Annual Report 2013

China Bio Cassava Holdings Limited
中國生物資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8129)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Kwan Kin Chung *(Managing Director)*
Mr. Yu Huaguo
Mr. Tam Kam Biu William
Mr. Poon Yu Keung
Mr. Hung Ching Fung

NON-EXECUTIVE DIRECTOR

Mr. Leung Lap Yan *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Wing Tung
Mr. Ko Wai Lun Warren

COMPLIANCE OFFICER

Mr. Tam Kam Biu William

AUDIT COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Ko Wai Lun Warren

REMUNERATION COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Ko Wai Lun Warren

NOMINATION COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Ko Wai Lun Warren

AUTHORISED REPRESENTATIVES

Mr. Kwan Kin Chung
Mr. Tam Kam Biu William

COMPANY SECRETARY

Mr. Tam Kam Biu William

AUDITORS

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

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1810, 18/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR 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 Island

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS

as to Hong Kong law
Michael Li & Co.
19/F., Prosperity Tower
No. 39 Queen's Road Central, Central
Hong Kong

as to Cayman Islands law
Maples and Calder
53rd Floor The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

8129

WEBSITE ADDRESS

www.bio-cassava.com

Management's Discussion and Analysis

HIGHLIGHTS OF THE YEAR

The Group recorded turnover of HK$5,878,000 for the year ended 31 December 2013, representing an increase of 38.8% from the previous year.

The Group recorded HK$1,649,000 of interest income for the year 2013, derived from the new money lending business which commenced during third quarter of 2013. Interest revenue for the year 2013 represents about 28.1% of turnover for the year. Q9 CIS and Qcode CIS package sales and software licensing revenue to institution customers for the year 2013 recorded an increase of 8.1% from the previous year. Sales of third party products for the year recorded a decrease of 54.6% from the previous year.

The Group's total operating expenses in 2013 increased by HK$2,490,000 from 2012, representing an increase of 20.6% from that of the previous year, mainly attributable to the increase in general and administrative expenses of HK$3,388,000 as a result of commencement of the new money lending business in third quarter of the year ended 31 December 2013, which did not exist for the year ended 31 December 2012.

The Group recorded a loss attributable to owners of the Company for the year 2013 of HK$8,884,000 (2012: HK$8,480,000). The loss per share was HK$0.36 cent (2012: HK$0.41 cent).

RESULTS

The consolidated turnover of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 amounted to HK$5,878,000, representing an increase of 38.8% from the previous year. Loss attributable to owners of the Company for the year 2013 of HK$8,884,000 (2012: HK$8,480,000). The loss per share was HK$0.36 cent (2012: HK$0.41 cent).

REVIEW OF OPERATIONS

The Group has continued to promote its existing products and diversified into provision of financing services during 2013. On 28 June 2013, the Group has acquired 100% interest of Fortune Credit Limited which is engaged in money lending business in Hong Kong. The loan interest income of the Group for the year ended 31 December 2013 since the above-mentioned acquisition was HK$1,649,000, which represented 28.1% of the Group's turnover. This encouraging results had contributed HK$929,000 segment profit to the Group.

During the year, the Group's total operating expenses in 2013 increased by HK$2,490,000 from 2012, representing an increase of 20.6% from that of the previous year, mainly attributable to the increase in general and administrative expenses of HK$3,388,000 as a result of commencement of the new money lending business in third quarter of the year ended 31 December 2013, which did not exist for the year ended 31 December 2012.

OTHER MAJOR EVENTS

Placing of new shares

On 18 January 2013, the Company entered into a placing agreement with Pinestone Securities Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 400,000,000 placing shares to the placees who and whose ultimate beneficial owners is independent third parties at a price of HK$0.10 per placing share (the "Placing").

The condition of the Placing has been fulfilled and the completion of the Placing took place on 31 January 2013. The net proceeds from the Placing, after deducting the placing commission and other related expenses payable by the Company, are approximately HK$38.7 million.

Warrants

In February 2011, the Company issued up to the maximum of 800,000,000 listed warrants by the way of private placing. Each warrant conferring the right to subscribe for one new share at the subscription price of HK$0.059 during the two-year period from 18 February 2011 to 17 February 2013 (or the last business day before 17 February 2013, if 17 February 2013 is not a business day) (both dates inclusive). Following the Share Consolidation with effect from 28 June 2012, the subscription price of the warrants was adjusted from HK$0.059 per share to HK$0.236 per consolidated share and the total number of the shares to be issued upon exercise of the subscription rights thereunder shall be adjusted from 800,000,000 shares to 200,000,000 consolidated shares in accordance with the terms of the warrant instrument.

During the year, registered holders of 30,075,000 units of the Warrants exercised their rights to subscribe for 30,075,000 shares of the Company of HK$0.01 each with the subscription price of HK$0.236 per share. Up to the date of expiry of the Warrants, 169,925,000 warrants had expired and 30,075,000 warrants had been exercised. The net proceeds of approximately HK$7,098,000 were received by the Company for use as general working capital of the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Grant of share options

Pursuant to the Company's announcement on 10 January 2014, the Company offered to grant share options to subscribe for an aggregate of 248,090,000 ordinary shares of HK$0.01 each in the capital of the Company to certain eligible participants. Among the total of 248,090,000 share options, 9,000,000 share options were granted to the directors of the Company. Details of which are set out in the Company's announcement dated 10 January 2014.

PROSPECTS

In the view of satisfactory results in provision of financing services for the year ended 31 December 2013, the Group will continue to provide resources and supports for obtaining growth in profitability in financing services for the future. The Group will also continue its marketing effort in promoting Q9 CIS & Qcode CIS to institutional customers and the end user markets with minimum resources.

Currently, the Group does not have any commitment or future plans for material investments and capital assets.

COMMITMENTS

The Group has no credit facilities and no borrowing outstanding as at 31 December 2013 (2012: Nil).

(a) Capital commitments

At 31 December 2013, the Group had no capital commitment (2012: Nil).

(b) Commitments under operating leases

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

	2013	2012
	HK$'000	HK$'000
Within one year	**1,502**	550
In the second to the fifth years inclusive	**408**	293
	1,910	843

(c) Other commitment

At 31 December 2013, the Group had no other commitment (2012: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has no interest bearing debt. The Group relies on its internal resources, the net proceeds from its IPO and the subsequent issue of warrants and rights issue as the sources of funding. The Group keeps most of its cash in Hong Kong dollars in the bank accounts and a minimum amount of cash in Renminbi in the bank account of its subsidiaries in the PRC as working capital of the Group.

There was no charge on the Group's assets as at 31 December 2013 (2012: Nil).

The Group had no debt as at 31 December 2013 (2012: Nil).

The gearing ratio of the Group, based on total debt to shareholder's equity, was nil as at 31 December 2013 (2012: Nil).

ORDER BOOK

Due to the nature of the Group's business, the Group does not maintain an order book.

INVESTMENT

There was no significant investment made during the year ended 31 December 2013.

ACQUISITION, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 11 June 2013, Q9-Tech Energy Development Limited ("Q9-Tech"), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Mr. Li Kwong and Jolly Fortune International Finance Limited (collectively known as "Vendors"), pursuant to which Q9-Tech agreed to acquire 100% of the share capital (the "Sale Shares") in Fortune Credit Limited ("Fortune Credit") from the Vendors. The final consideration paid on the completion of the sale and purchase of the Sale Shares was approximately HK$4,052,000 (adjusted amount), being a sum equivalent to the net asset value of Fortune Credit as at the date of the Agreement plus a premium of approximately HK$600,000. The acquisition has been completed on 28 June 2013.

