



**CHINA TRENDS  
HOLDINGS LIMITED**

**中國趨勢控股有限公司**

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

(Stock Code: 8171)

**Annual Report 2013**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors of China Trends Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to China Trends Holdings Limited. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Xiang Xin, *Chairman of the Board and Chief Executive Officer*  
Mr. Liang Xiaojin  
Mr. Chen Banyan

## NON-EXECUTIVE DIRECTOR

Mr. Sun Kuan Chi

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Zhan Liang  
Ms. An Jing  
Mr. Chen Yicheng

## ALTERNATE DIRECTOR

Ms. Kung Ching, alternate director to Mr. Xiang Xin

## COMPLIANCE OFFICERS

Mr. Xiang Xin  
Mr. Chen Banyan

## COMPANY SECRETARY

Mr. Fok Chi Wing

## AUTHORISED REPRESENTATIVES

Mr. Xiang Xin  
Mr. Fok Chi Wing

## EXECUTIVE COMMITTEE

Mr. Xiang Xin, *chairman of executive committee*  
Mr. Liang Xiaojin  
Mr. Chen Banyan

## AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. Zhang Zhan Liang, *chairman of remuneration committee*  
Ms. An Jing  
Mr. Chen Yicheng

## NOMINATION COMMITTEE

Mr. Zhang Zhan Liang, *chairman of nomination committee*  
Mr. Xiang Xin  
Ms. An Jing

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26/F, No. 9 Des Voeux Road West  
Sheung Wan  
Hong Kong

## PRINCIPAL BANKERS

Hang Seng Bank  
Bank of China  
Minsheng Bank  
Hua Xia Bank

## PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman, KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

Union Registrars Limited  
18/F, Fook Lee Commercial Centre  
Town Place, 33 Lockhart Road  
Wanchai, Hong Kong

## AUDITORS

ZHONGHUI ANDA CPA Limited

## LEGAL ADVISERS

*As to Cayman Islands Law*  
Conyers Dill & Pearman

*As to Hong Kong Law*  
Michael Li & Co

## STOCK CODE

8171

## WEBSITE OF THE COMPANY

www.8171.com.hk

# CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of China Trends Holdings Limited (the "Company"), I am pleased to present to you the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

## FINANCIAL REVIEW

During the year ended 31 December 2013, the Group recorded a revenue of approximately HK\$67,836,000 (2012: HK\$227,908,000), representing a decrease of 70%. The Group recorded a significant decrease as compared to last year in revenue was mainly due to Boss Dream (China) Limited ("Boss China"), a subsidiary of the Company, being involved in malicious litigation by Zhenjiang New District and being frozen of bank account balance. That causes the loss of the customers and the business carried out were all forced to be aborted.

During the year ended 31 December 2013, the Group incurred a loss of approximately HK\$7,922,000 (2012: HK\$3,745,000) in which the loss attributable to the owners of the Company was approximately HK\$7,891,000 (2012: HK\$3,771,000).

## OPERATIONAL REVIEW

- On 1 March 2013, the Company entered into an acquisition agreement with Mr. Wang Yaomin ("Mr. Wang"). The Company agreed to acquire and Mr. Wang agreed to sell the entire issued share capital of Jurassic International Investment Group Inc. (USA) ("Jurassic USA"), the only authorized of Jurassic theme in PRC and related intellectual properties, with total consideration US\$100. As at 31 December 2013, the Company has requested Mr. Wang to buy back the entire issued share capital of Jurassic USA with original consideration US\$100 due to statutory and accounting records was unable to be provided by accountant of Jurassic USA.

As disclosed, it is not related and there is no legal impact on cooperation framework agreement entered into between the Company, Zhong Jin Land Development Limited ("Zhong Jin Land") and Daqing Sheng Di Property Limited ("Sheng Di Property") on 28 June 2013 if Mr. Wang buy back the entire issued share capital of Jurassic (USA) with consideration US\$100, because the subsidiary of Sheng Di Property was Jurassic International Investment Group Inc. (BVI) ("Jurassic (BVI)") instead of Jurassic (USA). To the best of knowledge and information of the directors of the Company, Jurassic (USA) and Jurassic (BVI) are not within the same group and their respective director and shareholder are not the same. As at the date of this report, the cooperation of the above cooperation framework agreement was not yet implemented.

- On 7 November 2012, the bank accounts balance amounting to RMB49 millions of Boss China are being frozen by China Jiangsu Province Zhenjiang New District Public Security Bureau. On 20 February 2013, Boss China's bank account balance amounting to RMB23.5 million was frozen by Zhenjiang Intermediate People's Court for six months.

On 21 February 2013, Zhenjiang New District Public Security Bureau has revoked the frozen of RMB49 million in bank account of Boss China. On 6 March 2013, Boss China received Court Summons ("the Prosecution") in relation to Fujieda company ("Fujieda") as plaintiff ("the Plaintiff") claimed that Boss China has not delivered the goods to Fujieda according to the Copper Foil Supply Contract between Boss China and Fujieda which signed on 31 January 2011. The above mentioned frozen bank account balance of RMB23.5 million was in relation with the Prosecution.

On 19 March 2013, the PRC lawyer appointed by Boss China has submitted the "OBJECTION TO THE JURISDICTION OF APPLICATION" to the Zhenjiang Intermediate People's Court in relation to the legal representative of Fujieda had never agreed to, recognised, approved or participate in the Prosecution. Furthermore, the official seal used by Fujieda was made by the mean of a false report and is not legally binding and not entitled on behalf of the Fujieda. On 29 March 2013, Boss China submitted the "SUBJECT QUALIFICATION OBJECTION APPLICATION" to the Zhenjiang Intermediate People's Court in relation to the Plaintiff was not legally entitled on behalf of the Fujieda and requests the court to dismiss the Prosecution.

# CHAIRMAN'S STATEMENT

On 3 April 2013, the PRC lawyer appointed by Boss China was informed that the current legal representative of Fujieda had appointed lawyer and submitted the "APPLICATION FOR WITHDRAWAL" to the Zhenjiang Intermediate People's Court sealed with the legitimate official seal. Subsequently, the dispute hearing between Boss China and Fujieda which was originally scheduled on 10 April 2013 has been cancelled by Zhenjiang Intermediate People's Court as informed by the lawyer.

On 19 August 2013, Zhenjiang Intermediate People's Court made the Civil Judgment on 14 August 2013 that the court ruling dismissed the plaintiff's entire claim and the freezing order against the bank account balance amounting to RMB23.5 million of Boss China has been discharged on 20 August 2013 as informed by Boss China.

On 22 October 2013, the Company was informed by Boss China that, the PRC lawyer appointed by Boss China received a notice from Jiangsu Province Higher People's Court ("Jiangsu Higher Court") that the appeal from the plaintiffs has been accepted.

On 29 November 2013, the Company was informed by Boss China that, the PRC lawyer appointed by Boss China received a copy of civil ruling from Jiangsu Higher Court. Jiangsu Higher Court considered the first instance as 'the fact being not clear and evidence being not enough' and remanded the case to Zhenjiang Intermediate People's Court for a new trial.

3. On 26 April 2013, the Company entered into a conditional framework agreement to acquire the entire issued share capital of Think Device Limited (BVI) which is principally engaged in low-carbon culture. The framework agreement was valid until 25 October 2013, the acquisition no longer in progress.
4. On 5 June 2013, the Company entered into a cooperation framework agreement with Zhong Jin Land which the Company provide low-carbon city solutions to government around the country and combined to create "Citysky low-carbon city" project. Zhong Jin Land as a real estate developers, will complete the construction project in accordance with the Company's low-carbon city solutions and transfer the construction results to the company or person that designated by the Company. As at the date of this report, the co-operation was not yet implemented.
5. To settle the dispute over the repayment obligation of the outstanding convertible bond as disclosed in the Company announcement dated 25 February 2013, the Company and Bondholders entered into the conditional Deed of Amendment on 18 April 2013 detailed as stated in the circular on 22 May 2013 which have been approved by shareholders at an extraordinary general meeting held on 14 June 2013. On 21 June 2013, the terms of the Deed of Amendment became unconditional and the maturity date of the outstanding convertible bonds is extended to 30 December 2015.
6. On 28 June 2013, the Company, Zhong Jin Land and Sheng Di Property entered into a cooperation framework agreement in relation to Daqing Dream City Low Carbon City Project. The project includes planning and design of low-carbon city solutions, primary development and infrastructure construction, secondary development include theme park, spa hotel, residential building and commercial facilities. As at the date of this report, the cooperation was not yet implemented.

# CHAIRMAN'S STATEMENT

7. On 12 August 2013, the Company entered into a third supplemental agreement with Joy China Group Limited, to vary the terms stated in the second supplemental agreement, which was signed on 23 December 2011, that HK\$91,460,000 promissory note turns into the convertible bonds with conversion price HK\$0.04 and other terms and conditions remains unchanged.
8. On 10 December 2013, the Company, China Innovation Investment Limited and Hughes Network Technology (Beijing) Limited entered into a cooperative framework agreement in relation to Satellite Mobile Internet Project which the Company is responsible for investing in operating equipment on Satellite Mobile Internet Project within the Greater China. As at the date of this report, the co-operation was in the progress.

## OUTLOOK AND PROSPECT

The Group continued to expand the trading business in Hong Kong in order to reduce the impact of malicious litigation of Boss China to the Group.

