records of Zhanpen and Bloxworth Enterprises Limited (“**Bloxworth**”), being an immediate holding company of Zhanpen and a direct wholly owned subsidiary of the Company (Zhanpen and Bloxworth are collectively referred to as the “**Deconsolidated Subsidiaries**”).

Due to the non-cooperation of the directors and management of the Deconsolidated Subsidiaries and the continued absence of Mr. He from the Company, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries despite the fact that the Board has taken all reasonable steps and has used its best endeavors to resolve the matter. Accordingly, on 25 March 2014, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, and the control over the Deconsolidated Subsidiaries was lost on that date.

Given these circumstances, the Directors have not consolidated the financial statements of the Deconsolidated Subsidiaries for the period from 1 January 2014 to 24 March 2014 in the consolidated financial statements of the Group for the year ended 31 December 2014. As such, the results of the Deconsolidated Subsidiaries for the period from 1 January 2014 to 24 March 2014 have not been included into the consolidated financial statements of the Group.

In the opinion of the Directors, the consolidated financial statements of the Group for the year ended 31 December 2014 are prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of the Deconsolidated Subsidiaries.

Further details of the Deconsolidated Subsidiaries are set out in Note 30 to the consolidated financial statements.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”)

In the current year, the Group has applied the following new and revised HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Interpretation 21	Levies

\* IFRIC represents the International Financial Reporting Interpretations Committee

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) (Continued)

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of expected impact of these changes.

#### **Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *Investment Entities***

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group’s consolidated financial statements.

#### **Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities***

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right to set-off” and “simultaneous realisation and settlement”.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) (Continued)

### Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosure for Non-Financial Assets* for the first time in current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group’s consolidated financial statements.

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

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>5</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>5</sup>
Amendments to HKAS 19 (2011)	<i>Defined Benefit Plans: Employee Contributions</i> <sup>4</sup>
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>
Annual Improvements Project	<i>Annual Improvements 2010-2012 Cycle</i> <sup>6</sup>
Annual Improvements Project	<i>Annual Improvements 2011-2013 Cycle</i> <sup>4</sup>
Annual Improvements Project	<i>Annual Improvements 2012-2014 Cycle</i> <sup>5</sup>
Amendments to HKFRS 10 and HKFRS12, and HKAS 28	<i>Investment Entities – Applying the Consolidation Exception</i> <sup>5</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Early application is permitted.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) (Continued)

### HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 are subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless that recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) *(Continued)*

### **HKFRS 9 *Financial Instruments (Continued)***

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### **Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group’s consolidated financial statements.

### **Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions***

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) (Continued)

### **Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions* (Continued)**

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees’ periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees’ periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group’s consolidated financial statements as the Group does not have any defined benefit plans.

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

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost;
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9); or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) (Continued)

### Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor’s financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group’s consolidated financial statements.

### **Annual Improvements to HKFRSs 2010-2012 Cycle**

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) (Continued)**

### ***Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)***

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segment, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) (Continued)

### **Annual Improvements to HKFRSs 2011-2013 Cycle**

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

### **Annual Improvements to HKFRSs 2012-2014 Cycle**

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”) (Continued)

### *Annual Improvements to HKFRSs 2012-2014 Cycle (Continued)*

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group’s consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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

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

The principal accounting policies are set out below.

### **Basis of consolidation**

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

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

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

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

Except for the Deconsolidated Subsidiaries as further explained in Note 30, subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

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

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

### Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively.
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Business combinations (*Continued*)

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

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

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

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

### Investments in subsidiaries

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

### Revenue recognition

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Revenue recognition *(Continued)*

#### *Sales of goods*

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

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

#### *Rendering of services*

Service income is recognised when services are provided.

#### *Dividend and Interest Income*

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

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

### Leasing

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

#### *The Group as lessee*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Plant and equipment

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

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

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

### Impairment losses on tangible assets

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

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

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

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

### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Leasehold land and building *(Continued)*

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Inventories

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

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

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

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

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Financial instruments *(Continued)*

#### *Financial assets (Continued)*

##### Impairment loss on financial assets

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

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Financial instruments *(Continued)*

#### *Financial liabilities and equity instruments*

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial liabilities

Financial liabilities are classified as other financial liabilities.

##### Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a director/a related party/the holding company/a deconsolidated subsidiary and liabilities portion of convertible loan notes are subsequently measured at amortised cost, using the effective interest method.

##### Effective interest method

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

Interest expense is recognised on an effective interest basis.

#### *Convertible loan notes*

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in convertible loan notes equity reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Financial instruments *(Continued)*

#### *Convertible loan notes (Continued)*

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

### **Cash and cash equivalents**

Cash and bank balances in the consolidated statement of financial position comprise cash at banks and on hand.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Taxation

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

#### *Current tax*

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

#### *Deferred tax*

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

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

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

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

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

#### *Current and deferred tax for the year*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Foreign currencies

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

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

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

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

### Borrowing costs

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

### Retirement benefits costs

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

### Provisions and contingent liabilities

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

### Provisions and contingent liabilities *(Continued)*

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

### Share-based payment arrangements

#### *Share based payment transactions of the Company*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest with a corresponding increase in equity (share options reserve).

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

For the share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### (i) *Deconsolidation of Deconsolidated Subsidiaries*

As explained in Note 30 to the consolidated financial statements, due to the non-cooperation of the management of the Deconsolidated Subsidiaries and the continued absence of Mr. He from the Company, who was responsible for liaising with the Deconsolidated Subsidiaries, the Board has been unable to access to the books and records of Deconsolidated Subsidiaries. The Group therefore deconsolidated the Deconsolidated Subsidiaries from its consolidated financial statements for the financial years ended 31 December 2014 and 31 December 2013.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) *Estimated impairment of trade receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment loss has been recognised during the years ended 31 December 2014 and 31 December 2013. The movement of allowance for doubtful debts for trade receivable is set out in Note 18(i) to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

(ii) *Estimated useful lives of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The management of the Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation to be recorded during each reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation for future periods is adjusted if there are material changes from previous estimates.

(iii) *Estimated impairment of receivables from Ease Faith Limited*

As explained in Note 18(ii) to the consolidated financial statements, as at 31 December 2014, the Group had a receivable approximately of HKD17,616,000 (2013: HKD17,616,000) from Ease Faith Limited ("**Ease Faith**"). The Company obtained legal advice and considered that the Group has a reasonable chance of success on its claims against Ease Faith and thus, no impairment loss was recognised for the years ended 31 December 2014 and 31 December 2013. Where the actual recoverable amount differs from what was expected, a material impairment loss may arise.

(iv) *Consequence for Alleged Guarantee*

The determination of the consequence for Alleged Guarantee involves management's estimation. The Group assesses the probability and magnitude of the outflow of resources embodying economic benefits will be required to settle the obligations and if the actual result differs from the original estimate, such a difference may impact the carrying amount of the liabilities as at 31 December 2014. Detail of the Alleged Guarantees are disclosed in Note 31(a) to the consolidated financial statements.

## 6. TURNOVER

Turnover represents the gross proceeds received and receivable from i) trading business and related services and ii) securities trading and investment during the year. The following is an analysis of the Group's turnover:

	2014 HKD'000	2013 HKD'000 (restated)
<b>Continuing operations</b>		
Income from trading business and related services	68,495	189
Gross proceeds from disposal of investment held for trading	56,461	N/A
	<b>124,956</b>	189

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 7. SEGMENT INFORMATION

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

During the year ended 31 December 2014, "Securities trading and investment" became a new operating activity of the Group and it is separately assessed by the chief operating decision maker. Therefore, it is reported as a new reportable and operating segment.

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

- Trading business and related services
- Securities trading and investment

As detailed in Note 1 to the consolidated financial statements, on 31 December 2014, the Board resolved to discontinue the operating segments of manufacture and sale of tinsplate cans packaging business due to the reallocation and concentration of resources to other business sectors. The segment information reported does not include any amounts for the discontinued operations.