Save at disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries or affiliated companies for the year ended 31 December 2013 (2012: Nil).

HUMAN RESOURCES

Staff number

As at 31 December 2013, the Group employed 33 staff (2012: 28). Total staff costs, including directors' emoluments were approximately HK$8.2 million for the year ended 31 December 2013 as compared with those of approximately HK$5.7 million in 2012.

Remuneration policies

The Group remunerated its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to the eligible staff by reference to the Group's performance as well as individual's performance.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently does not have any commitment or future plans for material investments and capital assets.

HEDGING POLICY

The Group does not have any material exposure to fluctuations in exchange or interest rates. Therefore, no hedging measures have been taken at present.

CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 December 2013 (2012: Nil).

CREDIT POLICY

The credit terms given to customers are generally based on the financial strengths of individual customers. The Group generally allows an average credit term of 30-90 days to its trade customers.

SEGMENTAL INFORMATION

Details of the segmental information are set out in Note 5 to the consolidated financial statements.

Chairman's Statement

Dear Shareholders,

Riding on the development trend of 2012, the Group continued to conduct business transformation, and completed the acquisition of Fortune Credit Limited, which is engaged in money lending business, on June 28, 2013. So far, Fortune Credit Limited has contributed HK$1,649,000 revenue to the Group, which is a good start. The management of the Group will, as always, make greater efforts for the shareholders' benefits.

The Group's existing Q9 CIS maintained the stable development in the year. It's expected to develop new software on this basis and seek new breakthroughs, as well as make every effort to bring a positive value for shareholders.

Leung Lap Yan
Chairman

Hong Kong, 24 March 2014

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices ("Code") set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") takes effect from 1 January 2005. The Company is committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. The Company has complied with the Code throughout the year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adapted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rule. The Company has also made specific enquiry of the directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

MINIMUM NUMBERS OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE MEMBERS

Following the resignation of Mr. Tsang Wai Wa on 14 March 2014, the Company has two independent non-executive directors ("INEDs") and two audit committee members, the number of which fell below the minimum number required under Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. Further, the number of INED fell below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules. The Company is actively identifying suitable candidate to fill the vacancy in order to comply with the requirements of the GEM Listing Rules.

BOARD OF DIRECTORS

The Board comprises of eight members, including five executive directors (namely Messrs. Kwan Kin Chung, Yu Huaguo, Tam Kam Biu William, Poon Yu Keung and Hung Ching Fung), a non-executive director (namely Mr. Leung Lap Yan) and two INEDs (namely Messrs. Chow Wing Tung and Ko Wai Lun Warren). The directors' biographical details are set out on pages 19 to 20 of this annual report.

Mr. Leung Lap Yan takes up the role of Chairman and no chief executive officer is appointed by the Company. However, the roles of the Managing Director of the Company, Mr. Kwan Kin Chung, are similarly to chief executive officer. The Chairman's roles are convening meetings of the Board and make decision of the Group's business strategies. The Managing Director's responsibilities are to participate in the decision on essential matters of the Company and to monitor and manage the daily business of the Company. The roles and responsibilities of the two posts are well distinct.

The Board of directors is accountable to shareholders for the activities and performance of the Group and for the preparation of financial statements which give a true and fair view. It oversees the Group's overall strategic plans, reviews the financial performance, supervises the management of the business and affairs and approves the strategic plans. The Board delegates the corporate matters to Management of the Group, including preparation of annual, interim and quarterly accounts, execution of the business strategies and adopted by the Board, implementation of internal controls system and compliance with relevant statutory requirement and other rules and regulations. Management is required to present an annual budget and proposals for major investment, addition of capital assets, and changes in business strategies for the Board's approval.

The Directors have been informed of the requirement under Code Provision A.6.5 of the Code regarding continuous professional development. For the year ended 31 December 2013, the Company has received training information from each Director, pursuant to the content of which, the Company considers that all Directors complied with the requirements under Code Provision A.6.5 of the GEM Listing Rules.

During the year, the Board held four meetings to exercise its duties including discussing and making decisions on the Group's business strategic development, finance matters, material operational matters and other matters as required.

Currently, at every annual general meeting of the Company, all directors including the INEDs shall retire from office by rotation. A retiring director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

Both INEDs come from professional backgrounds and one of them possess the appropriate accounting and financial management expertise. The INEDs render their valuable expertise and experience for safeguarding the best interests of the Group. The Company has received from each of the INEDs the annual confirmation of his independent pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the INEDs are independent.

Mr. Ko Wai Lun Warren was appointed as an INED on 13 February 2014 and has an appointment for a term of three years with the Company. He is subject to retirement by rotation and re-election at every annual general meeting of the Company. Apart from this, the INEDs and the non-executive director of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at every annual general meeting of the Company.

The Board has established committees, namely Audit Committee, Remuneration Committee and Nomination Committee to oversee other particular aspects of the Company's affairs.

Corporate Governance Report

Statistics of director's attendance at the regular Board Meeting:

Directors	Attendance at Board Meetings/No. of Board Meeting held
Executive Directors	
Mr. Kwan Kin Chung *(Managing Director)*	4/4
Mr. Yu Huaguo *(appointed on 8 March 2013)*	4/4
Mr. Tam Kam Biu William	4/4
Mr. Poon Yu Keung *(appointed on 26 June 2013)*	2/2
Mr. Hung Ching Fung *(appointed on 29 August 2013)*	1/1
Mr. Wan Xiaolin *(resigned on 26 June 2013)*	0/2
Non-executive Directors	
Mr. Leung Lap Yan *(Chairman)*	4/4
Mr. Leung Lap Fu Warren *(resigned on 29 November 2013)*	4/4
Independent Non-executive Directors	
Mr. Chow Wing Tung *(appointed on 26 June 2013)*	1/2
Mr. Ko Wai Lun Warren *(appointed on 13 February 2014)*	N/A
Mr. Ip Chi Wai *(resigned on 14 November 2013)*	4/4
Mr. Tse Wang Cheung Angus *(resigned on 19 November 2013)*	4/4
Mr. Tsang Wai Wa *(resigned on 14 March 2014)*	3/4

REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted in March 2012 with defined terms of reference. It's role is to review and determine the policy for the remunerations of the directors and other senior management members. Currently, it comprises two INEDs, namely Mr. Chow Wing Tung (as the Chairman of the Remuneration Committee) and Mr. Ko Wai Lun Warren.

The Committee held a meeting during the year to discuss the policy and structure of the remuneration of the directors and other senior management members.

The Remuneration Committee is mainly responsible for:

(a) Formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff. Performance shall be measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration policy laid down by the Board;

(b) Establishing guidelines for the recruitment of the chief executive and senior management;

(c) Recommending to the Board the policy and structure for the remuneration of directors (including non-executive directors, and the chief executive as an ex-officio member) and senior management whilst ensuring no director or any of his associates is involved in deciding his own remuneration;

(d) Determining the remuneration of executive directors (including the chief executive who is an ex-officio member) and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The chairman and/or the chief executive shall be consulted respectively about their proposals relating to the remuneration of the chief executive and/or senior management, as the case may be;

(e) Reviewing and approving the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive directors and senior management which shall be fair and non excessive;

(f) Determining the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;

(g) Considering the annual performance bonus for executive directors, senior management, and the general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendation to the Board;

(h) Engage such external professional advisors to assist and/or advise the Committee on issues as it considers necessary;

(i) Do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and

(j) Conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by applicable legislation and regulations.