Also, the Group was in the progress of developing the business through EPC (energy management contract) and BOT mechanism. Our customers will benefit from participating the EPC and BOT mechanism by reducing their cost, the Group will share the benefits from the reduced cost of customers. Based on the above-mentioned business model, the Group believes that the low-carbon city solutions and the low-carbon products solutions will bring huge opportunity to the Group in the future. As at the date of this report, the EPC and BOT business was not yet commenced due to the main subsidiary of the Company, Boss China being involved in malicious litigation from Zhenjiang New District.

The Company's directors and management will dedicate their best effort to lead the Group to strive for the best interests for its shareholders.

### **Xiang Xin**

*Chairman and Chief Executive Officer*

Hong Kong

11 March 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Group continued to finance its operation and capital expenditure through internally generated fund, and support certain product solutions development and business expansion. The Group maintained a healthy liquidity position with a current ratio of approximately 179 (2012: 187) and total cash and bank balances amounted to approximately HK\$10,942,000 (2012: HK\$77,484,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities.

## CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE

The capital of the Company comprised ordinary shares only as at 31 December 2013. During the year under review, sales and purchases of the Group were mainly transacted in Renminbi, United States dollars and Hong Kong dollars. As at 31 December 2013, a substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in Renminbi, United States dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

## EMPLOYEES

As at 31 December 2013, there were a total of 12 (2012: 10) full-time staff employed by the Group. The staff costs including directors' remuneration for the year were approximately HK\$1,967,000 (2012: HK\$2,045,000). There was no equity-settled share option expenses (2012: NIL) for the year. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension scheme contributions and discretionary bonus.

## PROPOSED ACQUISITION

On 23 December 2011, the Company entered into a second supplemental agreement with Joy China Group Limited, with effect from 1 January 2012, the Company reserve the right to acquire the remaining 80% of the group of Full Smart Asia Limited before 1 January 2015 by paying HK\$113,740,000 convertible bonds and HK\$91,460,000 promissory note to the Vendor when the net asset value of group of Full Smart Asia Limited reach HK\$228,000,000.

On 12 August 2013, the Company entered into a third supplemental agreement with Joy China Group Limited, to vary the terms stated in the second supplemental agreement that HK\$91,460,000 promissory note turns into the convertible bonds with conversion price HK\$0.04 and other terms and conditions remains unchanged.

## CHARGE, CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2013, the Group had commitments under operating lease amounting to approximately HK\$3,217,000 (2012: HK\$3,139,000) and there were no charges on any assets of the Group.

The Group did not have any contingent liabilities at the end of the reporting year. In addition to the operating lease commitments, the Group and the Company had no other commitments to the financial statements.



# MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Mr. Xiang Xin** (“Mr. Xiang”), aged 50, was the Chairman (“Chairman”) of the Board, chief executive officer (“Chief Executive Officer”) and executive director of the Company. Mr. Xiang has worked in a number of large organizations in the PRC and engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and information technology businesses. Mr. Xiang holds a bachelor’s degree in science and a master’s degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is a chairman of China Technology Education Trust Association. Mr. Xiang is currently a chairman of the board of director, chief executive officer and executive director of China Innovation Investment Limited (stock code: 1217), a company listed on the main board of the Stock Exchange. Mr. Xiang joined the Company on 25 February 2008.

**Mr. Liang Xiaojin** (“Mr. Liang”), aged 54, received his bachelor degree in science from Guangzhou teacher’s College. Mr. Liang has over 25 years of management experience in the movie, multimedia and entertainment industry in People’s Republic of China. Prior to his joining of the Company, he was the general manager of Pearl River Film Digital Media Company Limited (珠影數字音畫傳媒有限公司), a company established under the laws of the People’s Republic of China. Mr. Liang joined the Company on 20 June 2011.

**Mr. Chen Banyan** (“Mr. Chen”), aged 28, holds a master degree of Economics from the University of Hong Kong and a bachelor degree of Economics from Sun Yat-Sen University. Mr. Chen is specializing in venture capital investment and he has substantial experience in Project Management, Corporate Financing, Accounting and Mergers and Acquisitions. Mr. Chen joined the Company on 20 June 2011 as a non-executive Director and re-designated to an executive Director with effect from 14 September 2011.

## NON-EXECUTIVE DIRECTOR

**Mr. Sun Kuan Chi** (“Mr. Sun”) aged 65, was the Ph.D. degree holder from Georgetown University and Master degree holder from The Johns Hopkins University in Computer Science. Mr. Sun is currently the CEO of Hughes Network Technology (Beijing) Limited and has extensive experience in satellite mobile internet. Mr. Sun joined the Company on 10 December 2013.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Zhang Zhan Liang** (“Mr. Zhang”), aged 43, is a qualified lawyer in the People’s Republic of China and is currently the lawyer of 北京市仁豐律師事務所 (JenRich Law Office in Beijing\*). Mr. Zhang has 15 years of experience in litigations and advising on legal matters relating to corporate finance and real estates. Mr. Zhang holds a bachelor’s degree in law and a master degree from China University of Political Science and Law. Mr. Zhang joined the Company on 23 January 2008.

**Ms. An Jing** (“Ms. An”), aged 42, received her bachelor degree in economic from Henan University of Finance and Economics. Ms. An is a practicing member of The Chinese Institute of Certified Public Accountants and the senior partner of 北京正清和會計師事務所 (transliterated as Beijing Zheng Qing He Accounting Firm). Ms. An has over 20 years of experience in accounting and auditing industry. Ms. An joined the Company on 31 January 2011.

**Mr. Chen Yicheng** (“Mr. Chen”), aged 59, received his degree in Chinese from South China Normal University. Mr. Chen is engaged in commercial and television media industry in Mainland China for 40 years, and he has extensive experience in commercial operation of television media. Mr. Chen is currently a director of Guangdong TV Artists’ Association. Mr. Chen joined the Company on 9 July 2012.

## ALTERNATE DIRECTOR

**Ms. Kung Ching** (“Ms. Kung”), aged 44, graduated from Nanjing University of Science and Technology and holds a MBA from the University of South Australia. Ms. Kung worked for large organizations in China, such as China National Defense Science and Technology Information Centre and CITIC International Cooperation Limited, engaged in technology management and economic management for many years. Ms. Kung is the spouse of Mr. Xiang, and is an alternate director to Mr. Xiang in China Innovation Investment Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong. Ms. Kung joined the Company on 8 October 2012.

\* For identification purpose only

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group was principally engaged in (i) trading of electronic technology and related products, and (ii) the low-carbon products applications. The developing business of low-carbon energy-saving digital products solutions and applications make use of the energy performance contracting (EPC) and BOT mechanism which would ultimately apply to different sectors in the society and different cities.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 27.

The directors do not recommend the payment of any dividend in respect of the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 68. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year are set out in note 21 to the financial statements.

Details of movements in the Company's share options during the year are set out in note 22 to the financial statements.

## CONVERTIBLE BONDS

Details of movements in the Convertible Bonds of the Company during the year are set out in note 20 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RELATED PARTY TRANSACTIONS

Details of the significant related party transactions during the year ended 31 December 2013 are disclosed in note 26 to the financial statements.

# REPORT OF THE DIRECTORS

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 23 to the financial statements, respectively.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein accounted for 67.39%. Purchases from the Group's five largest suppliers accounted for 88.80% of the total purchases for the year and purchases from the largest supplier included therein accounted for 32.65%.

None of the directors of the Company 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 five largest customers or suppliers.

## DIRECTORS

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

### Executive directors:

Mr. Xiang Xin  
Mr. Liang Xiaojin  
Mr. Chen Banyan

### Non-executive directors:

Mr. Sun Kuan Chi	(Appointed as a non-executive director on 10 December 2013)
Mr. Wang Yaomin	(Appointed and resigned as non-executive director on 4 March 2013 and 5 March 2014 respectively)

### Independent non-executive directors:

Mr. Zhang Zhan Liang  
Ms. An Jing  
Mr. Chen Yicheng

### Alternate director:

Ms. Kung Ching

In accordance with article 87(1) of the Articles of Association of the Company, Mr. Xiang Xin and Mr. Zhang Zhan Liang shall retire by rotation at the annual general meeting of the Company. Mr. Xiang Xin and Mr. Zhang Zhan Liang, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with article 86(3) of the Articles of Association of the Company, Mr. Sun Kuan Chi shall retire, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

# REPORT OF THE DIRECTORS

The independent non-executive directors are not appointed for specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the directors being proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors of the Company and the senior management of the Group are set out on page 7 of the annual report.

## **DIRECTORS' SERVICE CONTRACTS**

None of the directors of the Company has entered into a service contract with the Company and they are not appointed for a specific term. Their appointment will be subject to retirement and re-election by the shareholders pursuant to the articles of association of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' REMUNERATION**

The directors' remuneration are subject to the authority granted by the shareholders of the Company to the board of Directors to fix their remuneration or shareholders' approval at general meetings and monitored by the remuneration committee on a continuous basis. Other emoluments are determined by the Company's remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Apart from those details in note 26 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## **MANAGEMENT CONTRACTS**

Apart from those details in note 26 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or existed during the year.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the interests of the Directors or chief executive and their associates in the shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (i) Interest in issued Shares

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Kung Ching (note 2)	Interest of controlled corporation	1,650,914,973 (L)	24.88%

### (ii) Interest in the underlying shares of the Company — convertible bonds

Name	Nature of interest	Number of underlying shares for Convertible Bonds	Approximately percentage of interests
Kung Ching (note 2)	Interest of controlled corporation	3,827,193,135 (L)	57.68%

Notes:

- The letter "L" denotes the shareholders' long position in the Shares.
- The shares and the underlying shares of the Company are held by Honour Sky International Limited which Ms. Kung Ching is the ultimate beneficiaries of such company.