### Segment revenues and results

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

Continuing operations	Trading business and related services		Securities trading and investment		Total	
	2014 HKD'000	2013 HKD'000 (restated)	2014 HKD'000	2013 HKD'000	2014 HKD'000	2013 HKD'000 (restated)
Turnover	68,495	189	56,461	N/A	124,956	189
Revenue						
– External sales	68,495	189	326	N/A	68,821	189
Segment profit (loss)	16,932	(4,926)	190	N/A	17,122	(4,926)
Unallocated corporate gain or revenue					13	1,650
Unallocated corporate expenses					(10,988)	(10,770)
Share-based payments expenses					(4,861)	–
Finance costs					(77)	(773)
Profit (loss) before income tax (Continuing operations)					1,209	(14,819)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) from each segment without allocation of central administration costs, directors' emoluments, other revenue, share-based payments expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 7. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

	2014 HKD'000	2013 HKD'000 (restated)
<b>Segment assets</b>		
Trading business and related services	74,058	18,898
Securities trading and investment	2,316	–
Total segment assets	76,374	18,898
Unallocated corporate assets	10,426	430
Consolidated assets	86,800	19,328
<b>Segment liabilities</b>		
Trading business and related services	7,017	5,667
Securities trading and investment	62	–
Total segment liabilities	7,079	5,667
Unallocated corporate liabilities	15,822	16,377
Consolidated liabilities	22,901	22,044

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

- all assets are allocated to operating segments other than certain other receivables and certain cash and bank balances; and
- all liabilities are allocated to operating segments other than certain other payables, amount due to a deconsolidated subsidiary and certain amount due to the holding company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 7. SEGMENT INFORMATION (Continued)

### Other segment information

	Trading business and related services		Securities trading and investment		Unallocated		Total	
	2014 HKD'000	2013 HKD'000 (restated)	2014 HKD'000	2013 HKD'000 (restated)	2014 HKD'000	2013 HKD'000 (restated)	2014 HKD'000	2013 HKD'000 (restated)
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets	-	1,527	-	N/A	-	-	-	1,527
Depreciation	184	273	-	N/A	-	-	184	273
Loss on disposal of property, plant and equipment	-	33	-	N/A	-	-	-	33
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:								
Interest income	1	-	8	N/A	2	-	11	-
Interest expense	-	-	10	N/A	67	773	77	773
Income tax expenses	1,530	-	30	N/A	-	-	1,560	-

### Geographical information

The Group's operations are located in Hong Kong and PRC for the years ended 31 December 2014 and 2013. Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2014 HKD'000	2013 HKD'000 (restated)	2014 HKD'000	2013 HKD'000 (restated)
Hong Kong	42,841	189	579	763
PRC	25,980	-	-	-
	68,821	189	579	763

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 7. SEGMENT INFORMATION (Continued)

### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

Customer	2014 HKD'000	2013 HKD'000 (restated)
A <sup>1</sup>	26,400	–
B <sup>1</sup>	24,570	–
C <sup>1</sup>	8,638	–
D <sup>1</sup>	N/A	189

<sup>1</sup> Revenue from trading business and related services

## 8. OTHER REVENUE

	2014 HKD'000	2013 HKD'000 (restated)
<b>Continuing operations</b>		
Interest income on bank deposits	4	–
Interest income on time deposit	7	–
Compensation from investor upon termination of share subscription agreement	–	1,650
Sundry income	2	–
	<b>13</b>	<b>1,650</b>

## 9. FINANCE COSTS

	2014 HKD'000	2013 HKD'000 (restated)
<b>Continuing operations</b>		
Interest expenses on other borrowing	67	–
Effective interest expense on convertible loan notes	–	773
Others	10	–
	<b>77</b>	<b>773</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 10. INCOME TAX EXPENSE

	2014 HKD'000	2013 HKD'000 (restated)
<b>Continuing operations</b>		
Current tax:		
– Hong Kong Profits Tax	1,427	–
– PRC Enterprises Income Tax (“EIT”)	133	–
	<b>1,560</b>	–

### Notes:

- Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years. No Hong Kong profits tax has been provided for as the Group did not generate any assessable profits in Hong Kong for the year ended 31 December 2013.
- Under the Law of the PRC on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.
- At the end of the reporting period, the Group had unused tax losses of approximately HKD4,008,000 (2013: HKD8,957,000) available to offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

The income tax expense for the year can be reconciled to the profit (loss) before income tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HKD'000	2013 HKD'000 (restated)
Profit (loss) before income tax	1,209	(14,819)
Tax at domestic income tax rate of 16.5% (2013: 16.5%)	199	(2,445)
Tax effect of expenses not deductible for tax purpose	2,136	1,934
Tax effect of income not taxable for tax purpose	(1)	(272)
Tax effect of tax losses not recognised	–	788
Utilisation of tax losses previously not recognised	(816)	–
Effect of different tax rates of subsidiaries in other jurisdictions	43	–
Tax effect of temporary differences not recognised	(1)	(5)
Income tax expense for the year	<b>1,560</b>	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 11. LOSS FOR THE YEAR

Loss for the year from continuing operations has been arrived at after charging:

	2014 HKD'000	2013 HKD'000 (restated)
Directors' and chief executive's emoluments ( <i>Note 12(a)</i> )	3,481	5,302
Other staff costs	1,695	2,780
Contributions to retirement benefits scheme	48	60
Share-based payments expenses for employees	548	–
<b>Total staff costs</b>	<b>5,772</b>	<b>8,142</b>
Auditor's remuneration:		
– Audit services	500	760
– Other services	448	130
Cost of inventories recognised as an expense	45,012	–
Depreciation of property, plant and equipment	184	273
Loss on disposal of property, plant and equipment	–	33
Minimum lease payments in respect of operating lease of:		
– Internet hardware and software	66	–
– Premises	1,015	1,669
Share-based payments expenses for consultants	3,764	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of ten (2013: eight) Directors and the chief executive were as follow:

#### 2014

	Fees HKD'000	Salaries bonuses and allowances HKD'000	Contributions to retirement benefits scheme HKD'000	Share-based payment expenses HKD'000	Total HKD'000
<b>Executive directors</b>					
Mr. He Jianhong <i>(Note a)</i>	-	-	-	-	-
Mr. Zhang Zhan Tao <i>(Note b)</i>	-	120	-	-	120
Mr. Siu Yun Fat <i>(Note c)</i>	-	957	14	549	1,520
Mr. Lau Fai Lawrence <i>(Note c)</i>	-	506	14	-	520
Mr. Chen Hauide <i>(Note d)</i>	-	32	-	-	32
Mr. Yu Qingrui <i>(Note d)</i>	-	32	-	-	32
Mr. Yang Yang <i>(Note d)</i>	-	32	-	-	32
Sub-total	-	1,679	28	549	2,256
<b>Independent non-executive directors</b>					
Mr. Siu Siu Ling, Robert	162	83	-	-	245
Mr. Tam Tak Wah	342	393	-	-	735
Mr. Chan Yee Por <i>(Note f)</i>	162	83	-	-	245
Sub-total	666	559	-	-	1,225
<b>Total</b>	<b>666</b>	<b>2,238</b>	<b>28</b>	<b>549</b>	<b>3,481</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### a) Directors' and chief executive's emoluments (Continued)