Statistics of Remuneration Committee members' attendance at the Remuneration Committee Meeting:

Members	**Attendance at Remuneration Committee Meeting/ No. of Remuneration Committee Meeting held**
Mr. Chow Wing Tung *(Chairman)* *(appointed on 26 June 2013)*	0/1
Mr. Ko Wai Lun Warren *(appointed on 13 February 2014)*	N/A
Mr. Ip Chi Wai *(former Chairman)* *(resigned on 14 November 2013)*	1/1
Mr. Tse Wang Cheung Angus *(resigned on 19 November 2013)*	1/1
Mr. Tsang Wai Wa *(resigned on 14 March 2014)*	1/1

NOMINATION COMMITTEE

The Nomination Committee was formed in March 2012 with defined terms of reference. It is mainly responsible for the formulation of the nomination policy, reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service) of the Board, nomination of candidates to fill casual vacancies of elected directors, assessing non-executive directors' independence, reviewing the time required from a director to perform his responsibilities, and making recommendations to the Board on the succession planning for the chairman, the chief executive as well as the senior management. Currently, it comprises two INEDs, namely Mr. Chow Wing Tung (as the Chairman of the Nomination Committee) and Mr. Ko Wai Lun Warren.

The Nomination Committee shall meet as least annually and whenever it considers necessary.

During the year, the Board held a meeting to review the structure, size and composition of the Board.

Statistics of Nomination Committee members' attendance at the Nomination Committee Meeting:

Name of member	Attendance at Nomination Committee Meeting/ No. of Nomination Committee Meeting held
Mr. Chow Wing Tung *(Chairman)* *(appointed on 26 June 2013)*	0/1
Mr. Ko Wai Lun Warren *(appointed on 13 February 2014)*	N/A
Mr. Tse Wang Cheung Angus *(former Chairman)* *(resigned on 19 November 2013)*	1/1
Mr. Ip Chi Wai *(resigned on 14 November 2013)*	1/1
Mr. Tsang Wai Wa *(resigned on 14 March 2014)*	1/1

AUDIT COMMITTEE

The Audit Committee has been established since the listing of the Company on the GEM Board. Currently, it comprises two INEDs, namely Mr. Chow Wing Tung (as the Chairman of the Audit Committee) and Mr. Ko Wai Lun Warren. The term of reference describing the authorities and duties of the Audit Committee were adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountant and the Code Provision published by the Stock Exchange of Hong Kong Limited.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders.

Statistics of Audit Committee members' attendance at the Audit Committee Meeting:

Name of member	Attendance at Audit Committee Meetings/ No. of Audit Committee Meeting held
Mr. Chow Wing Tung *(Chairman)* *(appointed on 26 June 2013)*	1/2
Mr. Ko Wai Lun Warren *(appointed on 13 February 2014)*	N/A
Mr. Ip Chi Wai *(resigned on 14 November 2013)*	4/4
Mr. Tse Wang Cheung Angus *(resigned on 19 November 2013)*	4/4
Mr. Tsang Wai Wa *(former Chairman)* *(resigned on 14 March 2014)*	3/4

COMPANY SECRETARY

The secretary of the Company is Mr. Tam Kam Biu William, whose biography details are set out in the section headed "Biographical Details of Directors" in this annual report.

Mr. Tam has been informed of the requirement of the Rule 5.15 of the GEM Listing Rules, and he confirmed that he had attained no less than 15 hours of relevant professional training during the year ended 31 December 2013.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that an adequate system of internal controls is maintained in place within the Group, and for reviewing its effectiveness together with the Audit Committee.

The internal control system of the Group comprises of a well defined management structure with specified limits of authority and control procedures, designed to achieve the following objectives: (a) ensure proper maintenance of account records; (b) ensure the completeness and accuracy of accounting transactions recorded in the accounting system, and timely reporting of actual financial results of the Group with comparison against budgets; (c) safeguard the Group's assets and management acts within its limits of authorities; and (d) ensure compliance with relevant legislation, regulations and listing rules, including but not limited to the present a balanced, clear and understandable assessment and regular review of the Group's financial reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

The Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control system of the Group. All material financial results and internal control system of the Group have been discussed and reviewed.

Management maintains and monitors the system of internal controls on an ongoing basis. Based on the evaluations made by the Board and external auditors, the Audit Committee is satisfied that the Group has fully complied with the Code Provisions on internal controls during the year as set forth in the Code; except that an internal audit function has not been set up within the Group. Nevertheless, nothing has come to the Board's attention to cause the Audit Committee to believe that the existing system of internal control is inadequate or ineffective.

EXTERNAL AUDITORS

During the year, the external auditors, ZHONGLEI (HK) CPA Company Limited, provided its annual audit services, review of the interim results and taxation advisory service to the Group. The Audit Committee is responsible for considering the appointment of the external auditors and reviewing the non-audit functions, if any, performed by the external auditors. In particular, the Audit Committee also considers, before they are contracted for such service, whether such non-audit service could lead to any potential material conflict of interest. Nothing has come to the Board's attention to cause the Audit Committee to believe that the non-audit services provided by the external auditors affect their independence, objectivity and effectiveness in the audit processes in accordance with applicable standards.

The remuneration in respect of services provided by ZHONGLEI (HK) CPA Company Limited for the year ended 31 December 2013 are as follow:

	2013
	HK$
Annual audit services	380,000

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the article 72 of the articles of association of the Company, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures by which enquiries may be put to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Board of Directors/Company Secretary at the Company's principal place of business in Hong Kong. For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may also make enquiries with the Board at the general meetings of the Company.

During the year ended 31 December 2013, there has been no significant change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

Information shall be communicated to shareholders through the Company's financial reports (quarterly, interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, interim reports, quarterly reports, notices of meeting, circulars, proxy forms; (ii) other documents issued by the Company which are published on the website of the GEM of the Stock Exchange for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns (iii) constitutional documents of the Company and board committees, (iv) corporate information including list of Directors; and (v) other corporate publications including the procedures shareholders can use to propose a person for election as a Director on the Company's website.

EXECUTIVE DIRECTORS

Mr. Kwan Kin Chung, aged 44, joined the Group in February 2001 and was appointed as an executive director of the Company. He was appointed as the managing director of the Company in January 2007 and responsible for the restructuring of the group businesses and corporate investments. He is also a director of a number of subsidiaries of the Company. Mr. Kwan held the position as a vice president of Culturecom Holdings Limited (a substantial shareholder of the Company) ("Culturecom") from 1998 to 2002. He is currently the managing director of Culturecom. He holds a Bachelor of Arts in Economics from Zhongshan University, Guangzhou, the PRC.

Mr. Yu Huaguo, aged 47, was appointed as an executive director of the Company on 8 March 2013. He is also a director of a number of subsidiaries. He holds a Master degree of Business Administration from the Hong Kong Polytechnic University. He has over 20 years of experience in finance, capital securities and enterprise management. Mr. Yu was an executive director of Zhuhai Holdings Investment Group Limited (formerly known as Jiuzhou Development Company Limited) ("ZHIGL"), a company whose shares are listed on the Stock Exchange, and a deputy general manager of Zhuhai Jiuzhou Port Group Corporation (a substantial shareholder of ZHIGL) from 2006 to 2008.

Currently, Mr. Yu is the chief executive officer of Culturecom, a company whose shares are listed on the Stock Exchange. He is also a director of Poly Opulence Limited (a member of China Poly Group).