Save as disclosed above, as at 31 December 2013, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Company:

### (i) Interest in issued shares

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Honour Sky International Limited	Beneficial owner	1,650,914,973 (L)	24.88%
New Times Global Capital Inc. <i>(note 2)</i>	Interest of controlled corporation	1,650,914,973 (L)	24.88%
Morgan Strategic Limited	Beneficial owner	1,236,032,432 (L)	18.63%
Top Ten International s.a r.l. <i>(note 3)</i>	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Chen Darren <i>(note 3)</i>	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Tao Xue Juan <i>(note 4)</i>	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Ocean Space Development Limited	Beneficial owner	141,564,000 (L)	2.13%
Zhang Shao Cai <i>(note 5)</i>	Interest of controlled corporation	141,564,000 (L)	2.13%

# REPORT OF THE DIRECTORS

## (ii) Interest in the underlying shares of the company — convertible bonds

Name	Nature of interest	Number of underlying Shares for the Convertible Bonds	Approximately percentage of interests <i>(note 8)</i>
China Technology Education Trust Association <i>(note 6)</i>	Beneficial owner	8,311,405,405 (L)	125.27%
China New Urbanisation Investment Limited <i>(note 7)</i>	Beneficial of a trust	5,130,000,000 (L)	77.32%
Rao Gui Hin <i>(note 7)</i>	Interest of controlled corporation	5,130,000,000 (L)	77.32%
Honour Sky International Limited	Beneficial owner	3,827,193,135 (L)	57.68%
New Times Global Capital Inc. <i>(note 2)</i>	Interest of controlled corporation	3,827,193,135 (L)	57.68%
Ocean Space Development Limited	Beneficial owner	975,057,621 (L)	14.70%
Zhang Shao Cai <i>(note 5)</i>	Interest of controlled corporation	975,057,621 (L)	14.70%

### Notes:

- The letter "L" denotes the shareholders' long position in the Shares.
- Honour Sky International Limited is a private company wholly and beneficially owned by New Times Global Capital Inc.. Accordingly, New Times Global Capital Inc. is interested in the shares and the underlying shares of the Company held by Honour Sky International Limited. Ms. Kung Ching owns 100% share of New Times Global Capital Inc. and is also the director of the company and are taken to be interested in the shares and underlying shares of the Company held by Honour Sky International Limited.
- Morgan Strategic Limited is a private company 40% owned by Top Ten International s.a r.l. ("Top Ten") and Top Ten is a private company wholly and beneficially owned by Mr. Chen Darren. Accordingly, Top Ten and Mr. Chen Darren are interested in the shares of the Company held by Morgan Strategic Limited.
- Morgan Strategic Limited is a private company 60% owned by Ms. Tao Xue Juan. Accordingly, Ms. Tao Xue Juan is interested in the shares of the Company held by Morgan Strategic Limited.
- Ocean Space Development Limited, a company incorporated in the British Virgin Islands, is a private company wholly and beneficially owned by Mr. Zhang Shao Cai. Accordingly, Mr. Zhang Shao Cai is interested in the shares and the underlying shares of the Company held by Ocean Space Development Limited.
- The underlying shares of the Company are held by China Technology Education Trust Association (the "Association"), a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to education and employment in Hong Kong and Mainland China. Mr. Xiang is a chairman of the Association.

# REPORT OF THE DIRECTORS

7. On 23 December 2011, the Company entered into a second supplemental agreement with Joy China Group Limited, with effect from 1 January 2012, the Company reserve the right to acquire the remaining 80% of the group of Full Smart Asia Limited before 1 January 2015 by paying HK\$113,740,000 convertible bonds and HK\$91,460,000 promissory note to the Vendor when the net asset value of group of Full Smart Asia Limited reach HK\$228,000,000.

On 12 August 2013, Joy China Group Limited has transferred the above-mentioned interest to China New Urbanization Investment Limited and part of the settlement terms, HK\$91,460,000 promissory note, has been altered to HK\$91,460,000 convertible bonds which resulted in settlement terms as HK\$205,200,000 convertible bonds. Mr. Rao Gui Min is the sole shareholder and director of China New Urbanization Investment Limited.

The completion of acquisition remains subject to the fulfillment of the conditions, and subject to the approval of the independent shareholders of the Company.

8. The approximately percentage of interests in the Company is calculated on the basis of 6,635,001,932 Shares in issue as at 31 December 2013.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, as at 31 December 2013, there was no person (other than a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates as defined in the GEM Listing Rules had any interest in business that competed or might compete with business of the Group during the year under review.

## SHARE OPTION SCHEME

As at 31 December 2013, there were no outstanding options granted by the Company pursuant to the Share Option Scheme.

## 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 under review.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report in page 16 to 20.



# REPORT OF THE DIRECTORS

## 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 share capital was held by the public throughout the year ended 31 December 2013.

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 16 July 2002 in accordance with the requirements of the GEM Listing Rules. The Audit Committee currently comprises all three independent non-executive directors of the Company, Mr. Zhang Zhan Liang as the chairman, Ms. An Jing and Mr. Chen Yicheng as the members.

The Audit Committee examined the accounting principles and practices adopted by the Company and its subsidiaries and discussed with the management its internal controls and accounts. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013.

## AUDITORS

The financial statements for the years ended 31 December 2012 and 2013 were audited by ZHONGHUI ANDA CPA Limited.

A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

### **Xiang Xin**

*Chairman and Chief Executive Officer*

Hong Kong

11 March 2014

# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company had complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules, except that:

1. Mr. Xiang Xin is the Chief Executive Officer of the Company during the year 2013.

Mr. Wang Yaomin is the Chairman of the Board of the Company since 4 March 2013.

Following the resignation of Mr. Wang Yaomin and appointment of Mr. Xiang Xin as the Chairman of the Board, Mr. Xiang Xin becomes the Chairman of the Board and Chief Executive Officer of the Company with effect from 5 March 2014. Such practice deviates from code provision A.2.1 of the CG Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the Chairman and the Chief Executive Officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

2. The Company has no fixed terms of appointment for non-executive directors. The independent non-executive directors are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the relevant article under the Articles of Association of the Company. Such practice deviates from the provision A.4.1 of the CG Code which requires that non-executive directors be appointed for a specific term. The Board has discussed and concluded the current practice of appointing independent non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders is fair and reasonable, and does not intend to change the current practice at the moment.

## BOARD PRACTICES AND PROCEDURES

The Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules throughout the year.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the directors. All directors confirmed that they complied with the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year.

## BOARD OF DIRECTORS

The Board of the Company as at the date of the annual report comprises:

Executive directors:	Mr. Xiang Xin
	Mr. Liang Xiaojin
	Mr. Chen Banyan

Non-executive director:	Mr. Sun Kuan Chi	(Appointed as a non-executive director on 10 December 2013)
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# CORPORATE GOVERNANCE REPORT

Independent non-executive directors: Mr. Zhang Zhan Liang  
Ms. An Jing  
Mr. Chen Yicheng

Alternate director: Ms. Kung Ching

The Board is responsible for the leadership and control of the Company. It also oversees the Group's businesses, strategic decisions and directions, and performances. The management was delegated the authority and responsibility by the Board for the general management of the Group. In addition, the Board has also delegated various responsibilities to other committees. Further details of other committees are set out in this report.

The Board has at least four scheduled regular meetings a year at quarterly interval and meets as and when required. The attendance of each director at the board meetings during the year are as follows:

Directors	Number of attendance
Mr. Xiang Xin	8/8
Mr. Liang Xiaojin	7/8
Mr. Chen Banyan	7/8
Mr. Sun Kuan Chi (Appointed on 10 December 2013)	0/0
Mr. Zhang Zhan Liang	3/8
Ms. An Jing	3/8
Mr. Chen Yicheng	2/8

Board minutes are kept by the company secretary of the Company. Draft and final versions of the Board minutes are sent to the directors for their comments and records, in both cases within a reasonable time after the meeting.

The directors are able, upon the reasonable request, to seek independent professional advice under appropriate circumstances, at the Company's expenses, in order to discharge their responsibilities and duties under appropriate independent professional advice.

Appropriate insurance cover has been arranged in respect of legal action against its directors and senior management.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang Xin is the Chief Executive Officer of the Company during the year 2013.

Mr. Xiang resigned as the Chairman of the Board of the Company during the year 2013 but remained as the Chief Executive Officer of the Company with effect from 4 March 2013. Mr. Wang Yaomin was appointed as the Chairman of the Board with effect from 4 March 2013. After resignation of Mr. Wang Yaomin and appointment of Mr. Xiang Xin as Chairman of the Board, Mr. Xiang Xin was the Chairman of the Board and Chief Executive Office of the Company with effect from 5 March 2014.