2013

	Fees HKD'000 (restated)	Salaries and allowances HKD'000 (restated)	Contributions to retirement benefits scheme HKD'000 (restated)	Share-based payment expenses HKD'000	Total HKD'000 (restated)
<b>Executive directors</b>					
Mr. Leung Heung Ying, Alvin (Note e)	-	1,554	35	-	1,589
Mr. Wong Tat Wai, Derek (Note e)	-	28	1	-	29
Mr. He Jianhong (Note a)	-	1,620	-	-	1,620
Mr. Zhang Zhan Tao (Note b)	-	1,650	-	-	1,650
Sub-total	-	4,852	36	-	4,888
<b>Independent non-executive directors</b>					
Dr. Lam Andy Siu Wing (Note e)	22	-	-	-	22
Mr. Siu Siu Ling, Robert	142	-	-	-	142
Mr. Tam Tak Wah	142	-	-	-	142
Mr. Chan Yee Por (Note f)	108	-	-	-	108
Sub-total	414	-	-	-	414
<b>Total</b>	<b>414</b>	<b>4,852</b>	<b>36</b>	<b>-</b>	<b>5,302</b>

Saved as disclosed above, the Group has not classified any other person as chief executives for the years ended 31 December 2014 and 2013. No Director or chief executive waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2014 and 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### a) Directors' and chief executive's emoluments (Continued)

During the two years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the Directors or chief executive as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Notes:

- a) Appointed on 1 February 2013 and suspended his position as the chairman of the Board and executive director with effective from 27 January 2014 and removed on 10 October 2014.
- b) Appointed on 1 February 2013 and suspended his position as executive director with effective from 6 March 2014 and removed on 10 October 2014.
- c) Appointed on 28 January 2014.
- d) Appointed on 26 September 2014.
- e) Resigned on 20 February 2013. Mr. Leung Heung Ying, Alvin positioned as executive director of the Company, he was also a company secretary of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.
- f) Appointed on 2 April 2013.

### b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: three) were Directors and the chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 HKD'000	2013 HKD'000 (restated)
Salaries, allowances and other benefits in kind	1,120	1,521
Contributions to retirement benefits scheme	23	29
Share-based payment expenses	548	-
	<b>1,691</b>	<b>1,550</b>

Their emoluments were within the following bands:

	Number of individuals	
	2014	2013
Nil to HKD1,000,000	1	2
HKD1,000,001 to HKD1,200,000	1	-

During the two years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 13. DIVIDEND

No dividend was proposed or paid during the year ended 31 December 2014 nor any dividend has been proposed since the end of the reporting period (2013: Nil).

## 14. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	2014 HKD'000	2013 HKD'000 (restated)
Profit (loss) for the year attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share	<b>2,715</b>	(54,086)
	<b>2014 '000</b>	2013 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>2,738,575</b>	1,547,172
Effect of dilutive potential ordinary shares: Share options issued by the Company	<b>67,321</b>	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<b>2,805,896</b>	1,547,172

#### Note:

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share for the year ended 31 December 2013 has been adjusted for the bonus issues during the year ended 31 December 2013.

The diluted loss per share for the year ended 31 December 2013 is not presented because the exercise of conversion of the Company's outstanding share options would result in decrease in loss per share.

### From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 14. EARNINGS (LOSS) PER SHARE (Continued)

### From continuing operations (Continued)

Earnings (loss) figures are calculated as follows:

	2014 HKD'000	2013 HKD'000 (restated)
Profit (loss) for the year attributable to owners of the Company	2,715	(54,086)
Less: Profit (loss) for the year from discontinued operations	(3,066)	39,267
Loss for the purpose of basic loss per share from continuing operations	(351)	(14,819)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

*Note:* The diluted loss per share for continuing operations for both years ended 31 December 2014 and 31 December 2013 are not presented because the exercise of conversion of the Company's outstanding share options would result in decrease in loss per share.

## 15. PREPAID LEASE PAYMENTS

	HKD'000 (restated)
<b>COST</b>	
At 1 January 2013	13,313
Deconsolidation of subsidiaries (Note 30)	(13,313)
At 31 December 2013 and <b>31 December 2014</b>	–
<b>ACCUMULATED IMPAIRMENT</b>	
At 1 January 2013	13,313
Deconsolidation of subsidiaries (Note 30)	(13,313)
At 31 December 2013 and <b>31 December 2014</b>	–
<b>CARRYING VALUES</b>	
At <b>31 December 2014</b> and 2013	–

The cost of approximately HKD13,313,000 (equivalent to RMB12,400,000) represented the first installment paid to Villagers' Committee for acquiring the land use right of a piece of land situated in Fenyang City, Shanxi Province (the "Land") by one of the Deconsolidated Subsidiaries of the Company, Zhanpen, in 2007.

Pursuant to the Land Use Compensation Agreement (土地徵用補償協議) entered between Zhanpen and Villagers' Committee dated 25 October 2007, the total consideration for the Land would be approximately HKD26,626,000 (equivalent to RMB24,800,000), in which the deposit of approximately HKD13,313,000 (equivalent to RMB12,400,000) shall be settled upon signing the Land Use Compensation Agreement and the balance of approximately HKD13,313,000 (equivalent to RMB12,400,000) shall be settled upon Zhanpen has obtained the ownership certificates from the relevant government authorities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 15. PREPAID LEASE PAYMENTS *(Continued)*

During the year ended 31 December 2008, the provisional liquidators of the Company considered that it is uncertain about the recoverability of the deposit, impairment of approximately HKD13,313,000 (equivalent to RMB12,400,000) have been recognised accordingly.

Zhanpen has received a notice from Villagers' Committee dated 5 March 2013 (the "Notice") in respect of the Land. The Notice mentioned that as the approval procedures are complicated and the usage of the Land has not yet converted from collectively owned into industrial use. In view of the above, the Villagers' Committee notified Zhanpen that the Land Use Compensation Agreement should be cancelled with immediate effect and the deposit of approximately HKD13,313,000 (equivalent to RMB12,400,000) previously paid by Zhanpen shall be treated as rental expenses for using the Land for the period from 26 October 2007 to 25 October 2014.

Due to the deconsolidation of the Deconsolidated Subsidiaries, the Land has been deconsolidated during the year ended 31 December 2013.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HKD'000	Leasehold improvements HKD'000	Plant and machinery HKD'000	Motor vehicles HKD'000	Office equipment HKD'000	Total HKD'000
<b>COST</b>						
At 1 January 2013 (restated)	58,062	657	56,952	638	104	116,413
Additions	-	702	-	603	222	1,527
Disposals	-	-	-	(603)	-	(603)
Deconsolidation of subsidiaries <i>(Note 30)</i>	(58,062)	(657)	(56,952)	(638)	(104)	(116,413)
<b>At 31 December 2013 (restated) and 31 December 2014</b>	<b>-</b>	<b>702</b>	<b>-</b>	<b>-</b>	<b>222</b>	<b>924</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2013 (restated)	52,057	626	50,722	343	96	103,844
Provided for the year	-	117	-	112	44	273
Disposals	-	-	-	(112)	-	(112)
Deconsolidation of subsidiaries <i>(Note 30)</i>	(52,057)	(626)	(50,722)	(343)	(96)	(103,844)
At 31 December 2013 (restated)	-	117	-	-	44	161
Provided for the year	-	139	-	-	45	184
<b>At 31 December 2014</b>	<b>-</b>	<b>256</b>	<b>-</b>	<b>-</b>	<b>89</b>	<b>345</b>
<b>CARRYING VALUES</b>						
<b>At 31 December 2014</b>	<b>-</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>133</b>	<b>579</b>
At 31 December 2013 (restated)	-	585	-	-	178	763

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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

Buildings	5 – 10%
Leasehold improvements	5 – 20%
Plant and machinery	10 – 20%
Motor vehicles	10 – 20%
Office equipment	20%

Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant property, plant and equipment have been deconsolidated during the year ended 31 December 2013.

## 17. INVENTORIES

	2014 HKD'000	2013 HKD'000
Finished goods	313	–

Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant inventories has been deconsolidated during the year ended 31 December 2013.