Mr. Tam Kam Biu William, aged 57, joined the Group in January 2000 as a non-executive director of the Company. In August 2000, Mr. Tam became the chief financial officer and in September 2000 as an executive director of the Company. Mr. Tam held the position as the company secretary of the Company from September 2006 to April 2010 and from December 2011. He is also a director of a number of subsidiaries of the Company. Immediately before he joined the Group on a full time basis, Mr. Tam was the chief financial officer, company secretary and executive director of ViaGOLD Capital Limited, a company whose shares are listed on the Australian Stock Exchange. He is also an independent non-executive director of China Technology Solar Power Holdings Limited (a company whose shares are listed on the GEM of the Stock Exchange). Mr. Tam was an independent non-executive director of China Solar Energy Holdings Limited (a company whose shares are listed on the Main Board of the Stock Exchange). Mr. Tam has over 20 years of experience in financial management and corporate finance, gained with a number of Hong Kong listed companies and international groups. Mr. Tam obtained a degree in Master of Business Administration in 1981 from York University in Toronto, Canada and became an associate member of the Hong Kong Institute of Certified Public Accountants in September 1987 and an associate of the Association of Chartered Certified Accountants in May 1988.

Mr. Poon Yu Keung, aged 49, was appointed as an executive director of the Company on 26 June 2013. He is currently an independent non-executive director of Renewable Energy Trade Board Corporation (formerly known as "China Technology Development Group Corporation"), a company whose shares were listed on NASDAQ stock exchange and has voluntarily delisted since February 2013. Mr. Poon was the financial controller and company secretary of ZHIGL, a company whose shares are listed on the Stock Exchange, for the period from April 1998 to December 2011. Prior to joining ZHIGL, he had worked in an international public accounting firm and had assumed the accounting and financial management positions in a number of China affiliated and multinational companies. Mr. Poon graduated from The Hong Kong Polytechnic (now known as "The Hong Kong Polytechnic University") with a Professional Diploma in Accountancy and obtained an Executive Master Degree of Business Administration from The Chinese University of Hong Kong in 2004. He is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over twenty years experience in auditing, accounting and finance.

Mr. Hung Ching Fung, aged 30, was appointed as an executive director of the Company on 29 August 2013. He graduated from Macquarie University in Australia with a Bachelor Degree in Commerce in 2006. Mr. Hung worked as an auditor in Deloitte Touche Tohmatsu and Grant Thornton from 2007 to 2010. He is a full member of CPA Australia.

Biographical Details of Directors

NON-EXECUTIVE DIRECTORS

Mr. Leung Lap Yan, aged 65, was appointed as the chairman and an executive director of the Company in 2001. Mr. Leung has been re-designated as a non-executive director of the Company in May 2007 and remains as the chairman of the Company after the re-designation. Apart from being an inventor, Mr. Leung is a well known script writer, having written such dramas as New Justice Pao, Dynasty and The Pride of Chao Zhou. From 1978 to 1980, Mr. Leung was employed as the manager of programme planning of Rediffusion Television and from 1986 to 1989 as the assistant to the controller of production of Television Broadcasts Limited. During the period 1983 to 1986, he was the director (drama) of the Singapore Broadcasting Corporation. In 1993, he moved to Taiwan where he developed the first version of QCode, a character input system. A year later he worked together with Mr. Lau Man Kin to upgrade QCode and founded the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Wing Tung, aged 39, has been appointed as an independent non-executive director on 26 June 2013. He is the chairman of audit committee, remuneration committee and nomination committee of the Company. Mr. Chow graduated from the University of Toronto with a Bachelor degree in Commerce in 1997. He is the financial controller of Synear Food Holdings Limited ("Synear") since April 2005. Synear and its subsidiaries engage in the manufacture and sales of quick freeze food products in the PRC and whose shares were listed on the Main Board of Singapore Exchange Securities Trading Limited and has voluntarily delisted since December 2013. He worked as an auditor in Deloitte Touche Tohmatsu from January 1998 to December 2003. From January 2004 to January 2005, Mr. Chow was the financial controller of China Paper Holdings Limited, a company engaged in the manufacture and sales of paper and paper chemical products in the PRC and whose shares are listed on the Main Board of Singapore Exchange. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ko Wai Lun Warren, aged 46, has been appointed as an independent non-executive director on 13 February 2014. He is a member of audit committee, remuneration committee and nomination committee of the Company. Mr. Ko was educated in England and Canada. He obtained his Bachelor of Science Degree from Simon Fraser University in Canada and Bachelor of Laws Degree from University of Leeds in England. He is currently a partner at the law firm, Robertsons and specializes in corporate finance work including initial public offerings, mergers and acquisitions, gaming and restructuring. Mr. Ko is a solicitor of The Supreme Court of Hong Kong Special Administrative Region and The Supreme Court of England and Wales.

Mr. Ko is a non-executive director of Global Tech (Holdings) Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 143) and the Singapore Exchange Securities Trading Limited. He is also an independent non-executive director of Li Heng Chemical Fibre Technologies Limited whose shares are listed on the Singapore Exchange Securities Trading Limited.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in Note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 and the state of its affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 33 to 101.

The directors of the Company do not recommend the payment of a dividend.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 38 and Note 31 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 21 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for last five financial years is set out on page 102.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law of Cayman Islands, the Company has no reserves available for distribution to the shareholders as at 31 December 2013 (2012: Nil). The payment of dividends and distribution out of the share premium account is however subject to a solvency test of the Company and the provisions of the Articles of Association of the Company.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the GEM Listing Rules.

DIRECTORS

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

Executive Directors
Mr. Kwan Kin Chung *(Managing Director)*
Mr. Yu Huaguo *(appointed on 8 March 2013)*
Mr. Tam Kam Biu William
Mr. Poon Yu Keung *(appointed on 26 June 2013)*
Mr. Hung Ching Fung *(appointed on 29 August 2013)*
Mr. Wan Xiaolin *(resigned on 26 June 2013)*

Non-executive Directors
Mr. Leung Lap Yan *(Chairman)*
Mr. Leung Lap Fu Warren *(resigned on 29 November 2013)*

Independent Non-executive Directors
Mr. Chow Wing Tung *(appointed on 26 June 2013)*
Mr. Ko Wai Lun Warren *(appointed on 13 February 2014)*
Mr. Ip Chi Wai *(resigned on 14 November 2013)*
Mr. Tse Wang Cheung Angus *(resigned on 19 November 2013)*
Mr. Tsang Wai Wa *(resigned on 14 March 2014)*

In accordance with Article 116 of the Company's Articles of Association, all the directors of the Company retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors of the Company are set out on pages 19 to 20.

DIRECTORS' SERVICE CONTRACTS

None of directors of the Company has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

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

As at 31 December 2013, save for the interest of the directors in share options as below, neither of the directors nor the chief executive of the Company had interests and/or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)("SFO") which (i) are required 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 are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

Share Option

As at 31 December 2013, there were a total of 17,750,000 outstanding share options of the Company granted to the directors of the Company, details of which are summarised in the following table:

		Options to subscribe for shares of the Company							
Director	Date of grant	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2013	Option exercise period	Exercise price per share	Approximate percentage of shareholding
Kwan Kin Chung	29/5/2007	4,000,000	–	–	–	**4,000,000**	29/5/2007 to 28/5/2017	HK$0.450	0.21%
	21/9/2011	1,250,000	–	–	–	**1,250,000**	21/9/2011 to 20/9/2021	HK$0.172	
Tam Kam Biu William	29/5/2007	5,000,000	–	–	–	**5,000,000**	29/5/2007 to 28/5/2017	HK$0.450	0.21%
	21/9/2011	250,000	–	–	–	**250,000**	21/9/2011 to 20/9/2021	HK$0.172	
Wan Xiaolin *(Note 1)*	29/5/2007	3,000,000	–	–	(3,000,000)	**-**	29/5/2007 to 28/5/2017	HK$0.450	-
	21/9/2011	250,000	–	–	(250,000)	**-**	21/9/2011 to 20/9/2021	HK$0.172	
Leung Lap Yan	29/5/2007	2,000,000	–	–	–	**2,000,000**	29/5/2007 to 28/5/2017	HK$0.450	0.09%
	21/9/2011	250,000	–	–	–	**250,000**	21/9/2011 to 20/9/2021	HK$0.172	
Leung Lap Fu Warren	29/5/2007	2,000,000	–	–	–	**2,000,000**	29/5/2007 to 28/5/2017	HK$0.450	0.09%
(Notes 2 & 6)	21/9/2011	250,000	–	–	–	**250,000**	21/9/2011 to 20/9/2021	HK$0.172	
Ip Chi Wai *(Notes 3 & 6)*	29/5/2007	1,000,000	–	–	–	**1,000,000**	29/5/2007 to 28/5/2017	HK$0.450	0.05%
	21/9/2011	250,000	–	–	–	**250,000**	21/9/2011 to 20/9/2021	HK$0.172	
Tse Wang Cheung Angus	29/5/2007	1,000,000	–	–	–	**1,000,000**	29/5/2007 to 28/5/2017	HK$0.450	0.05%
(Notes 4 & 6)	21/9/2011	250,000	–	–	–	**250,000**	21/9/2011 to 20/9/2021	HK$0.172	
Tsang Wai Wa *(Notes 5 & 6)*	21/9/2011	250,000	–	–	–	**250,000**	21/9/2011 to 20/9/2021	HK$0.172	0.01%
Total		21,000,000	–	–	(3,250,000)	**17,750,000**			

Notes:

1 Mr. Wan Xiaolin has resigned as executive director of the Company with effect from 26 June 2013.

2 Mr. Leung Lap Fu Warren has resigned as non-executive director of the Company with effect from 29 November 2013.

3 Mr. Ip Chi Wai has resigned as independent non-executive director of the Company with effect from 14 November 2013.

4 Mr. Tse Wang Cheung Angus has resigned as independent non-executive director of the Company with effect from 19 November 2013.

5 Mr. Tsang Wai Wa has resigned as independent non-executive director of the Company with effect from 14 March 2014.

6 Pursuant to the Share Option Scheme of the Company adopted on 27 April 2007, Mr. Leung Lap Fu Warren, Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Tsang Wai Wa may exercise their options in whole or in part at any time within a period of three months (or such other period as the Board may determine) commencing on the date of his resignation and any option not so exercised shall lapse and determine without compensation at the end of such period.

7 The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 December 2013, all options have been vested.

Save as disclosed above, none of the directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2013.

SHARE OPTION SCHEMES

On 27 April 2007, a new share option scheme (the "New Share Option Scheme") was adopted by the shareholders of the Company and the share option scheme adopted by the Company on 30 April 2002 (the "Old Share Option Scheme") was terminated accordingly on the same date. No share option was outstanding under the Old Share Option Scheme. A summary of the New Share Option Scheme is as follows:

1. Purpose

The purpose of the New Share Option Scheme is to enable the Board to grant options to eligible participants as incentives and/or rewards in recognition or acknowledgement of the contributions that eligible participants have made and/or will make to the Group.

The New Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company and the directors of the Company believe this will motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group and will attract and retain or otherwise maintain an on-going relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Company.

2. Eligible participants

The eligible participants of the New Share Option Scheme may include:

(a) any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or any Invested Entity;

(b) any discretionary trust whose discretionary objects include any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and

(c) any company beneficially owned by any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity.

3. Total number of shares available for issue

As of the date of this annual report, the total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme was 615,280,000 Shares, representing about 24.8% of the shares in issue at the date of this report.

4. Maximum entitlement of each eligible participant

Unless approved by the shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the shares in issue. Where any further grant of options to an eligible participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the shareholders in general meeting with such eligible participant and his associates abstaining from voting. The Company must send a circular to the shareholders and the circular must disclose the identity of the eligible participant, the number and terms of the options to be granted (and options previously granted to such eligible participant).

5. Time of exercise of option

An option shall be exercisable at any time during an option period to be notified by the Board to each grantee, provided that no option shall be exercisable later than ten years after its date of grant.

6. Minimum period for which any option must be held

Unless otherwise determined by the Board at its sole discretion, there is no minimum period for which an option must be held before such an option can be exercised under the terms of the New Share Option Scheme.

7. Amount payable upon acceptance of option

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of an option, which shall be paid on or before the last day by which the offer must be accepted.

8. Basis of determining the exercise price

The exercise price shall be at the discretion of the Board, but it must be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a business day; and (b) the average of the closing prices of the shares as shown on the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

9. The remaining life of the New Share Option Scheme

The New Share Option Scheme shall commence on the date on which the New Share Option Scheme is approved by a resolution of shareholders at a general meeting of the Company and shall continue in force until and including the date immediately preceding the tenth anniversary of the date of commencement.

As at 31 December 2013, options to subscribe for up to an aggregate of 371,940,000 shares of HK$0.01 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the Share Option Scheme are as follows:

		Options to subscribe for shares of the Company						
Category of participant	**Date of grant**	**Outstanding as at 1 January 2013**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 31 December 2013**	**Option exercise period**	**Exercise price per share**
Directors of the Company *(Note 2)*	29/5/2007	18,000,000	–	–	(3,000,000)	**15,000,000**	29/5/2007 to 28/5/2017	HK$0.450
	21/9/2011	3,000,000	–	–	(250,000)	**2,750,000**	21/9/2011 to 20/9/2021	HK$0.172
Employees other than the directors of the Company	29/5/2007	3,000,000	–	–	–	**3,000,000**	29/5/2007 to 28/5/2017	HK$0.450
	21/9/2011	1,375,000	–	–	–	**1,375,000**	21/9/2011 to 20/9/2021	HK$0.172
Consultants	29/5/2007	163,190,000	–	–	–	**163,190,000**	29/5/2007 to 28/5/2017	HK$0.450
	21/9/2011	186,625,000	–	–	–	**186,625,000**	21/9/2011 to 20/9/2021	HK$0.172
Total		375,190,000	–	–	(3,250,000)	**371,940,000**		

Notes:

1 The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 December 2013, all options have been vested.

2 During the year ended 31 December 2013, there were no options being exercised and cancelled, but 3,250,000 options were lapsed.

Details of options granted to directors of the Company under the Share Option Scheme are set out in the sub-section headed "Long Position in Underlying Shares of the Company" under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

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

As at 31 December 2013, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the directors and chief executives) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions in shares of the Company

Name of shareholders	Number of shares	Approximate percentage holding
Winway H.K. Investments Limited	524,622,500	21.15%
Culturecom Holdings Limited *(Note)*	524,622,500	21.15%

Note:

Winway H.K. Investments Limited is a wholly-owned subsidiary of Culturecom Investments Limited, which is, in turn, a wholly-owned subsidiary of Culturecom Holdings (BVI) Limited. Culturecom Holdings (BVI) Limited is a wholly-owned subsidiary of Culturecom Holdings Limited. Each of Culturecom Investments Limited, Culturecom Holding (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 524,622,500 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 31 December 2013, the directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	36.1%
– five largest suppliers combined	94.1%
Sales	
– the largest customer	18.0%
– five largest customers combined	42.8%
Interest Income	
– the largest customer	23.2%
– five largest customers combined	78.9%

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence has been received from each of the independent non-executive directors of the Company and the Company considers all existing independent non-executive directors to be independent.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the directors and the Company and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

Directors' Report

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 10 to 18 of the annual report.