# CORPORATE GOVERNANCE REPORT

## EXECUTIVE COMMITTEE

An executive committee (the "Executive Committee") was established by the Board on March 2012 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee currently comprises three members, including all executive Directors of the Company.

Full minutes of Executive Committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Executive Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

The Executive Committee held periodical meetings during the financial year to review, discuss and evaluate the business performance and operational matters of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

<b>Directors</b>	<b>Number of attendance</b>
Mr. Xiang Xin	2/2
Mr. Liang Xiaojin	0/2
Mr. Chen Banyan	2/2

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of the Company are persons of high calibre, with academic and professional qualifications in the field of accounting and law. With their solid experience, they can provide strong support to perform their duties delegated by the Board effectively.

All independent non-executive directors are considered to be independent by the Board as the Board received the annual confirmation of independence from each of them as required by the GEM Listing Rules.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a remuneration committee (the "Remuneration Committee") in December 2005. Currently, all of the members of the Remuneration Committee are the independent non-executive directors of the Company, namely Mr. Zhang Zhan Liang, Mr. Kwok Chi Hung and Ms. An Jing. The attendance of each member at the meeting(s) during the year is set out as follows:

	<b>Number of attendance</b>
Mr. Zhang Zhan Liang	1/1
Ms. An Jing	1/1
Mr. Chen Yicheng	1/1

Full minutes of Remuneration Committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Remuneration Committee determines the policy for the remuneration of executive directors, assesses performance of executive directors and approves the terms of executive directors' service contracts.

# CORPORATE GOVERNANCE REPORT

## EXTERNAL AUDITORS

For the year ended 31 December 2013, the following external auditors, provided the following services to the Group:

HK\$'000

### ZHONGHUI ANDA CPA Limited

Annual audit services	265
Other services	15
	280

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 16 July 2002 in accordance with the requirements of the GEM Listing Rules. The Audit Committee currently comprises all three independent non-executive directors of the Company, Mr. Zhang Zhan Liang as the chairman, Ms. An Jing and Mr. Chen Yicheng as the members. The attendance of each member at the meetings during the year is set out as follows:

### Number of attendance

Mr. Zhang Zhan Liang	4/4
Ms. An Jing	4/4
Mr. Chen Yicheng	4/4

Full minutes of Audit Committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Audit Committee reviews the quarterly results, interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

## NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Board on March 2012 in accordance with the requirements of the GEM Listing Rules. The Nomination Committee currently comprises three directors of the Company, Mr. Zhang Zhan Liang as the chairman and Mr. Xiang Xin and Ms. An Jing as the members. The attendance of each member at the meetings during the year is set out as follows:

### Number of attendance

Mr. Zhang Zhan Liang	2/2
Mr. Xiang Xin	2/2
Ms. An Jing	2/2

# CORPORATE GOVERNANCE REPORT

Full minutes of Nomination Committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Nomination Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

In considering the new appointment of Directors, the Nomination Committee will make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibility effectively.

# INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2013



## TO THE SHAREHOLDERS OF CHINA TRENDS HOLDINGS LIMITED

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

We have audited the consolidated financial statements of China Trends Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 67, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

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

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

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

# INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2013

## OPINION

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

## ZHONGHUI ANDA CPA Limited

*Certified Public Accountants*

### Sze Lin Tang

Practising Certificate Number P03614

Hong Kong, 11 March 2014



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
REVENUE	5	<b>67,836</b>	227,908
Cost of sales		<b>(65,426)</b>	(220,698)
Gross profit		<b>2,410</b>	7,210
Other income and gains	5	<b>957</b>	589
Administrative and other operating expenses		<b>(11,289)</b>	(11,544)
LOSS BEFORE TAX	6	<b>(7,922)</b>	(3,745)
Income tax expenses	9	-	-
LOSS FOR THE YEAR		<b>(7,922)</b>	(3,745)
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<b>1,778</b>	631
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<b>(6,144)</b>	(3,114)
(LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	10	<b>(7,891)</b>	(3,771)
Non-controlling interests		<b>(31)</b>	26
		<b>(7,922)</b>	(3,745)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		<b>(6,130)</b>	(3,145)
Non-controlling interests		<b>(14)</b>	31
		<b>(6,144)</b>	(3,114)
LOSS PER SHARE	11		
Basic (HK cents per share)		<b>(0.12)</b>	(0.06)
Diluted (HK cents per share)		<b>N/A</b>	N/A

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<i>Notes</i>	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>1,437</b>	2,178
Intangible assets	14	<b>25,000</b>	25,000
Available-for-sale investment	15	<b>22,800</b>	22,800
Total non-current assets		<b>49,237</b>	49,978
<b>CURRENT ASSETS</b>			
Trade receivables	17	<b>10,613</b>	8,777
Prepayments, deposits and other receivables	18	<b>61,491</b>	2,199
Cash and bank balances	19	<b>10,942</b>	77,484
Total current assets		<b>83,046</b>	88,460
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>463</b>	474
Total current liabilities		<b>463</b>	474
NET CURRENT ASSETS		<b>82,583</b>	87,986
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>131,820</b>	137,964
NET ASSETS		<b>131,820</b>	137,964
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	21	<b>66,350</b>	66,350
Equity component of convertible bonds	20	<b>391,534</b>	391,534
Other reserves	23(a)	<b>(327,555)</b>	(321,425)
Non-controlling interests		<b>130,329</b>	136,459
Total equity		<b>1,491</b>	1,505
Total equity		<b>131,820</b>	137,964

Approved by:

**Xiang Xin**  
*Director*

**Chen Banyan**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Issued capital	Share premium account	Share option reserve	Foreign currency translation reserve	Equity component of convertible bonds	Special reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	66,350	235,563	5,117	3,186	391,534	11,157	(1,638)	(571,665)	139,604	1,474	141,078
Total comprehensive income/ (loss) for the year	-	-	-	626	-	-	-	(3,771)	(3,145)	31	(3,114)
At 31 December 2012 and 1 January 2013	66,350	235,563	5,117	3,812	391,534	11,157	(1,638)	(575,436)	136,459	1,505	137,964
Total comprehensive income/ (loss) for the year	-	-	-	1,761	-	-	-	(7,891)	(6,130)	(14)	(6,144)
Realised of reserve upon share option lapsed	-	-	(5,117)	-	-	-	-	5,117	-	-	-
At 31 December 2013	66,350	235,563	-	5,573	391,534	11,157	(1,638)	(578,210)	130,929	1,491	131,820

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	<b>(7,922)</b>	(3,745)
Adjustments for:		
Allowance for slow-moving inventories	–	1,127
Interest income	<b>(954)</b>	(392)
Net exchange (gains)/losses	<b>(195)</b>	7
Depreciation of property, plant and equipment	<b>838</b>	923
Operating cash flows before working capital changes	<b>(8,233)</b>	(2,080)
Change in inventories	–	10
Change in trade receivables	<b>(1,836)</b>	31,564
Change in prepayments, deposits and other receivables	<b>(59,292)</b>	34,545
Change in trade payables	–	(1,598)
Change in other payables and accruals	<b>(11)</b>	(70)
Change in deposits received	–	(38,372)
Cash (used in)/generated from operations	<b>(69,372)</b>	23,999
Interest received	<b>954</b>	392
Net cash flow (used in)/generated from operating activities	<b>(68,418)</b>	24,391
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(54)</b>	(3)
Net cash flows used in investing activities	<b>(54)</b>	(3)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment to a director	–	(4,607)
Net cash flows used in financing activities	–	(4,607)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(68,472)</b>	19,781
Cash and cash equivalents at beginning of year	<b>77,484</b>	57,095
Effect of foreign exchange	<b>1,930</b>	608
CASH AND CASH EQUIVALENTS AT END OF YEAR	<b>10,942</b>	77,484
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>4,385</b>	66,211
Non-pledged time deposits with original maturity of less than three months when acquired	<b>6,557</b>	11,273
	<b>10,942</b>	77,484

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<i>Notes</i>	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>98</b>	304
Intangible assets	14	<b>25,000</b>	25,000
Available-for-sale investment	15	<b>22,800</b>	22,800
Interests in subsidiaries	16	<b>69,762</b>	68,024
Total non-current assets		<b>117,660</b>	116,128
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables	18	<b>372</b>	498
Cash and bank balances	19	<b>7,094</b>	13,309
Total current assets		<b>7,466</b>	13,807
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>256</b>	274
Total current liabilities		<b>256</b>	274
NET CURRENT ASSETS		<b>7,210</b>	13,533
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>124,870</b>	129,661
NET ASSETS		<b>124,870</b>	129,661
<b>EQUITY</b>			
Issued capital	21	<b>66,350</b>	66,350
Reserves	23(b)	<b>58,520</b>	63,311
Total equity		<b>124,870</b>	129,661

Approved by:

**Xiang Xin**  
*Director*

**Chen Banyan**  
*Director*

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 1. CORPORATE INFORMATION

China Trends Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The Group was principally engaged in (i) trading of electronic technology and related products, and (ii) the low-carbon products applications. The developing business of low-carbon energy-saving digital products solutions and applications make use of the energy performance contracting (EPC) and BOT mechanism which would ultimately apply to different sectors in the society and different cities. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 31 July 2002.

## 2.1 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years except as stated below.

### a. Amendments to HKAS 1 “Presentation of Financial Statements”

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.1 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

*(Continued)*

### b. HKFRS 13 “Fair Value Measurement”

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the derivative instrument which is carried at their fair values, and are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 3 to the financial statements. The significant accounting policies applied in the preparation of these financial statements are set out below.