## 18. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2014 HKD'000	2013 HKD'000 (restated)
Trade receivables	(i)	22,113	188
Receivable from Ease Faith	(ii)	17,616	17,616
Other receivables, deposits and prepayments		1,097	652
<b>Total trade and other receivables</b>		<b>40,826</b>	18,456

*Notes:*

### (i) Trade receivables

Trade receivables at the end of the reporting period comprise amounts receivable from the sales of goods supplied to customers and commission income for services rendered to customers. No interest is charged on the trade receivables.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 18. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

### (i) Trade receivables (Continued)

During the year ended 31 December 2014, the Group generally allows an average credit period of 120 days (2013: 120 days) to its customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014 HKD'000	2013 HKD'000 (restated)
0 – 30 days	22,113	–
31 – 60 days	–	–
61 – 90 days	–	–
91 – 120 days	–	–
Over 120 days	–	188
	<b>22,113</b>	<b>188</b>

Ageing of trade receivables which are past due but not impaired based on the payment due date is as follows:

	2014 HKD'000	2013 HKD'000 (restated)
91 – 120 days	–	188

Aged analysis of trade receivables which are not impaired is as follows:

	2014 HKD'000	2013 HKD'000 (restated)
Neither past due nor impaired	22,113	–
Past due but not impaired	–	188
	<b>22,113</b>	<b>188</b>

At 31 December 2014, the Directors considered that no impairment is necessary as the receivable is not yet past due and subsequent settlements are noted.

At 31 December 2013, trade receivables that were past due but not impaired related to one customer. As subsequent settlements are noted, the Directors considered that no impairment is necessary for that past due receivable as at 31 December 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 18. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

### (i) Trade receivables (Continued)

The movements in allowance for doubtful debts of trade receivables are as follows:

	2014 HKD'000	2013 HKD'000 (restated)
At 1 January	–	29,921
Deconsolidation of subsidiaries	–	(29,921)
At 31 December	–	–

At the end of each reporting period, the Group's trade and other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral for all of its trade receivables as at 31 December 2014 and 31 December 2013.

Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant trade and other receivables has been deconsolidated during the year ended 31 December 2013.

### (ii) Receivable from Ease Faith

Following the suspension of the position, functions and duties held by Mr. He, the Directors conducted reviews of the major projects and transactions of the Company. During the course of the internal review (the "Internal Review"), the Company noted that, Great Rich Trading Limited ("Great Rich"), a wholly owned subsidiary of the Company, entered into two sales contracts with Ease Faith to purchase raw materials for the purpose of trading (the "Sales Contracts") and paid a deposit of approximately HKD17,616,000 (the "Receivable"). Subsequently, Ease Faith failed to deliver the raw materials to Great Rich and is still holding the Receivable.

On 25 March 2014, Great Rich issued a writ of summons in the High Court of The Hong Kong Special Administrative Region by as the plaintiff claiming against Ease Faith, the supplier in the Sales Contracts as the defendant, for breach of the Sales Contracts or alternatively, money had and received.

Great Rich claims against Ease Faith for the following reliefs:

- (a) return of the down-payments in the total sum of approximately HKD17,616,000.
- (b) interest on the Receivable;
- (c) damages to be assessed;
- (d) costs; and
- (e) further and/or other relief.

The Company obtained legal advice and considers that Great Rich has a good chance of success on its claims against Ease Faith. The Board considers that the pursuit of the above claims is in the best interest of the Company and its shareholders. Accordingly, the Directors are satisfied that Great Rich is able to recover the outstanding Receivable from Ease Faith.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 19. CASH AND BANK BALANCES

Bank balances carry interest at floating rates based on daily bank deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

Included in cash and bank balances are the following amounts denominated in a currency other than functional currency of the entities:

	2014 HKD'000	2013 HKD'000 (restated)
RMB	1,192	–

At 31 December 2014, there was approximately HKD1,192,000 (2013: Nil) denominated in RMB and deposited with banks in the PRC. The RMB is not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

## 20. TRADE AND OTHER PAYABLES

	2014 HKD'000	2013 HKD'000 (restated)
Trade payables	173	–
Other payables and accrued charges ( <i>Note</i> )	21,064	3,492
	21,237	3,492

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

	2014 HKD'000	2013 HKD'000
0 – 30 days	173	–

*Note:*

Material balances included in other payables and accrued charges are as follows:

- (i) The amount due to Mr. He's wife of HKD310,000, which has been reclassified from amount due to a related party during the year ended 31 December 2014.
- (ii) The amount due to Able Success approximately of HKD15,264,000, which has been reclassified from amount due to the holding company during the year ended 31 December 2014.

During the year ended 31 December 2014, the average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all trade payables would be settled within the credit timeframe.

Due to the deconsolidation of the Deconsolidated Subsidiaries, the relevant trade and other payables has been deconsolidated during the year ended 31 December 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 21. AMOUNT DUE TO A DIRECTOR/A RELATED PARTY

At 31 December 2013, amount due to a related party represented an amount due to Mr. He's wife.

Pursuant to the Company's announcement dated 28 January 2014, the Board suspended Mr. He from his position as the chairman and executive director of the Company with effect from 27 January 2014 and removed on 10 October 2014. Mr. He's wife ceased to be a related party of the Group thereafter. During the year ended 31 December 2014, the amount due to Mr. He's wife of HKD310,000 has been reclassified and included in other payables and accrued charges.

The amount due to a director and a related party are unsecured, interest free and repayable on demand.

## 22. AMOUNT DUE TO THE HOLDING COMPANY

At 31 December 2013, the balance represented an amount due to Able Success. Able Success ceased to be the holding company of the Company as at 31 December 2014. The amount due to Able Success approximately of HKD15,264,000 had been reclassified and included in other payables and accrued charges. The amount is unsecured, interest free and repayable on demand.

## 23. AMOUNT DUE TO A DECONSOLIDATED SUBSIDIARY

At 31 December 2013, the balance of approximately HKD3,066,000 was an amount due to Bloxworth. The amount is unsecured, interest free and repayable on demand. During the year ended 31 December 2014, Bloxworth entered into an agreement with the Group to waive the amount due to Bloxworth in full.

## 24. CONVERTIBLE LOAN NOTES

On 1 November 2011, the Company issued 2% convertible loan notes with a principal amount of HKD18,000,000 (the "**Convertible Loan Notes**") to the investors upon the completion of restructuring as detailed in the annual report of the Company for the year ended 31 December 2011.

The Convertible Loan Notes are unsecured and denominated in HKD. Pursuant to a board of directors meeting held on 1 November 2011 and a confirmation from the holders of the Convertible Loan Notes, all the interests and repayment of the principal of the Convertible Loan Notes in future shall be settled in RMB and notwithstanding any change in exchange rate between HKD and RMB in future, the exchange rate for conversion of any payment under the Convertible Loan Notes from HKD to RMB has been fixed at 1.21, which is the exchange rate as at 1 November 2011. As a result, the conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

The Convertible Loan Notes entitle the investors to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Loan Notes and before 7 business days of their settlement date on 31 October 2016 at a conversion price of HKD0.12 per share, subject to adjustment. If the Convertible Loan Notes have not been converted, they will be redeemed on 31 October 2016 at par value. All the Convertible Loan Notes had been converted into ordinary shares of the Company during the year ended 31 December 2013.

The Convertible Loan Notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes equity reserve". The effective interest rate of the liability component is 17.96% per annum.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 24. CONVERTIBLE LOAN NOTES *(Continued)*

During the year ended 31 December 2013, the Convertible Loan Notes have been fully converted into a total number of 150,000,000 ordinary shares.

The movement of the liability component of the Convertible Loan Notes during the year is set out below:

	HKD'000 (restated)
Liability component at 1 January 2013	10,293
Interest charged	773
Interest paid	(180)
Conversion to shares during the year	(10,886)
Liability component at 31 December 2013	–

## 25. MAJOR NON-CASH TRANSACTIONS

### Year ended 31 December 2014

There was no major non-cash transactions during the year ended 31 December 2014.