AUDIT COMMITTEE

The Audit Committee, with written terms of reference in compliance with code provision C.3.3 of the Code as set out in Appendix 15 of the GEM Listing Rules, currently comprises two independent non-executive directors, namely Mr. Chow Wing Tung and Mr. Ko Wai Lun Warren. Mr. Chow Wing Tung is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control procedures. The Group's audited annual results has been reviewed by the Audit Committee together with management, which was of the opinion that the preparation of such results were complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITORS

The consolidated financial statements have been audited by ZHONGLEI (HK) CPA Company Limited, who will retire and being eligible at the forthcoming annual general meeting.

On behalf of the Board

Leung Lap Yan
Chairman

Hong Kong, 24 March 2014

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

TO THE MEMBERS OF
CHINA BIO CASSAVA HOLDINGS LIMITED
(中國生物資源控股有限公司)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Bio Cassava Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 101, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

OPINION

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

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Li Man Choi
Practising Certificate Number: P03333

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

24 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	5		
– Interest income		**1,649**	–
– Other income		**4,229**	4,234
		5,878	4,234
Cost of sales		**(150)**	(407)
Gross profit		**5,728**	3,827
Interest income		**6**	1
Selling and distribution expenses		**(1,314)**	(2,258)
Research and development expenses		**(2,896)**	(2,850)
General and administrative expenses		**(10,341)**	(6,953)
Other gains and losses		**(67)**	(247)
Loss before tax		**(8,884)**	(8,480)
Income tax expense	6	**–**	–
Loss for the year	8	**(8,884)**	(8,480)
Loss per share			
– Basic (HK$ cent)	10	**0.36**	0.41
– Diluted (HK$ cent)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(8,884)**	(8,480)
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit and loss:		
Exchange differences arising on translation of foreign operations	**2**	–
Total comprehensive expense for the year	**(8,882)**	(8,480)
Total comprehensive expense attributable to owners of the Company	**(8,882)**	(8,480)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**502**	149
Trade and other receivables – non-current portion	16	**6,500**	–
Intangible assets	12	**–**	–
Goodwill	13	**609**	–
		7,611	149
CURRENT ASSETS			
Inventories	14	**54**	38
Financial assets at fair value through profit or loss	15	**525**	169
Trade and other receivables	16	**19,306**	2,361
Amount due from a director	17	**–**	1
Bank balances and cash	18	**15,425**	2,668
		35,310	5,237
CURRENT LIABILITIES			
Trade and other payables	19	**2,031**	1,900
Amounts due to directors	20	**556**	92
		2,587	1,992
NET CURRENT ASSETS		**32,723**	3,245
NET ASSETS		**40,334**	3,394
CAPITAL AND RESERVES			
Share capital	21	**24,809**	20,508
Reserves		**15,525**	(17,114)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**40,334**	3,394

The consolidated financial statements on pages 33 to 101 were approved and authorised for issue by the board of directors on 24 March 2014 and are signed on its behalf by:

Kwan Kin Chung
Director

Yu Huaguo
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(8,884)**	(8,480)
Adjustments for:			
Interest income		**(6)**	(1)
Depreciation of property, plant and equipment		**110**	138
Fair value losses on financial assets at fair value through profit or loss		**67**	130
Reversal of impairment losses recognised in respect of inventories		**(10)**	–
Impairment losses recognised in respect of trade and other receivables		**242**	–
Loss on disposals of property, plant and equipment		**14**	117
Operating cash flows before movements in working capital		**(8,467)**	(8,096)
Movements in working capital:			
(Increase) decrease in inventories		**(6)**	39
(Increase) decrease in trade and other receivables		**(23,381)**	176
Decrease in amount due from a director		**1**	29
Increase (decrease) in trade and other payables		**87**	(87)
Increase (decrease) in amounts due to directors		**464**	(4)
NET CASH USED IN OPERATING ACTIVITIES		**(31,302)**	(7,943)
INVESTING ACTIVITIES			
Interest received		**6**	1
Purchase of property, plant and equipment		**(485)**	(57)
Proceeds from disposals of property, plant and equipment		**8**	–
Net cash outflow on acquisition of a subsidiary	27	**(1,294)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(1,765)**	(56)

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Proceeds from conversion of warrants to shares	**7,098**	–
Proceeds from placement of new shares	**38,724**	–
NET CASH FROM FINANCING ACTIVITIES	**45,822**	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**12,755**	(7,999)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,668**	10,667
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**2**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**15,425**	2,668

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

		Reserves								
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000 *(Note 23)*	Capital redemption reserve HK$'000	Warrant reserve HK$'000 *(Note 22)*	Reorganisation reserve HK$'000 *(Note below)*	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2012	20,508	120,370	52,684	37	7,090	3,000	(145)	(191,670)	(8,634)	11,874
Loss and total comprehensive expense for the year	–	–	–	–	–	–	–	(8,480)	(8,480)	(8,480)
Lapsed of share options *(Note 23)*	–	–	(1,843)	–	–	–	–	1,843	–	–
At 31 December 2012	20,508	120,370	50,841	37	7,090	3,000	(145)	(198,307)	(17,114)	3,394
Loss for the year	–	–	–	–	–	–	–	(8,884)	(8,884)	(8,884)
Other comprehensive income for the year	–	–	–	–	–	–	2	–	2	2
Total comprehensive expense for the year	–	–	–	–	–	–	2	(8,884)	(8,882)	(8,882)
Placement of new shares *(Note 21)*	4,000	34,724	–	–	–	–	–	–	34,724	38,724
Issue of shares upon exercise of warrant subscription rights *(Note 21)*	301	7,863	–	–	(1,066)	–	–	–	6,797	7,098
Lapsed of warrants *(Note 22)*	–	–	–	–	(6,024)	–	–	6,024	–	–
Lapsed of share options *(Note 23)*	–	–	(555)	–	–	–	–	555	–	–
At 31 December 2013	**24,809**	**162,957**	**50,286**	**37**	**-**	**3,000**	**(143)**	**(200,612)**	**15,525**	**40,334**

Note: The amount represented the reserve arising from group reorganisation of the Company during the year ended 31 December 2000.

1. GENERAL

China Bio Cassava Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the computer software and embedded systems development, sales and licensing of the software and systems, development of biotech renewable energy and the provision of financing services.

The principal activities of the subsidiaries of the Company are set out in Note 32.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied for the first time in the current year the following new and revised Hong Kong Financial Reporting Standards ("HKFR Standards") and Hong Kong Accounting Standards ("HKASs") (HKFR Standards and HKASs are collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Except as described below, the application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards adopted by and relevant to the Group

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impacts of the application of these standards that are relevant to the Company are as follows:

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors made an assessment as at the date of initial application of HKFRS 10 as to whether or not the Group has control over the investees in accordance with the new definition of control and the related guidance set out in HKFRS 10, and concluded that the application of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". 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. However, the amendments to HKAS 1 require additional items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 14	Regulatory Deferral Accounts[4]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 January 2016

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, and in accordance with accounting policies set out below which are in conformity with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

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

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

The principal accounting policies are set out below.

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

Basis of consolidation

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

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

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

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

Business combinations *(Continued)*

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

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of the reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment losses is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss is recognised for goodwill is not reversed in subsequent periods.

On disposals of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposals.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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

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

Revenue from licensing is recognised when the rights to receive payment are established in accordance with the underlying licensing agreement, which is normally when the licensees used the licensing services.

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

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

Leasing

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

The Group as lessee

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

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

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using rate of exchange prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

Retirement benefit costs and short-term employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based payment arrangements

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve.