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Consolidation** *(Continued)*

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets, except for investments, inventories and receivables 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 any impairment loss. 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.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Related parties

A related party is a person or entity that is related to the Group.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties *(Continued)*

- (B) An entity is related to the Group (reporting entity) if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (A).
  - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture and fixtures	20%
Office and computer equipments	25%
Motor vehicles	25%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### Leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the profit or loss.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale investments are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale investments are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair values cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are not reversed.

### Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Trade and other payables**

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### **Provisions and contingent liabilities**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

- (a) Revenues from sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers; and
- (b) Interest income is recognised on a time-proportion basis using the effective interest method.

### Employee benefits

#### (a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (b) *Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$20,000 (increased to HK\$25,000 starting from 1 June 2012) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

#### (c) *Termination benefits*

Termination benefits: Termination benefits are recognised at the earlier of the dates when the Company can no longer withdraw the offer of those benefits and when the Company recognises restructuring costs and involves the payment of termination benefits.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

### Foreign currency translation

#### (a) *Functional and presentation currency*

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

#### (b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

#### (c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Available-for-sale investments

The available-for-sale investment is measured at cost less impairment loss because it does not have a quoted market price in an active market. The directors of the Company are of the opinion that its fair value cannot be reliably measured and hence such unquoted equity investment is measured at cost less impairment losses at the end of the reporting period.

Note 15 describes that the investee company is not treated as an associate although the Company has 20% ownership interest in the investee company. In making their judgment, the directors of the Company considered the Company is not in a position to control or exercise any significant influence over the financial and operating policies of the investee company or to participate in its operations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### **Estimation uncertainty**

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, are discussed below.

### ***Impairment of intangible assets***

The management of the Company assesses the possible impairment of the Group's intangible assets at end of each reporting period. At the end of the reporting period, the carrying value of intangible assets was approximately HK\$25,000,000. The Group is confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

### ***Useful lives of property, plant and equipment***

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### ***Provision for impairment of receivables***

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

## 4. OPERATING SEGMENT INFORMATION

The Group's revenue and result for the year ended 31 December 2013 were mainly derived from its operating segment of trading of electronic technology and related products. For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segment as follows:

- (a) the trading of electronic technology and related products; and
- (b) the media operating segment is involved in provision of online media platforms and multi-media and advertising business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, impairment losses on intangible assets, and exchange gains as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 4. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude tax payable and other unallocated head office and corporate liabilities, as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	For the year ended 31 December					
	Trading of electronic technology and related products		Media business (Note)		Consolidated total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	67,836	227,908	-	-	67,836	227,908
	67,836	227,908	-	-	67,836	227,908
<b>Segment results</b>	(3,948)	3,099	-	-	(3,948)	3,099
Reconciliation:						
Other income and gains					957	589
Unallocated expenses					(4,931)	(7,433)
Loss before tax					(7,922)	(3,745)
Income tax expenses					-	-
Loss for the year					(7,922)	(3,745)
<b>Segment assets</b>	76,552	76,224	25,000	25,000	101,552	101,224
Unallocated assets					30,731	37,214
Total assets					132,283	138,438
<b>Segment liabilities</b>	224	217	-	-	224	217
Unallocated liabilities					239	257
Total liabilities					463	474
<b>Other segment information:</b>						
Capital expenditure	54	3	-	-	54	3
Depreciation	633	644	205	279	838	923

Note: The mode of operation of the Group's media business through the provision of Copyright of a film library held by the Group and receives royalty income. The Group entered into a cooperation framework agreement with Europe & America Pioneer was not yet implemented as at the date of this report due to 博思夢想(中國)有限公司, the main subsidiary of the Company, was involved in malicious litigation from Zhenjiang New District. There is no progress of the above cooperation framework agreement during the year 2013 as compared with 2012 annual reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information

#### (a) Revenue from external customers

	2013 HK'000	2012 HK'000
Hong Kong	45,718	22,804
Mainland China (excluding HK)	22,118	205,104
	<b>67,836</b>	227,908

The revenue information is based on the location of the customers.

#### (b) Non-current assets

	2013 HK\$'000	2012 HK\$'000
Hong Kong	103	309
Mainland China (excluding HK)	26,334	26,869
Overseas	22,800	22,800
	<b>49,237</b>	49,978

### Revenue from major customers

	2013 HK\$'000	2012 HK\$'000
<i>Trading of electronic technology and related products segment</i>		
Customer A	45,718	22,804
Customer B	22,118	–
Customer C	–	69,672
Customer D	–	68,270
Customer E	–	32,717
Customer F	–	21,369
Other customers	–	13,076
	<b>67,836</b>	227,908

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Revenue		
Sales of goods	<b>67,836</b>	227,908
Other income and gains		
Bank interest income	<b>954</b>	392
Others	<b>3</b>	197
	<b>957</b>	589

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Cost of sales	<b>65,426</b>	220,698
Auditors' remuneration		
— Annual audit	<b>265</b>	255
— Other services	<b>15</b>	15
Total auditors' remuneration	<b>280</b>	270
Employee benefits expenses (including directors' remuneration) (note 7):		
— Wages, salaries and allowances	<b>1,696</b>	1,763
— Other benefits in kind	<b>219</b>	229
— Pension scheme contributions	<b>52</b>	53
Total employee benefits expenses	<b>1,967</b>	2,045
Depreciation	<b>838</b>	923
Minimum lease payments under operating leases, land and buildings	<b>1,953</b>	1,930
Net exchange (gains) losses	<b>(195)</b>	7
Allowance for slow-moving inventories	<b>—</b>	1,127

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 HK\$'000	2012 HK\$'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	611	621
Pension scheme contributions	9	2
	<b>620</b>	623
	<b>620</b>	623

For the year ended 31 December 2013					
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Equity-settled share option benefits HK\$'000	Total HK\$'000
Executive directors:					
Mr. Xiang Xin	–	60	–	–	60
Mr. Liang Xiaojin	–	270	9	–	279
Mr. Chen Banyan	–	164	–	–	164
	–	494	9	–	503
Non-executive directors:					
Mr. Wang Yaomin	–	25	–	–	25
Mr. Sun Kuan Chi	–	2	–	–	2
	–	27	–	–	27
Independent non-executive directors:					
Mr. Zhang Zhan Liang	–	30	–	–	30
Ms. An Jing	–	30	–	–	30
Mr. Chen Yicheng	–	30	–	–	30
	–	90	–	–	90
	–	611	9	–	620

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 7. DIRECTORS' REMUNERATION (Continued)

		For the year ended 31 December 2012				
		Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option benefits	Total
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:						
	Mr. Xiang Xin	-	60	-	-	60
	Mr. Liang Xiaojin	-	300	2	-	302
	Mr. Chen Banyan	-	175	-	-	175
		-	535	2	-	537
Independent non-executive directors:						
	Mr. Zhang Zhan Liang	-	30	-	-	30
	Mr. Kwok Chi Hung	(c)	13	-	-	13
	Ms. An Jing	-	30	-	-	30
	Mr. Chen Yicheng	(d)	13	-	-	13
		-	86	-	-	86
		-	621	2	-	623

Notes:

- (a) Appointed on 4 March 2013 and resigned in 5 March 2014
- (b) Appointed on 10 December 2013
- (c) Resigned on 4 May 2012
- (d) Appointed on 9 July 2012

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

No emolument was paid to the director as an inducement to join or upon joining the Company; or as compensation for loss of office during the reporting period (2012: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2012: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2012: three) non-directors, highest paid employees for the year are as follows:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>515</b>	579
Pension scheme contributions	<b>26</b>	14
	<b>541</b>	593

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

Emolument band:	<b>Number of employees</b>	
	<b>2013</b>	2012
HK\$nil–HK\$1,000,000	<b>3</b>	3



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 9. INCOME TAX EXPENSES

No provision for taxation has been made since the Company has tax loss during the years ended 31 December 2013 and 2012. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

The reconciliation between the income tax for the year and the loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Loss before tax:	<b>(7,922)</b>	(3,745)
Tax at the statutory tax rate of 16.5% (2012: 16.5%)	<b>(1,307)</b>	(618)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(2,262)</b>	(1,612)
Income not subject to tax	<b>(16)</b>	(36)
Expenses not deductible for tax	<b>98</b>	107
Tax effect of taxes losses not recognised	<b>3,487</b>	2,159
Tax charge at the Group's effective tax rate	<b>-</b>	-

At 31 December 2013, the Group has unused tax losses of approximately HK\$85,554,000 (2012: HK\$78,133,000) available indefinitely for offset against future profits. No deferred tax asset (2012: HK\$nil) has been recognised in respect of such tax losses, due to the unpredictability of future profit streams.

## 10. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK\$4,791,000 (2012: HK\$5,932,000) which has been dealt with in the financial statements of the Company (note 23(b)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<hr/>		
<b>Earnings</b>		
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	<b>(7,891)</b>	(3,771)
	<hr/>	<hr/>
	<b>Number of shares</b>	
	<b>2013</b>	2012
<hr/>		
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	<b>6,635,001,932</b>	6,635,001,932
	<hr/>	<hr/>

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the years ended 31 December 2013 and 2012.