### Year ended 31 December 2013

- a) As detailed in Notes 2 and 30 to the consolidated financial statements, the Group has deconsolidated Bloxworth and Zhanpen starting from 1 January 2013.
- b) As detailed in Note 27(c) to the consolidated financial statements, 1,010,662,666 bonus shares were issued on 6 November 2013, by the capitalisation of approximately HKD1,011,000 of the share premium account.

## 26. ACQUISITION OF A SUBSIDIARY

On 21 October 2014, the Group acquired 100% of the equity interest of Central Wealth Securities Investment Limited (“**Central Wealth**”) from two independent third parties at a consideration of HKD3. Central Wealth was inactive during the year ended 31 December 2014.

### Impact of acquisition on the results of the Group

Included in the profit for the year is the loss approximately HKD58,000 attributable to the additional business generated by Central Wealth. Central Wealth is inactive and there was no revenue generated during the year ended 31 December 2014.

Had the acquisition of Central Wealth been effected on 1 January 2014, the total amount of revenue of the Group for the year ended 31 December 2014 would have been approximately HKD68,821,000, and the amount of the profit for the year ended 31 December 2014 would have been approximately HKD2,395,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 27. SHARE CAPITAL

	Par value per share HKD	Number of ordinary shares (Note a)	Number of convertible preference shares (Note b)	Amount HKD'000
<i>Authorised:</i>				
<b>At 31 December 2014</b> and 31 December 2013	0.001	249,480,000,000	520,000,000	250,000
	Par value per share HKD	Number of ordinary shares (Note a)	Number of convertible preference shares (Note b)	Amount HKD'000
<i>Issued and fully paid:</i>				
At 1 January 2013	0.001	340,662,666	520,000,000	860
Conversion to ordinary shares during the year	0.001	520,000,000	(520,000,000)	–
Issuance of shares upon exercise of Convertible Loan Notes (Note 24)	0.001	150,000,000	–	150
Issuance of shares upon bonus issue (Note c)	0.001	1,010,662,666	–	1,011
At 31 December 2013	0.001	2,021,325,332	–	2,021
Issuance of shares upon placing (Note d)	0.001	169,000,000	–	169
Issuance of shares upon open offer (Note e)	0.001	1,095,162,666	–	1,095
<b>At 31 December 2014</b>	<b>0.001</b>	<b>3,285,487,998</b>	<b>–</b>	<b>3,285</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 27. SHARE CAPITAL (Continued)

Notes:

- a) All the ordinary shares which were issued by the Company rank pari passu with each other in all respects.
- b) On 1 November 2011, the Company issued 520,000,000 convertible preference shares with a par value of HKD0.001 each (the “**Convertible Preference Shares**”) at a price of HKD0.12 each to raise a total of HKD62,400,000. The Directors considered that as the Convertible Preference Shares is not entitled to any dividend and it is non-redeemable, the Convertible Preference Shares are equity instrument containing equity element only and are presented in equity.

All the Convertible Preference Shares which were issued by the Company rank pari passu with each other in all respects. The principal terms of the Convertible Preference Shares on the date of issue include the following:

- i) Dividend  
The holders of the Convertible Preference Shares of HKD0.001 each shall not be entitled to any dividend or distribution.
- ii) Capital  
On a return of capital on liquidation, the assets of the Company available for distribution among the members shall be applied in repaying to the holders of the preference shares the nominal amount paid up on the preference shares. The paid-up preference shares shall rank for return of capital on liquidation in priority to all other shares in the capital of the Company for the time being in issue while the non-paid-up preference shares shall rank pari passu with the ordinary shares for the time being in issue.
- iii) Redemption  
The preference shares are non-redeemable.
- iv) Conversion rights  
The Convertible Preference Shares of HKD0.001 each are convertible into ordinary shares of HKD0.001 each after the date of their issuance, subject to an adjustment, at a conversion price of HKD0.12 per ordinary shares, subject to adjustment provisions which are standard terms for convertible securities of similar type.
- v) Transferability  
The Convertible Preference Shares are freely transferable by the holders thereof after the date of issue of the Convertible Preference Shares, subject to the requirement of the Listing Rules.
- vi) Voting  
The Convertible Preference Shares holders shall not have the right to receive notice of, or to attend and vote at, general meetings of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or which if pass would vary or abrogate the rights or privileges of the Convertible Preference Shares.

During the year ended 31 December 2013, 520,000,000 ordinary shares of HKD0.001 each were issued pursuant to the conversion of the Convertible Preference Shares at a conversion price of HKD0.12 per share.

- c) At the extraordinary general meeting of the Company held on 25 October 2013, ordinary resolutions approved the bonus issue of shares on the basis of one bonus share for every one existing share of HKD0.001 each (the “**Bonus Issue**”) to the shareholders of the Company whose names appear on the registers of members of the Company on 4 November 2013. A total of 1,010,662,666 bonus shares were issued on 6 November 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 27. SHARE CAPITAL (Continued)

Notes: (Continued)

- d) On 14 March 2014 and 17 March 2014, the Company entered into a conditional placing agreement and supplemental agreement (collectively known as the **"Placing Agreement"**) with Get Nice Securities Limited (the **"Placing Agent"**), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis a maximum of 169,000,000 placing shares at a placing price of HKD0.105 per placing share (the **"Placing"**). The gross proceeds from the Placing are approximately HKD17.7 million. The net proceeds after deducting the placing commission and other related expenses was approximately HKD17.4 million. The completion of the Placing took place on 10 April 2014, 28 March 2014 and 10 April 2014.
- e) Pursuant to the Company's announcement dated 22 April 2014 and the prospectus of the Company dated 26 May 2014, the Company proposed an open offer on the basis of one offer share for every two existing shares at the subscription price of HKD0.04 per offer share (the **"Open Offer"**). A total of 1,095,162,666 shares were issued under the Open Offer on 17 June 2014. The gross proceeds from the Open Offer are approximately HKD43.8 million. The net proceeds after deducting the underwriting commission and other related expenses was approximately HKD41.6 million.

## 28. SHARE OPTION SCHEME

### Scheme 2003

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the **"Scheme 2003"**). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and a new share option scheme (the **"Scheme 2012"**) was adopted. The adoption of Scheme 2012 will not in any event affect the terms of the grant of such outstanding options that has already been granted under the Scheme 2003 and shall continue to be valid and subject to the provisions of Scheme 2003.

The purpose of the Scheme 2003 is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme 2003, the Directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HKD5,000,000 must be approved by the Company's shareholders. Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 28. SHARE OPTION SCHEME (Continued)

### Scheme 2012

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and the Scheme 2012 was adopted. The purpose of the Scheme 2012 is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme 2012, the Directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services to any member of the Group or any entity in which the Group holds any equity interest (the "Invested Entity"), any customer of the Group or any Invested Entity, any consultant, adviser, agent and contractor engaged by the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity to take up options to subscribe for shares in the Company representing up to a maximum 30% of the issued share capital of the Company from time to time and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HKD5,000,000 must be approved by the Company's shareholders. Options granted must be taken up within 28 days of the date of grant, upon payment of HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the Board but in any event not exceeding 10 years. The exercise price is determined by the directors and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

The existing scheme mandate limit in respect of the granting of options to subscribe for shares of the Company under the 2012 Share Option Scheme has been refreshed at the adjourned annual general meeting held on 21 July 2014 which the total number of shares of the Company may be allotted and issued pursuant to the grant or exercises of the options under 2012 Share Option Scheme shall not be exceed 10% of the shares of the Company in issue as at 21 July 2014.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 28. SHARE OPTION SCHEME (Continued)