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

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), and when the counterparties render services, unless the services qualify for recognition as assets.

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

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Taxation *(Continued)*

Deferred tax (Continued)

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

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

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

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

Property, plant and equipment

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

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure (Continued)

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

Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is indication that they may be impaired.

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

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

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

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

Inventories

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

Provisions

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

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

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

Financial instruments

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

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

Financial assets

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

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

Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL *(Continued)*

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses. Fair value is determined in manner described in Note 30 to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a director and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

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

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

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

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

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

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

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

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

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

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to directors are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments is an equity instrument. Otherwise, they would be classified as derivate financial instruments, which are recognised at their fair values at the date of issue.

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

Financial instruments *(Continued)*

Derecognition

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

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

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

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgements in applying accounting policies

The Directors have not come across any significant areas where critical judgements are involved in applying the Group's accounting policies.

Key sources of estimation uncertainty

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

i. Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could be changed significantly as a result of competitors' actions in response to changes in market condition. Management reassesses these estimates at the end of the reporting period.

ii. Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

iii. Impairment allowances on trade and other receivables

In determining individual impairment allowances, the Group periodically reviews its trade and other receivables to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated statement of profit or loss, management estimates the present value of future cash flows which are expected to be received, taking into account the customers' financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group, if any.

iv. Impairment allowances on loan and interest receivables

The policy for individual impairment allowances for loan and interest receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these loans, including the current creditworthiness, and the past collection history of each loan.

5. REVENUE AND SEGMENT INFORMATION

i. Revenue

Revenue represents the amounts received and receivables that are derived from sales of goods to customers, licensing income and interest income from provision of financing services during the year.

An analysis of the Group's revenue by major products and services for the year is as follows:

	2013	2012
	HK$'000	HK$'000
Sales of software and embedded system	**3,176**	3,266
Licensing income	**1,053**	968
Interest income	**1,649**	–
	5,878	4,234

ii. Segment information

The Group's operation segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance.

The Group's reportable and operating segments are as follows:

(a) Sales and licensing of software and embedded systems

(b) Development of biotech renewable energy

(c) Provision of financing services

As explained in Note 27, during the year ended 31 December 2013, a new reportable and operating segment in respect of provision of financing services was identified upon the acquisition of Fortune Credit Limited ("Fortune Credit").

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

a. *Segment revenue and results*

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

	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Provision of financing services		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Revenue								
External sales	**4,229**	4,234	**-**	–	**1,649**	–	**5,878**	4,234
Result								
Segment results	**577**	(369)	**(1,897)**	(2,194)	**929**	–	**(391)**	(2,563)
Interest income							**6**	1
Fair value loss on financial assets at FVTPL							**(67)**	(130)
Unallocated expenses							**(8,432)**	(5,788)
Loss before tax							**(8,884)**	(8,480)

The accounting policies of the above reportable and operating segments are the same as the Group's accounting policies described in Note 3.

Revenue reported above represents revenue generated from external customers.

There were no inter-segment sales during the years ended 31 December 2013 and 31 December 2012.

Segment result represents the profit or loss earned or incurred by each segment without allocation of central administration costs including interest income and other items not directly related to the relevant segments. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

b. *Segment assets and liabilities*

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

	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Provision of financing services		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment assets	**1,683**	1,108	**2,152**	2,361	**29,495**	–	**33,330**	3,469
Unallocated assets							**9,591**	1,917
Total consolidated assets							**42,921**	5,386
Segment liabilities	**1,491**	1,485	**219**	216	**125**	–	**1,835**	1,701
Unallocated liabilities							**752**	291
Total consolidated liabilities							**2,587**	1,992

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

- All assets are allocated to reportable and operating segments other than assets of head office, including certain property, plant and equipment, prepayments, deposits and other receivables and bank balances and cash.

- All liabilities are allocated to reportable and operating segments other than liabilities of head office, including certain other payables and accrued expenses.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

c. Other information

The following are the significant amounts included in the measurement of segment profit or loss or segment assets:

	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Provision of financing services		Unallocated		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation of property, plant and equipment	**14**	26	**26**	29	**-**	–	**70**	83	**110**	138
Additions of property, plant and equipment	**8**	8	**-**	–	**21**	–	**456**	49	**485**	57
Reversal of impairment losses recognised respect of inventories	**(10)**	–	**-**	–	**-**	–	**-**	–	**(10)**	–
Allowances recognised in respect of trade and other receivables	**-**	–	**-**	–	**242**	–	**-**	–	**242**	–
Loss on disposals of property, plant and equipment	**2**	6	**-**	–	**-**	–	**12**	111	**14**	117

Amount regulatory provided to the CODM but not included in the measure of segment profit or loss or segment assets is immaterial.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

d. Geographical information

The following table provides an analysis of the Group's revenue from external customers based on the location where the Group's customers are located:

	2013	2012
	HK$'000	HK$'000
Hong Kong	**5,878**	4,233
PRC	**–**	1
	5,878	4,234

The following table provides an analysis of the Group's non-current assets based on the geographical location of the assets:

	2013	2012
	HK$'000	HK$'000
Hong Kong	**7,588**	100
Macau	**23**	49
	7,611	149

e. Information about major customers

The following table sets forth a breakdown of the Group's customers individually accounted for over 10% of the Group's total revenue during the year:

	Reportable and operating segments	**2013**	2012
		HK$'000	HK$'000
Customer A	Sales and licensing of software and embedded systems	**760**	541

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year. No Hong Kong profits tax has been provided in both years as the Group did not generate any assessable profits arising in, or derived from Hong Kong for the years ended 31 December 2013 and 31 December 2012.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

No profits taxes have been provided for the subsidiaries which are operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions.

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

	2013 **HK$'000**	2012 HK$'000
Loss before tax	**(8,884)**	(8,480)
Tax calculated at the rate applicable to the tax jurisdiction concerned	**(1,048)**	(1,106)
Tax effect of expenses not deductible for tax purpose	**1,344**	1,002
Tax effect of income not taxable for tax purpose	**(11)**	(1)
Tax effect of tax losses not recognised	**6**	105
Utilisation of tax losses previously not recognised	**(291)**	–
Income tax expense for the year	**–**	–

As at 31 December 2013, the Group has unused tax losses arising from the Group's subsidiaries approximately HK$5,034,000 (2012: HK$7,616,000) that are available for offsetting against future profits. No deferred tax assets have been recognised as these subsidiaries have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

i. Directors' and chief executives' emoluments

Details of the emoluments paid or payable to the Directors are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2012					
Executive directors					
Mr. Tam Kam Biu William	–	600	–	14	614
Mr. Kwan Kin Chung	360	–	–	–	360
Mr. Wan Xiaolin *(Note (a) below)*	–	–	–	–	–
Mr. Chen Man Lung *(Note (b) below)*	–	–	–	–	–
	360	600	–	14	974
Non-executive directors					
Mr. Leung Lap Yan	120	180	–	–	300
Mr. Leung Lap Fu Warren *(Note (c) below)*	60	60	–	–	120
	180	240	–	–	420
Independent non-executive directors					
Mr. Ip Chi Wai *(Note (d) below)*	87	–	–	–	87
Mr. Tse Wang Cheung Angus *(Note (e) below)*	87	–	–	–	87
Mr. Tsang Wai Wa	96	–	–	–	96
	270	–	–	–	270
Total	810	840	–	14	1,664

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

i. Directors' and chief executives' emoluments *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2013					
Executive directors					
Mr. Tam Kam Biu William	–	600	50	15	665
Mr. Kwan Kin Chung	360	–	30	–	390
Mr. Wan Xiaolin *(Note (a) below)*	–	–	–	–	–
Mr. Yu Huaguo *(Note (f) below)*	–	1,466	–	13	1,479
Mr. Poon Yu Keung *(Note (g) below)*	–	257	–	8	265
Mr. Hung Ching Fung *(Note (h) below)*	–	164	–	5	169
	360	2,487	80	41	2,968
Non-executive directors					
Mr. Leung Lap Yan	120	180	–	–	300
Mr. Leung Lap Fu Warren *(Note (c) below)*	55	55	–	–	110
	175	235	–	–	410
Independent non-executive directors					
Mr. Ip Chi Wai *(Note (d) below)*	92	–	–	–	92
Mr. Tse Wang Cheung Angus *(Note (e) below)*	93	–	–	–	93
Mr. Tsang Wai Wa	96	–	–	–	96
Mr. Chow Wing Tung *(Note (i) below)*	49	–	–	–	49
	330	–	–	–	330
Total	865	2,722	80	41	3,708

Apart from Directors, the Group has not classified any other person as a chief executive during the years ended 31 December 2013 and 2012.