## 12. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2013 and 2012.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 13. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2013				
	Leasehold improvement HK'000	Furniture and fixtures HK'000	Office and computer equipments HK'000	Motor vehicles HK'000	Total HK'000
<b>GROUP</b>					
<b>Cost</b>					
At 1 January 2013	974	157	2,135	1,940	5,206
Additions	-	-	54	-	54
Exchange realignment	-	-	54	53	107
At 31 December 2013	974	157	2,243	1,993	5,367
<b>Accumulated depreciation</b>					
At 1 January 2013	765	134	1,314	815	3,028
Charge for the year	145	20	229	444	838
Exchange realignment	-	-	40	24	64
At 31 December 2013	910	154	1,583	1,283	3,930
<b>Carrying amount</b>					
At 31 December 2013	64	3	660	710	1,437
Year ended 31 December 2012					
	Leasehold improvement HK'000	Furniture and fixtures HK'000	Office and computer equipments HK'000	Motor vehicles HK'000	Total HK'000
<b>GROUP</b>					
<b>Cost</b>					
At 1 January 2012	974	156	2,114	1,921	5,165
Additions	-	-	3	-	3
Exchange realignment	-	1	18	19	38
At 31 December 2012	974	157	2,135	1,940	5,206
<b>Accumulated depreciation</b>					
At 1 January 2012	570	102	1,037	374	2,083
Charge for the year	195	31	265	432	923
Exchange realignment	-	1	12	9	22
At 31 December 2012	765	134	1,314	815	3,028
<b>Carrying amount</b>					
At 31 December 2012	209	23	821	1,125	2,178

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Year ended 31 December 2013			
	Leasehold improvement HK'000	Furniture and fixtures HK'000	Office and computer equipments HK'000	Total HK'000
<b>COMPANY</b>				
<b>Cost</b>				
At 1 January 2013 and 31 December 2013	974	142	217	1,333
<b>Accumulated depreciation</b>				
At 1 January 2013	765	120	144	1,029
Charge for the year	145	19	42	206
At 31 December 2013	910	139	186	1,235
<b>Carrying amount</b>				
At 31 December 2013	64	3	31	98
	Year ended 31 December 2012			
	Leasehold improvement HK'000	Furniture and fixtures HK'000	Office and computer equipments HK'000	Total HK'000
<b>COMPANY</b>				
<b>Cost</b>				
At 1 January 2012 and 31 December 2012	974	142	217	1,333
<b>Accumulated depreciation</b>				
At 1 January 2012	570	91	101	762
Charge for the year	195	29	43	267
At 31 December 2012	765	120	144	1,029
<b>Carrying amount</b>				
At 31 December 2012	209	22	73	304

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 14. INTANGIBLE ASSETS

	Year ended 31 December 2013			
	Rights in sharing of profit streams from online network operation in internet cafes HK\$'000 (note (a))	Copyright of a film library HK\$'000 (note (b))	Rights granted by a mobile location-based service provider HK\$'000 (note (c))	Total HK\$'000
<b>GROUP</b>				
<b>Cost</b>				
At 1 January 2013 and 31 December 2013	482,794	25,000	19,485	527,279
<b>Accumulated amortisation and impairment losses</b>				
At 1 January 2013 and 31 December 2013	482,794	–	19,485	502,279
<b>Carrying amount</b>				
At 31 December 2013	–	25,000	–	25,000
	Year ended 31 December 2012			
	Rights in sharing of profit streams from online network operation in internet cafes HK\$'000 (note (a))	Copyright of a film library HK\$'000 (note (b))	Rights granted by a mobile location-based service provider HK\$'000 (note (c))	Total HK\$'000
<b>GROUP</b>				
<b>Cost</b>				
At 1 January 2012 and 31 December 2012	482,794	25,000	19,485	527,279
<b>Accumulated amortisation and impairment losses</b>				
At 1 January 2012 and 31 December 2012	482,794	–	19,485	502,279
<b>Carrying amount</b>				
At 31 December 2012	–	25,000	–	25,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 14. INTANGIBLE ASSETS (Continued)

	<b>Copyright of a film library</b>
	HK\$'000 (note (b))
<hr/>	
<b>COMPANY</b>	
<b>Cost</b>	
At 1 January 2012, 31 December 2012 and 31 December 2013	25,000
<b>Accumulated amortisation and impairment losses</b>	
At 1 January 2012, 31 December 2012 and 31 December 2013	–
<b>Carrying amount</b>	
At 31 December 2012 and 31 December 2013	<u>25,000</u>

Notes:

- (a) The rights (the "C Y Rights") in sharing of profit streams (the "Profit Streams") from online network operation in internet cafes of approximately HK\$482,794,000 represents the C Y Rights arising from an co-operation agreement (the "C Y Co-operation Agreement") entered into between a subsidiary of the Company and C Y Foundation Group Limited. Pursuant to the C Y Co-operation Agreement, the Group is entitled to participate in the co-operation and share the Profits Streams for a period of 15 years.

During the year ended 31 December 2011, the execution of the C Y Co-operation Agreement was interrupted. Due to the unpredictability of future profit streams, an impairment loss of the C Y Rights of approximately HK\$482,794,000 was recognised in the consolidated financial statements for the same reporting period.

- (b) Copyright of a film library (the "Copyright") of the Group and the Company represents the copyright of five series (a total of 321 episodes) and 16 education series of an animation name 神探威威貓 and the related music songs which was acquired during the year ended 31 December 2010, with an indefinite useful lives at a consideration of HK\$25,000,000. The fair value as at 31 December 2013 of the Copyright has been agreed and valued by the 江蘇天誠新元資產評估有限公司 under the cost method. No impairment (2012: nil) has been provided as the fair value less costs to sell is higher than its carrying amount at the end of the reporting period.

In determining the fair value less costs to sell, the directors has based on the assumptions that there will be no material change in existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Company.

With reference to note 4 to the financial statements, the business derived from Copyright of the film library of the Group was not yet developed and its operating data such as operating cost was un-predictable, the Company determines the cost methodology was the best method as a result. In accordance with the valuation report and research by valuer, the replacement cost was determined by reference to the production cost per minutes of grade C animation film in PRC as approximately RMB10,000 (production cost per minutes of grade A to grade D animation film in PRC ranged from RMB30,000 to RMB6,000 in approximate) while the discount rate was adopted as 5% per annum.

江蘇天誠新元資產評估有限公司 is asset evaluation company approved by the State-owned Assets Administration Bureau of Jiangsu Province. Its valuers are China CPV (certified public valuer) approved by China Appraisal Society and have over 10 years of experience in asset valuation.

- (c) The rights granted by a mobile location-based service provider (the "Agent Rights") to a subsidiary of the Company as an agent of the products of the mobile location-based services provider in the PRC and the sole franchised dealer in overseas market.

During the year ended 31 December 2011, the execution of the project was interrupted. Due to the unpredictability of future profit streams, an impairment loss of the Agent Rights of approximately HK\$19,485,000 was recognised in the consolidated financial statements for the same reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 15. AVAILABLE-FOR-SALE INVESTMENT

	Group and Company	
	2013	2012
	HK\$'000	HK\$'000
<hr/>		
<i>Non-current assets</i>		
Unlisted equity investment, at cost — overseas	<b>22,800</b>	22,800

The total consideration for the acquisition of an investment of HK\$22,800,000 made by the Company in 2011 had been turned into 20% of the equity interest in Full Smart Asia Limited on 1 January 2012, and a right to acquire the remaining 80% of the equity interest in Full Smart before 1 January 2015 (the "Option").

The investment is not treated as an associate because the Company is not in a position to exercise any significant influences over the financial and operating policies of this company or to participate in its operations. The unlisted investment is stated at cost as the investment and the Option do not have a quoted market price in an active market and their fair values cannot be reliably measured.

Particulars of the available-for-sale investment of the Group and the Company as at 31 December 2013 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Full Smart Asia Limited ("Full Smart")	British Virgin Islands ("BVI")	100 ordinary shares of US\$1 each	20%	Investment holding

## 16. INTERESTS IN SUBSIDIARIES

	2013	2012
	HK\$'000	HK\$'000
<hr/>		
<b>Company</b>		
Unlisted shares, at cost	<b>485,263</b>	485,262
Due from subsidiaries	<b>89,814</b>	88,077
	<hr/>	<hr/>
	<b>571,077</b>	573,339
Less: impairments	<b>(505,315)</b>	(505,315)
	<hr/>	<hr/>
	<b>69,762</b>	68,024

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries during the year are as follows:

Name	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of equity attributable to the Company	Principal activities
<b>Directly held:</b>				
Friendly Group Limited	BVI	100 ordinary shares of US\$1 each	100%	Investment holding
Legend Century Investments Limited	BVI	1 ordinary share of US\$1 each	100%	Investment holding
Nopo International Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Inactive
Jurassic International Investment Group Inc.	USA	1,000,000 ordinary shares of US\$1 each	100%	Inactive
<b>Indirectly held:</b>				
China Trends Technologies Limited (Formerly named as Pacific Vision Technologies Limited)	Hong Kong	1 ordinary share of HK\$1 each	100%	Trading of electronic equipments, components and LCD/LED products
China Net-PC Limited	BVI	50,000,000 ordinary shares of US\$0.01 each	100%	Investment holding
Boss Systems Limited	BVI	500 ordinary shares of US\$1 each	99%	Investment holding
Boss Dream (China) Company Limited* 博思夢想(中國)有限公司 ("Boss China") (Note a)	PRC	RMB200,000,000	99%	Trading of electronic equipments, components and LCD/LED products
Boss Power Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100%	Inactive
Boss Education Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	100%	Inactive

\* The English names are for identification only

Note:

(a) The subsidiary is registered as a sino-foreign investment enterprise under the PRC laws.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 17. TRADE RECEIVABLES

The Group grants a credit period normally ranging from cash on delivery to 30–90 days to its trade customers.