### Scheme 2012 (Continued)

The following table discloses details and movements of the Company's share options held by senior management, employees and consultants under Scheme 2003 and Scheme 2012 during the years ended 31 December 2014 and 2013:

	Date of grant	2014 exercise price HKD	2013 exercise price* HKD	Exercisable period	Outstanding at 1.1.2013	Adjusted during the year ended 31.12.2013*	Outstanding at 31.12.2013	Lapsed during the year	Granted during the year	Outstanding at 31.12.2014
<b>Scheme 2003</b>										
Senior management	2 May 2007	3.6012	3.6012	2 May 2007 to 1 May 2017	189,937	189,937	379,874	-	-	379,874
Employees	10 February 2004	-	3.1984	10 February 2004 to 9 February 2014	481,175	481,175	962,350	(962,350)	-	-
	2 May 2007	3.6012	3.6012	2 May 2007 to 1 May 2017	126,625	126,625	253,250	-	-	253,250
	30 January 2008	2.4956	2.4956	30 January 2008 to 29 January 2018	633,125	633,125	1,266,250	-	-	1,266,250
<b>Weighted average exercise price</b>		2.86	2.98		1,430,862	1,430,862	2,861,724	(962,350)	-	1,899,374
<b>Scheme 2012</b>										
Director	24 July 2014	0.1164	N/A	24 July 2014 to 23 July 2016	-	-	-	-	32,800,000	32,800,000
Employee	24 July 2014	0.1164	N/A	24 July 2014 to 23 July 2016	-	-	-	-	32,800,000	32,800,000
Consultants	24 July 2014	0.1164	N/A	24 July 2014 to 23 July 2016	-	-	-	-	65,600,000	65,600,000
	1 September 2014	0.1264	N/A	1 September 2014 to 31 August 2016	-	-	-	-	170,500,000	170,500,000
<b>Weighted average exercise price</b>		0.12	N/A		-	-	-	-	301,700,000	301,700,000

The weighted average remaining contractual life of these outstanding share options is approximately 1.63 years (2013: 2.58 years).

\* As a result of the Bonus Issue, the number of outstanding share options and the exercise price has been adjusted during the year ended 31 December 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 28. SHARE OPTION SCHEME (Continued)

The fair value of options granted on 24 July 2014 is approximately HKD2,194,000, was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

The fair values of the share options granted for the directors and employees under the Scheme 2003 were determined at the dates of grant by using the Black-Scholes option pricing model, evaluated by Ample Appraisal Limited, an independent professional valuer not connected to the Group, with the following inputs:

	2 May 2007	30 January 2008
Share price at date of grant	HKD0.900	HKD0.630
Exercise price	HKD0.912	HKD0.632
Expected volatility	36.05%	50.29%
Risk-free rate	3.901%	1.651%
Expected dividend yield	5%	7.14%

Share options granted under the Scheme 2012 may be exercised at any time from the date of grant. The fair values of the share options were determined at the dates of grant by using the Binomial option pricing model, evaluated by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent professional valuer not connected to the Group, with the following inputs:

	24 July 2014
Share price at date of grant	HKD0.112
Exercise price	HKD0.1164
Expected volatility	28.92%
Risk-free rate	0.39%
Expected dividend yield	0%
Expected life	2 years

The Group recognised an expense of approximately HKD4,861,000 (2013: Nil) for the year ended 31 December 2014 in relation to share options granted by the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 29. COMMITMENTS

### a) Operating lease commitment – the Group as lessee

	2014 HKD'000	2013 HKD'000 (restated)
Minimum lease payments paid under operating leases during the year:		
– Premises	1,015	1,669
– Internet hardware and software	66	–
	<b>1,081</b>	1,669

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

	2014 HKD'000	2013 HKD'000 (restated)
Within one year	1,902	911
In the second to the fifth years inclusive	1,432	–
	<b>3,334</b>	911

Operating lease payments represent rentals payable by the Group for certain of its premises and computer equipment. Leases are negotiated for an average term of 2 years (2013: 1 year) and no arrangements have been entered into for contingent rental payments.

### b) Other commitment

For the registered capital of HKD12,000,000 for 廣州市達以富貿易有限公司 (“達以富”), a wholly owned subsidiary of the Company, the Group shall paid 15% of the registered capital within three months after the date of issuance of business license of 達以富 and shall paid the remaining 85% of the registered capital within two years after the date of issuance of business license. Although the business license has been issued on 12 April 2013, the Group has yet to pay up any capital for 達以富 at 31 December 2014 (2013: Nil). For the potential penalty for the above non-compliance, please refer to Note 31(c) to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 30. DECONSOLIDATION OF SUBSIDIARIES

Pursuant to the Company's announcement dated 25 March 2014, due to the non-cooperation of the management of the Deconsolidated Subsidiaries and the continued absence of Mr. He from the Company, who was responsible for liaising with the Deconsolidated Subsidiaries, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries. Given the situation described above, the Board is of the view that the Group does not have the records to prepare accurate and complete financial statements for the Deconsolidated Subsidiaries for the financial years ended 31 December 2014 and 31 December 2013. On 25 March 2014, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, and the control over the Deconsolidated Subsidiaries was lost on that date. The Group therefore deconsolidated the Deconsolidated Subsidiaries from its consolidated financial statements for the financial years ended 31 December 2014 and 31 December 2013.

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company on 10 October 2014, Mr. He was removed from his office of director of the Company.

The following is a list of the subsidiaries which have been deconsolidated from 1 January 2013:

Name of subsidiary	Place of incorporation or establishment/ operation	Paid-up share capital/ registered capital	Proportion of nominal value of ordinary issued capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Bloxworth Enterprises Limited	British Virgin Islands, limited liability	USD1,000	100%	–	Investment holding
Shanxi Zhanpen Metal Products Co., Ltd 山西展鹏金属製品有限公司	PRC, wholly owned foreign enterprise	USD8,100,000	–	100%	Manufacture and sale of tinplate cans for the packaging of beverage in the PRC

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 30. DECONSOLIDATION OF SUBSIDIARIES (Continued)

The combined net assets of the Deconsolidated Subsidiaries as of 1 January 2013, which is based on their financial information as of 31 December 2012 were set out below respectively:

	<b>Total</b> HKD'000 (restated)
Net assets deconsolidated:	
Prepaid lease payments, net of accumulated amortisation and impairment	–
Property, plant and equipment, net of accumulated depreciation and impairment	12,569
Inventories	3,228
Trade receivables, net of allowance for doubtful debts	46,079
Other receivables, deposits and prepayments	2,300
Cash and bank balances	960
Amount due from the Company	1,566
Trade payables	(1,737)
Other payables and accrued charges	(4,093)
Receipt in advance	(405)
Tax liabilities	(2,599)
	57,868
Loss on deconsolidation of subsidiaries	(39,267)
Reserve release upon deconsolidation	(18,601)
	–
Net cash outflow arising on deconsolidation	
Cash and bank balances disposed of	(960)

## 31. LITIGATIONS AND CONTINGENCIES

### a) The Alleged Guarantee and the claim

In December 2013, the Board received demand letter from alleged creditors of two companies, requesting the Company, being the alleged guarantor of debts in the total sum of approximately RMB842 million owed by two companies (the “**Alleged Creditors**”) unknown to the Company (the “**Alleged Guarantees**”), to settle the alleged debts on or before 11 December 2013, and forewarning that, failing which, the Alleged Creditors would take legal action against the Company.

On 14 January 2014, the Company received a writ of summons and statement of claim issued by 廣東省金屬回收公司 (Guangdong Metal Recycling Corporation\*) (“**GMRC**”), one of the two Alleged Creditors in relation to the Alleged Guarantees, against: (i) Able Success as 1st defendant; (ii) Mr. He as the 2nd defendant; and (iii) the Company as the 3rd defendant, claiming an aggregate sum of approximately RMB644 million (the “**Claim**”).