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>10,613</b>	8,777
Less: impairments	–	–
	<b>10,613</b>	8,777

An aged analysis of the trade receivables as at the end of the reporting period before the impairment during the year, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>6,551</b>	7,657
31 to 60 days	–	1,120
61 to 90 days	<b>4,062</b>	–
	<b>10,613</b>	8,777

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Prepayments	<b>223</b>	358	<b>198</b>	329
Rental deposit (note 26)	<b>326</b>	396	<b>160</b>	160
Trade deposit (note a)	<b>51,200</b>	–	–	–
Other receivables	<b>9,742</b>	1,445	<b>14</b>	9
	<b>61,491</b>	2,199	<b>372</b>	498

Note:

- (a) During the year ended 31 December 2013, the Boss China, the sole subsidiary of the Company which engaged in trading business in PRC, has signed purchase agreements with several companies to purchase new energy saving media products, energy saving eco-material products and LED illuminant products in relation to the Group trading business. Deposits of RMB40,000,000 (approximately HK\$51,200,000) were paid during the year. As Boss China was involved in malicious litigation from Zhenjiang New District and the case was remanded to Zhenjiang Intermediate People's Court on 29 November 2013 after the above-mentioned purchase agreements were entered into, therefore the deposits and corresponding goods were not yet utilized and delivered as at the reporting date. The Group will try to arrange and complete the above-mentioned transaction after the litigation completed. The Company considered no impairment on deposits because the model of the products stated in the purchase agreements can be altered.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 19. CASH AND BANK BALANCES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Cash and bank balances	<b>4,385</b>	66,211	<b>537</b>	2,036
Time deposits	<b>6,557</b>	11,273	<b>6,557</b>	11,273
	<b>10,942</b>	77,484	<b>7,094</b>	13,309

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") was RMB5,853,000 (2012: RMB59,316,000) (equivalent to approximately HK\$7,492,000 (2012: HK\$73,908,000)). The RMB is not freely convertible into other currencies, however, under Mainland China's 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 banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposits rate. The bank balances are deposited with credit worthy banks with no recent history of default. The carrying amounts of the bank balances and cash approximate to their fair values.

As at 31 December 2012, bank balance of a subsidiary, Boss China, of approximately RMB49,113,000 (equivalent to HK\$61,194,000) was frozen by Zhenjiang New District Public Security Bureau. In February 2013, the frozen balance of RMB49,113,000 was released. Instead, bank balance of approximately RMB23,500,000 (equivalent to HK\$29,281,000) was frozen by Zhenjiang Intermediate People's Court for six months. On 6 March 2013, Boss China received court summons ("the Prosecution") in relation to a company as plaintiff (the "Plaintiff") who claimed Boss China has not delivered the goods to the Plaintiff according to the copper foil supply contract between Boss China and the Plaintiff which signed on 31 January 2011. The above mentioned frozen bank account balance of RMB23,500,000 was in relation with the Prosecution. On 19 August 2013, Zhenjiang Intermediate People's Court made the Civil Judgment on 14 August 2013 that the court ruling dismissed the plaintiff's entire claim and the freezing order against the bank account balance amounting to RMB23.5 million of Boss China has been discharged on 20 August 2013 as informed by Boss China.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 20. CONVERTIBLE BONDS

On 30 December 2009, the Company issued zero-coupon convertible bonds (the "Convertible Bonds") with a nominal value of HK\$595,000,000 as part of the consideration of HK\$600,000,000 for acquiring 100% equity interest in Legend Century Investments Limited and its subsidiaries. The Convertible Bonds are interest-free and convertible at the option of the bondholders into ordinary shares of the Company on or before 30 December 2012 at a conversion price of HK\$0.125 (subject to change) each. On 15 June 2010, the conversion price for the Convertible Bonds had been adjusted to HK\$0.037 per share as a result of the completion of the Rights Issues issued on 8 July 2010. The Company has the right to mandatorily convert the outstanding of the Convertible Bonds at the maturity date on 30 December 2012.

The details and the movement of the Convertible Bonds during the reporting periods and outstanding as at end of the reporting period were as follows:

	<b>Nominal value</b>	<b>Equity component</b>
	HK\$'000	HK\$'000
Balance at 1 January 2010	595,000	460,768
Less: amount converted into the shares of the Company on 7 July 2010	(89,403)	(69,234)
Balance at 31 December 2011, 31 December 2012, 1 January 2013 and 31 December 2013	<u>505,597</u>	<u>391,534</u>

As at 31 December 2012, the conversion right to convert the outstanding Convertible Bonds have been expired. On 25 February 2013, the Company received the lawyer's letter from Hau, Lau, Li & Yeung Solicitors & Notaries acting for Ocean Space Development Limited, which require the Company to pay back Convertible Bonds holders in the sum of HK\$505,597,736. During the year ended 31 December 2013, according to the circular of the Company dated 22 May 2013, the Company and the Convertible Bonds holders entered into a conditional Deed of Amendment on 18 April 2013 to (i) extend the maturity date of the outstanding Convertible Bonds for a further terms of 3 years from 30 December 2012 to 30 December 2015, being the revised maturity date; (ii) clarify that any outstanding Convertible Bonds not converted on the revised maturity date due to conversion restrictions will be cancelled. All other terms of the Convertible Bonds shall remain unchanged and valid.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 21. SHARE CAPITAL

### (a) Shares

	2013 HK\$'000	2012 HK\$'000
Authorised:		
30,000,000,000 ordinary shares of HK\$0.01 each	<b>300,000</b>	300,000
Issued and fully paid:		
6,635,001,932 ordinary shares of HK\$0.01 each	<b>66,350</b>	66,350

### (b) Share options

Details of the Company's share option scheme are included in note 22 to the consolidated financial statements.

## 22. SHARE OPTION SCHEME

Pursuant to a written resolution of all the shareholders of the Company passed on 16 July 2002, the Company adopted a share option scheme (the "Old Scheme") for the purpose of providing incentive to directors, employees and consultants, unless otherwise cancelled or amended, will expire on 30 July 2012.

Pursuant to an extra-ordinary general meeting of all the shareholders passed on 24 November 2010, the Old Scheme of the Company was terminated and a new share option scheme ("New Scheme") was adopted for the purpose of providing incentive to directors, employees and consultants. Unless otherwise cancelled or amended, the expiry date will be on 23 November 2020.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options grant and yet to be exercised under the New Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK\$5,000,000 in the 12 month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

A consideration of HK\$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the New Scheme at any time during a year to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 22. SHARE OPTION SCHEME (Continued)

Details of the options granted under the Old Scheme and outstanding at 31 December 2013 are as follows:

Grantee	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2013	Exercise price per share option HK\$
			Outstanding as at 1 January 2013	Granted during the year	Expired during the year	Exercised during the year		
<b>Directors</b>								
Xiang Xin	9 April 2008	9 April 2008–8 April 2013	14,973,262	-	(14,973,262)	-	0.0935	
Zhang Zhan Liang	9 April 2008	9 April 2008–8 April 2013	7,486,631	-	(7,486,631)	-	0.0935	
			<b>22,459,893</b>	<b>-</b>	<b>(22,459,893)</b>	<b>-</b>		
<b>Employees</b>								
	9 April 2008	9 April 2008–8 April 2013	14,973,262	-	(14,973,262)	-	0.0935	
			<b>37,433,155</b>	<b>-</b>	<b>(37,433,155)</b>	<b>-</b>		

Details of the options granted under the Old Scheme and outstanding at 31 December 2012 are as follows:

Grantee	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2012	Exercise price per share option HK\$
			Outstanding as at 1 January 2012	Granted during the year	Lapsed during the year	Exercised during the year		
<b>Directors</b>								
Xiang Xin	9 April 2008	9 April 2008–8 April 2013	14,973,262	-	-	-	14,973,262	0.0935
Zhang Zhan Liang	9 April 2008	9 April 2008–8 April 2013	7,486,631	-	-	-	7,486,631	0.0935
			<b>22,459,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,459,893</b>	
<b>Employees</b>								
	9 April 2008	9 April 2008–8 April 2013	14,973,262	-	-	-	14,973,262	0.0935
			<b>37,433,155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,433,155</b>	

Under the New Scheme, no options was granted since the adoption date 24 November 2010 and there is no outstanding options as at 31 December 2013 and 31 December 2012.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 22. SHARE OPTION SCHEME (Continued)

Notes:

- (a) (i) The options granted on 9 April 2008 were measured using the Black-Scholes Option Pricing Model (the "Model") which was performed by an independent valuer, RHL Appraisal Limited. The inputs into the Model are summarised as follows:

Date of grant	9 April 2008
Expected volatility	97.99%
Expected life	5 years
Risk-free interest rate	2.113%
Expected annual dividend yield	Nil
Fair value per option	HK\$0.18606

- (ii) The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period of five years from the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company shares set out above.
- (iii) The risk free rate is the yield of the 5-year Hong Kong Exchange Fund Notes as at the date of grant.
- (iv) The closing market price per ordinary share of HK\$0.01 each of the Company immediately before the date on which the options were granted as quoted in the Hong Kong Stock Exchange's daily quotation sheets was HK\$0.23.