\* For identification purpose only

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 31. LITIGATIONS AND CONTINGENCIES *(Continued)*

### a) The Alleged Guarantee and the claim *(Continued)*

In response to the Claim, the Company submitted the defence (the “**Alleged Guarantee Defence**”), which avers, inter alia, that:

- (a) neither the Board nor the shareholders of the Company had approved or authorised the execution of the purported guarantees or any other documents in favour of GMRC on behalf of the Company;
- (b) GMRC had actual, alternatively imputed, knowledge or notice of the lack of authority and/or capacity of Mr. He to execute the purported guarantees, and did not deal with the Company in good faith;
- (c) the purported guarantees were executed by Mr. He ultra vires and void for want of authority and/or capacity;
- (d) further or alternatively, the making of the purported guarantees was without any benefit whatsoever to the Company as it was given without any consideration provided by GMRC and was neither in the commercial interests of, nor authorised by, the Company, and constituted a purported disposal of its capital without receiving a benefit in return; and
- (e) the Company denies that GMRC is entitled to any of its claims and/or interest as alleged in the Claim.

The Company states that it did not approve and did not authorise any person to enter into the Alleged Guarantees on behalf of the Company and was not aware of the existence of the same beforehand.

After taking legal advice from the legal adviser, the Board is of the view that the Alleged Guarantees and the Claim are void and unenforceable and the Company has valid grounds to defend. The Company will take all necessary steps to resist the Alleged Guarantees and Claim. Accordingly, there should not be any material impact on the financial position of the Company and the Group.

### b) Disputes for receivables from Ease Faith

As detailed in Note 18(ii) to the consolidated financial statements, Great Rich issued a writ of summons in the High Court of The Hong Kong Special Administrative Region as the plaintiff claiming against Ease Faith, the supplier in the Sales Contracts as the defendant, for breach of the Sales Contracts or unjust enrichment on money had and received.

After taking legal advice from legal adviser, the Board believes that Great Rich has a good chance to succeed.

### c) Overdue unpaid registered capital for 達以富

The Group has not paid up the registered capital for 達以富 within the specific timeframe stipulated by the relevant PRC rules and regulations. Accordingly to the legal opinion issued by PRC legal adviser, the potential penalty would be ranged from 5% to 15% based on the overdue unpaid registered capital. 達以富 has been dormant since its incorporation and it is in the course of deregistration. The Board considered that the risk to pay the penalty is remote and hence no provision has been provided for the year ended 31 December 2014 (2013: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 32. MATERIAL RELATED PARTY TRANSACTIONS AND DISCLOSURES

- a) In addition to the balances with related parties at the end of reporting period which disclosed in the consolidated financial statements, the Group entered into the following significant transactions with related parties during the years ended 31 December 2014 and 31 December 2013.

Name	Nature of transaction	2014 HKD'000	2013 HKD'000 (restated)
Business Giant Limited ("Business Giant")	– Interest paid for Convertible Loan Notes (Note i)	–	28
Able Success	– Interest paid for Convertible Loan Notes (Note ii)	–	149

Notes:

- i) An interest expenses of approximately HKD28,000 on Convertible Loan Notes has been paid to Business Giant during the year ended 31 December 2013, in which Mr. Leung Heung Ying Alvin ("Mr. Leung"), the executive director of the Company, is the sole director and shareholder of Business Giant. Upon the resignation of Mr. Leung on 20 February 2013, Business Giant ceased to be classified as related party of the Group.
- ii) During the year ended 31 December 2013, the entire issued share capital of Able Success is beneficially owned by Mr. He. Mr. He is therefore deemed to be interested in the shares and the underlying shares held by Able Success under the Securities and Futures Ordinance. Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company on 10 October 2014, Mr. He was removed from his office of director of the Company. Therefore, Able Success and Mr. He ceased to be a related company and related party of the Group.

### b) Compensation to key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 12(a) and certain of the highest paid employees as disclosed in Note 12(b).

## 33. RETIREMENT BENEFITS PLANS

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD25,000 prior to June 2014 and HKD30,000 after June 2014. Contributions to the plan vest immediately.

The employees of the Company's subsidiary in the PRC are members of a state managed retirement benefit scheme operated by the government of the PRC.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately HKD76,000 (2013: HKD96,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 34. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Paid-up share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
			2014		2013		2014	2013	
			Directly	Indirectly	Directly	Indirectly			
Great Rich	Hong Kong, limited liability	HKD1	100%	-	100%	-	100%	100%	Investment holding
Ever Good Industries (International) Limited	Hong Kong, limited liability	HKD100	100%	-	100%	-	100%	100%	Trading business and related services
Smart Prosper Enterprises (International) Limited	Hong Kong, limited liability	HKD100	100%	-	100%	-	100%	100%	Investment holding
Boway Enterprises (International) Limited	Hong Kong, limited liability	HKD100	100%	-	100%	-	100%	100%	Investment holding
Globally Finance Limited (Note a)	Hong Kong, limited liability	HKD1	100%	-	N/A	N/A	100%	N/A	Inactive
Golden Horse Hong Kong Investment Limited (Note a)	Hong Kong, limited liability	HKD1	100%	-	N/A	N/A	100%	N/A	Securities trading and investment
Instant Achieve Limited (Note a)	British Virgin Island, limited liability	1 ordinary share of USD1 each	100%	-	N/A	N/A	100%	N/A	Investment holding
Sky Eagle Global Limited (Note a)	British Virgin Island, limited liability	1 ordinary share of USD1 each	100%	-	N/A	N/A	100%	N/A	Inactive
Innovation Times Limited (Note a)	British Virgin Island, limited liability	1 ordinary share of USD1 each	100%	-	N/A	N/A	100%	N/A	Investment holding
Bright Oriental Worldwide Limited (Note a)	Hong Kong, limited liability	HKD1	100%	-	N/A	N/A	100%	N/A	Inactive
China For You Investment Company Limited (Note a)	Hong Kong, limited liability	HKD1	100%	-	N/A	N/A	100%	N/A	Inactive
達以富	PRC, wholly owned foreign enterprises	Nil (Note c)	-	100%	-	100%	100%	100%	Inactive
Central Wealth Securities Investment Limited (Note b)	Hong Kong, limited liability	HKD30,000,000	-	100%	N/A	N/A	100%	N/A	Inactive
深圳駿盛匯貿易有限公司 (Note a)	PRC, wholly owned foreign enterprises	Nil (Note d)	-	100%	N/A	N/A	100%	N/A	Inactive
廣州富佑網絡科技有限公司 (Note a)	PRC, wholly owned foreign enterprises	RMB3,000,000	-	100%	N/A	N/A	100%	N/A	Trading business and related services
Infinite Bright Limited (Note a)	Hong Kong, limited liability	HKD1	-	100%	N/A	N/A	100%	N/A	Inactive

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 34. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- a) It was newly incorporated company during the year ended 31 December 2014.
- b) It was newly acquired company during the year ended 31 December 2014.
- c) As explained in Note 31(c) to the consolidated financial statements, the registered capital of HKD12,000,000 has not been paid up at 31 December 2014.
- d) The registered capital of HKD500,000 has not been paid up at 31 December 2014.

None of the subsidiaries had issued any debt securities at 31 December 2014 and 31 December 2013.

## 35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the Convertible Loan Notes, which has been fully converted into ordinary shares during the year ended 31 December 2013, cash and bank balances and equity attributable to owners of the Group, comprising issued share capital, reserves and accumulated losses.