## 23. RESERVES

### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Company

	Share premium account HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Equity component of convertible bonds HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	235,563	5,117	14,879	391,534	(577,850)	69,243
Total comprehensive loss for the year	-	-	-	-	(5,932)	(5,932)
At 31 December 2012 and 1 January 2013	235,563	5,117	14,879	391,534	(583,782)	63,311
Total comprehensive loss for the year	-	-	-	-	(4,791)	(4,791)
Realised of reserve upon share option lapsed	-	(5,117)	-	-	5,117	-
At 31 December 2013	235,563	-	14,879	391,534	(583,456)	58,520

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 23. RESERVES (Continued)

### (b) Company (Continued)

Notes:

- i. On 16 July 2002, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company acquired the entire issued share capital of the then holding company of a group of companies comprising the Group prior to the Reorganisation through a share swap and became the holding company of the companies in the Group.

The special reserve of the Company represents the difference between the underlying net assets of the companies in the Group acquired by the Company as at the date of the Reorganisation, and the nominal amount of the Company's share capital issued as consideration for the acquisition.

- ii. Under section 34 of the Companies Law of the Cayman Islands, the special reserve and share premium account is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the special reserve and share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

### (c) Nature and purpose of reserves

#### (i) Special reserve

Special reserve represents the difference between the nominal value of shares issued by the Company as consideration and the underlying net assets of the then subsidiaries acquired pursuant to the group reorganisation in relation to the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 31 July 2002.

#### (ii) Capital reserve

The Company had made a capital contribution to a subsidiary but no equivalent capital was injected by the non-controlling interest. Capital reserve represents the difference between the capital injected by the Company and the adjustment of non-controlling interest.

## 24. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	1,481	1,935
In the second to fifth years, inclusive	1,736	1,204
	<b>3,217</b>	3,139

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 25. CONTINGENT LIABILITIES

As at 31 December 2013, the Group and the Company did not have any significant contingent liabilities (2012: Nil).

## 26. RELATED PARTY TRANSACTIONS

- (i) Save as those disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	<i>Notes</i>	<b>Group</b> <b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
New Era Group (China) Limited	<i>(a)</i>		
Rental paid		<b>960</b>	960
Rental deposit paid		<b>160</b>	160
New Era Foundation (China) Limited	<i>(b)</i>		
Rental paid		<b>656</b>	639
Rental deposit paid		<b>115</b>	187

*Notes:*

- (a) The Company entered into a tenancy agreement (the "Tenancy Agreement A") with New Era Group (China) Limited ("New Era"), a company of which Mr. Xiang Xin, a director of the Company, has control. Pursuant to the Tenancy Agreement A, New Era agreed to lease to the Company an office premise for a term of 36 months commencing on 1 July 2008. The Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to New Era. The deposit was included in prepayments, deposits and other receivables (note 18) in the statement of financial position. On 1 January 2011, the term of Tenancy Agreement A has been extended a 36 months commencing from 1 July 2011, agreed by both the Company and New Era.
- (b) On 1 December 2009, a subsidiary of the Company, Boss China entered into a tenancy agreement (the "Tenancy Agreement B") with New Era Foundation (China) Limited ("New Era China"), a company of which Mr. Xiang Xin, a director of the Company, has control. Pursuant to the Tenancy Agreement B, New Era China agreed to lease to Boss China an office premises for a term of 48 months commencing on 1 January 2010, Boss China shall pay a deposit of RMB90,000 (equivalent to approximately HK\$115,000) (2012: RMB150,000, equivalent to approximately HK\$187,000) and a monthly rental of RMB43,000 to New Era China with no rent free period.

On 31 December 2013, New Era China agreed to lease to Boss China an office premise for a term of 36 months commencing on 1 January 2014, Boss China shall pay a deposit of RMB90,000 (equivalent to approximately HK\$115,000) and a monthly rental of approximately RMB43,000 to New Era China with no rent free period. The deposit was included in prepayments, deposits and other receivables (note 18) in the consolidated statement of financial position.

The related party transactions were conducted on terms negotiated between the Company and the related companies.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 26. RELATED PARTY TRANSACTIONS (Continued)

- (ii) Compensation of key management personnel of the Company:

	2013 HK\$'000	2012 HK\$'000
Salaries, allowances and benefits in kind	611	621
Equity-settled share option expenses	–	–
Pension scheme contributions	9	2
	<b>620</b>	623

Further details of directors' emoluments are included in note 7 to the financial statements.

## 27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

### Financial assets

#### The Group

	Available-for-sale investment		Loans and receivables	
	For the year ended 31 December		For the year ended 31 December	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Available-for-sale investment	22,800	22,800	–	–
Financial assets included in prepayments, deposits and other receivables	–	–	10,068	1,841
Trade receivables	–	–	10,613	8,777
Cash and bank balances	–	–	10,942	77,484
	<b>22,800</b>	22,800	<b>31,623</b>	88,102

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### Financial liabilities

#### The Group

	Financial liabilities at amortised cost	
	For the year ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Financial liabilities included in other payables and accruals	463	474

### Financial assets

#### The Company

	Available-for-sale investment		Loans and receivables	
	For the year ended 31 December		For the year ended 31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investment	22,800	22,800	-	-
Financial assets included in prepayments, deposits and other receivables	-	-	174	169
Due from subsidiaries	-	-	69,762	68,024
Cash and bank balances	-	-	7,094	13,309
	22,800	22,800	77,030	81,502

### Financial liabilities

#### The Company

	Financial liabilities at amortised cost	
	For the year ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Financial liabilities included in other payables and accruals	256	274

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 28. FINANCIAL RISK MANAGEMENT

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

### Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in a market interest rate.

### Foreign currency risk

The Group has minimal foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities in United States Dollar ("USD"), Renminbi ("RMB") and Hong Kong dollar ("HKD"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in exchange rate of RMB, with all other variable held constant, of the Group's loss before tax.

	<b>Change in exchange rate</b>	<b>Increase/ (decrease) in loss before tax</b>	<b>Increase/ (decrease) in equity*</b>
		HK\$'000	HK\$'000
<b>31 December 2013</b>			
If HKD weakens against RMB	<b>5%</b>	<b>(3,102)</b>	–
If HKD strengthens against RMB	<b>5%</b>	<b>3,102</b>	–
<b>31 December 2012</b>			
If HKD weakens against RMB	5%	(635)	–
If HKD strengthens against RMB	5%	635	–

\* Excluding retained profits/accumulated losses

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 28. FINANCIAL RISK MANAGEMENT *(Continued)*

### **Credit risk**

The carrying amounts of the cash and bank balances and trade receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has concentration of credit risk as 100% (2012: 100%) of the trade receivables due from the Group's five largest customers.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector.

### **Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

### **Fair value**

Except as disclosed in note 15 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

### **Capital management**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 28. FINANCIAL RISK MANAGEMENT *(Continued)*

### Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes other payables and accruals and due to a director, less cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Other payables and accruals	<b>463</b>	474
Less: Cash and bank balances	<b>(10,942)</b>	(77,484)
Net cash	<b>(10,479)</b>	(77,010)
Total capital:		
Equity attributable to owners of the Company	<b>131,820</b>	137,964
Capital and net debt	<b>121,341</b>	60,954
Gearing ratio	<b>N/A</b>	N/A

## 29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 March 2014.

# FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The financial statements for the years ended 31 December 2009 had been disclaimed by the auditors of the Company. Details of the disclaimer has been set out in the 2009 annual report of the Company.

## RESULTS

	Year ended 31 December				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
REVENUE	<b>67,836</b>	227,908	85,367	37,108	51,183
Cost of sales	<b>(65,426)</b>	(220,698)	(79,222)	(36,730)	(50,589)
Gross profit	<b>2,410</b>	7,210	6,145	378	594
Other income and gains	<b>957</b>	589	2,313	2,776	608
Administrative and other operating expenses	<b>(11,289)</b>	(11,544)	(8,517)	(12,193)	(8,906)
Impairment of assets of a disposal group	-	-	-	-	(39,655)
Other impairment losses	-	-	(502,279)	-	(2,415)
LOSS BEFORE TAX	<b>(7,922)</b>	(3,745)	(502,338)	(9,039)	(49,774)
Income tax expenses	-	-	-	-	-
LOSS FOR THE YEAR	<b>(7,922)</b>	(3,745)	(502,338)	(9,039)	(49,774)
Attributable to:					
Owners of the Company	<b>(7,891)</b>	(3,771)	(502,368)	(8,813)	(49,774)
Non-controlling interests	<b>(31)</b>	26	30	(226)	-
	<b>(7,922)</b>	(3,745)	(502,338)	(9,039)	(49,774)

## ASSETS AND LIABILITIES

	As at 31 December				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
TOTAL ASSETS	<b>132,283</b>	138,438	186,199	655,664	528,107
TOTAL LIABILITIES	<b>(463)</b>	(474)	(45,121)	(14,788)	(29,182)
NET ASSETS	<b>131,820</b>	137,964	141,078	640,876	498,925