The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

## 36. FINANCIAL INSTRUMENTS

### Categories of financial instruments

#### (i) Financial assets

	2014 HKD'000	2013 HKD'000 (restated)
Loans and receivables (including cash and bank balances):		
Trade and other receivables	40,748	18,077
Cash and bank balances	45,082	109
	<b>85,830</b>	<b>18,186</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 36. FINANCIAL INSTRUMENTS (Continued)

### Categories of financial instruments (Continued)

#### (ii) Financial liabilities

	2014 HKD'000	2013 HKD'000 (restated)
Financial liabilities at amortised cost:		
Trade and other payables	21,237	3,492
Amount due to a director	104	–
Amount due to a related party	–	220
Amount due to the holding company	–	15,266
Amount due to a deconsolidated subsidiary	–	3,066
	<b>21,341</b>	<b>22,044</b>

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including trade and other receivables, cash and bank balances, trade and other payables, amount due to a director/a related party/the holding company/a deconsolidated subsidiary and liabilities component of Convertible Loan Notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group has written risk management policies and guidelines. The management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

### Market risk

#### (i) Currency risk

The Group's exposure to currency risk is attributable to the cash and bank balances, trade and other receivables, trade and other payables and amount due to a director are denominated in foreign currencies other than the functional currency of the group entity. The Board considers that the foreign currency exposure is minimal. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Market risk (Continued)

#### (i) Currency risk (Continued)

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

	2014 HKD'000	2013 HKD'000 (restated)
RMB		
<b>Monetary asset:</b>		
Cash and bank balances	1,192	–
Trade and other receivables	18	–
	<b>1,210</b>	–
<b>Monetary liabilities:</b>		
Trade and other payables	(1,009)	–
Amount due to a director	(104)	–
	<b>(1,113)</b>	–
	<b>97</b>	–

#### Sensitivity analysis

The Group is mainly exposed to RMB. The following table details the Group's sensitivity analysis, the analysis assumes a 5% increase and decrease in foreign currencies against the functional currencies, with all other variable held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next reporting period. The sensitivity analysis includes only outstanding items denominated in foreign currencies other than the functional currencies of the group entities and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit/decrease in loss where functional currencies strengthen 5% against foreign currencies. For a 5% weakening of functional currencies against the foreign currencies, there would be equal and opposite impact on the profit or loss.

	2014 HKD'000	2013 HKD'000 (restated)
Impact on profit (loss) before income tax		
RMB	5	–

As HKD is linked to USD, the Group does not have material exchange risk on such currency.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Market risk *(Continued)*

#### *(ii) Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances as detailed in Note 19. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's bank balances are short-term in nature and the exposure of the interest rate is minimal.

### Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss.

As at 31 December 2014, 100% (2013: 100%) of the trade receivables of the Group are located in PRC (2013: Hong Kong).

The carrying amounts of trade and other receivables and cash and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of accumulated impairment losses, if any. At 31 December 2014, the Group has concentration of credit risk as 100% (2013: 100%) of the total trade receivables was due from sole debtor.

The Group monitors trade and other receivables and only trades and deals with creditworthy third parties. Accordingly, the Directors considered that the Group's exposure to bad debt is not significant.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18 to the consolidated financial statements.

The credit risk on liquid fund is limited because the counterparties are bank with high credit rating assigned by international credit-rating agencies.

### Concentration risk

The Group has significant concentration risk on the largest customer as it represented 38% (2013: 100%) of the total revenue for the year ended 31 December 2014.

### Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and bank balances. The Directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

All the financial liabilities are non-interest bearing and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

The total undiscounted cash flows of each financial liability based on the earliest date on which the Company can be required to pay approximate to their carrying amounts at the end of the reporting period as follows:

	Total contractual undiscounted cash flow HKD'000	Carrying amounts HKD'000
<b>2014</b>		
Trade and other payables	21,237	21,237
Amount due to a director	104	104
	<b>21,341</b>	<b>21,341</b>
<b>2013 (restated)</b>		
Trade and other payables	3,492	3,492
Amount due to a related party	220	220
Amount due to the holding company	15,266	15,266
Amount due to a deconsolidated subsidiary	3,066	3,066
	<b>22,044</b>	<b>22,044</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<b>2014</b> <b>HKD'000</b>	2013 HKD'000 (restated)
<b>NON-CURRENT ASSET</b>			
Investments in subsidiaries	a	<b>1</b>	1
<b>CURRENT ASSETS</b>			
Other receivables, deposits and prepayments		<b>438</b>	345
Amounts due from subsidiaries	a	<b>32,841</b>	49
Loan to a subsidiary	b	<b>33,979</b>	–
Cash and bank balances		<b>5,287</b>	86
		<b>72,545</b>	480
<b>CURRENT LIABILITIES</b>			
Other payables and accrued expenses		<b>15,519</b>	1,814
Amount due to the holding company	a	–	11,499
Amount due to a deconsolidated subsidiary	a	–	3,066
		<b>15,519</b>	16,379
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>57,026</b>	(15,899)
<b>NET ASSETS (LIABILITIES)</b>		<b>57,027</b>	(15,898)
<b>CAPITAL AND RESERVES</b>			
Share capital	27	<b>3,285</b>	2,021
Reserves	c	<b>53,742</b>	(17,919)
		<b>57,027</b>	(15,898)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

- (a) The investments in subsidiaries represent cost of unlisted shares of the subsidiaries. Details of principal subsidiaries as at 31 December 2014 are shown in Note 34 to the consolidated financial statements. The amount(s) due from/to subsidiaries/a deconsolidated subsidiary/the holding company are unsecured, interest free and repayable on demand.
- (b) The amount is unsecured, interest bearing of 2% per month and repayable within one year.
- (c) Reserves

	Share premium HKD'000 (Note i)	Share options reserve HKD'000 (Note 28)	Convertible loan notes equity reserve HKD'000 (Note 24)	Accumulated losses HKD'000	Total HKD'000
At 1 January 2013 (restated)	94,370	1,121	9,232	(104,126)	597
Loss and total comprehensive expense for the year	-	-	-	(28,241)	(28,241)
Issuance of shares upon exercise of Convertible Loan Notes	19,968	-	(9,232)	-	10,736
Issuance of shares upon bonus issue	(1,011)	-	-	-	(1,011)
At 31 December 2013 (restated)	113,327	1,121	-	(132,367)	(17,919)
Profit and total comprehensive income for the year	-	-	-	8,965	8,965
Issuance of shares upon placing, net of transaction costs	17,311	-	-	-	17,311
Issuance of shares upon open offer, net of transaction costs	40,524	-	-	-	40,524
Recognition of equity-settled share-based payments	-	4,861	-	-	4,861
<b>At 31 December 2014</b>	<b>171,162</b>	<b>5,982</b>	<b>-</b>	<b>(123,402)</b>	<b>53,742</b>

Notes:

- i) Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

# Five-year Financial Summary

## RESULTS

	<b>For the Year Ended 31 December</b>				
		(Restated)	(Restated)	(Restated)	(Restated)
	<b>2014</b>	2013	2012	2011	2010
	<b>HKD'000</b>	HKD'000	HKD'000	HKD'000	HKD'000
Revenue	<b>68,821</b>	189	91,155	171,699	143,553
Profit (loss) before taxation	<b>4,275</b>	(54,086)	(108,171)	197,220	16,847
Income tax credit (expense)	<b>(1,560)</b>	–	2,767	(7,174)	(6,212)
Profit (loss) for the year	<b>2,715</b>	(54,086)	(105,404)	190,046	10,635

## ASSETS AND LIABILITIES

	<b>31 December</b>				
		(Restated)	(Restated)	(Restated)	(Restated)
	<b>2014</b>	2013	2012	2011	2010
	<b>HKD'000</b>	HKD'000	HKD'000	HKD'000	HKD'000
Total assets	<b>86,800</b>	19,328	78,502	192,571	141,534
Total liabilities	<b>(22,901)</b>	(22,044)	(19,417)	(32,798)	(272,590)
Total equity (deficit)	<b>63,899</b>	(2,716)	59,085	159,773	(131,056)

The Directors make no representation as to the completeness and accuracy of financial summary up to 31 December 2010.