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

i. Directors' and chief executives' emoluments *(Continued)*

Notes:

a. Mr. Wan Xiaolin resigned as director of the Company on 26 June 2013

b. Mr. Chen Man Lung resigned as director of the Company on 18 June 2012

c. Mr. Leung Lap Fu Warren resigned as director of the Company on 29 November 2013

d. Mr. Ip Chi Wai resigned as director of the Company on 14 November 2013

e. Mr. Tse Wang Cheung Angus resigned as director of the Company on 19 November 2013

f. Mr. Yu Huaguo was appointed as director of the Company on 8 March 2013

g. Mr. Poon Yu Keung was appointed as director of the Company on 26 June 2013

h. Mr. Hung Ching Fung was appointed as director of the Company on 29 August 2013

i. Mr. Chow Wing Tung was appointed as director of the Company on 26 June 2013

During the years ended 31 December 2013 and 31 December 2012, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

None of the Directors has waived or agreed to waive any emoluments during the years ended 31 December 2013 and 31 December 2012.

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

ii. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2012: three) were directors of the Company for the year ended 31 December 2013, details of whose emoluments are included in the disclosures in Note 7(i) above.

The emoluments of the remaining two (2012: two) individuals during the year ended 31 December 2013 were as follows:

	2013	2012
	HK$'000	HK$'000
Salaries and other benefits	**835**	734
Discretionary bonuses	**21**	–
Retirement benefit scheme contributions	**30**	27
	886	761

During the years ended 31 December 2013 and 31 December 2012, the emoluments of the two five highest paid individuals were within HK$1,000,000.

During the years ended 31 December 2013 and 31 December 2012, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2013 HK$'000	2012 HK$'000
Staff costs (including directors' emoluments *(Note 7)*)		
– Salaries and other benefits	**7,892**	5,504
– Discretionary bonuses	**138**	–
– Retirement benefit scheme contributions	**217**	166
	8,247	5,670
Cost of inventories recognised as expenses (Note below)	**150**	407
Auditor's remuneration	**380**	300
Depreciation of property, plant and equipment	**110**	138
Fair value loss on financial assets at FVTPL, included in other gains and losses	**67**	130
Loss on disposals of property, plant and equipment	**14**	117
Impairment losses recognised in respect of trade and other receivables	**242**	–

Note: During the year ended 31 December 2013, the cost of inventories recognised as an expenses included reversal of impairment loss recognised in respect of inventories of HK$10,000 (2012: Nil).

9. DIVIDENDS

No dividend has been paid or proposed by the Company during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of approximately HK$8,884,000 (2012: HK$8,480,000) and the weighted average of 2,458,562,000 ordinary shares (2012: 2,050,825,000 ordinary shares) of the Company in issue during the year.

Diluted loss per share for the years ended 31 December 2013 and 31 December 2012 is not presented because the existence of outstanding share options and warrants during the year have anti-dilutive effect on the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2012	507	583	451	162	1,703
Additions	20	37	–	–	57
Disposals	(330)	(335)	(113)	–	(778)
At 31 December 2012	197	285	338	162	982
Additions	254	231	–	–	485
Disposals	(70)	(3)	–	(35)	(108)
At 31 December 2013	381	513	338	127	1,359
ACCUMULATED DEPRECIATION					
At 1 January 2012	454	447	397	58	1,356
Provided for the year	47	52	7	32	138
Eliminated on disposals	(328)	(267)	(66)	–	(661)
At 31 December 2012	173	232	338	90	833
Provided for the year	37	44	–	29	110
Eliminated on disposals	(68)	(3)	–	(15)	(86)
At 31 December 2013	142	273	338	104	857
CARRYING AMOUNTS					
At 31 December 2012	24	53	–	72	149
At 31 December 2013	**239**	**240**	**–**	**23**	**502**

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

Leasehold improvements	18% – 20%
Furniture, fixtures and office equipment	18% – 20%
Machinery	10% – 20%
Motor vehicles	18% – 20%

12. INTANGIBLE ASSETS

	Technical know-how HK$'000
COST	
At 1 January 2012, 31 December 2012 and 31 December 2013	2,000
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2012, 31 December 2012 and 31 December 2013	2,000
CARRYING AMOUNTS	
At 31 December 2012	–
At 31 December 2013	**–**

The amount represented technical know-how related to a production line of Bio-Cassava Energy System which full impairment was recognised in the consolidated statement of profit and loss in prior years.

13. GOODWILL

	HK$'000
COST	
Arising during the year and balance as at 31 December 2013	**609**

For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit, provision of financing services (the "CGU") in respect of the acquisition of Fortune Credit (see Note 27) during the year.

At 31 December 2013, the Directors determined that the CGU containing the goodwill had not suffered any impairment.

13. GOODWILL *(Continued)*

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

- The recoverable amount of the CGU has been determined based on value in use calculation.

- That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 13.3% at 31 December 2013. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

- Other key assumption for the value in use calculation relate to the estimation of cash inflows/outflows which included budgeted interest income and net interest margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The Directors consider that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the corresponding recoverable amount.

14. INVENTORIES

	2013	2012
	HK$'000	HK$'000
Merchandise	**17**	23
Finished goods	**37**	15
	54	38

During the year ended 31 December 2013, as the net realisable value of some impaired finished goods has been increased, a reversal of provision of finished goods amounting to approximately HK$10,000 has been recognised due to change in market environment and included in cost of inventories for the year ended 31 December 2013.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 HK$'000	2012 HK$'000
Financial assets at fair value through profit and loss		
– Listed equity securities in Hong Kong *(Note below)*	**102**	169
– Contingent consideration *(Note 27)*	**423**	–
	525	169

Note: Further information of the fair values of financial assets at FVTPL is disclosed in Note 30(v).

16. TRADE AND OTHER RECEIVABLES

	Notes	2013 HK$'000	2012 HK$'000
Trade receivables	(i)	**220**	324
Less: Allowances		**–**	–
		220	324
Loan and interest receivables	(ii)		
– Personal loans		**12,217**	–
– Mortgage loans		**12,035**	–
		24,252	–
Less: Allowances		**(242)**	–
		24,010	–
Prepayments		**266**	202
Deposits		**494**	374
Other receivables	(iii)	**816**	1,461
		1,576	2,037
		25,806	2,361
Analysed for reporting purposes as:			
Current assets		**19,306**	2,361
Non-current assets		**6,500**	–
		25,806	2,361

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

i. Trade receivables

Trade receivables at the end of the reporting period comprise amounts receivable from the sales of goods. No interest is charged on the trade receivables.

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

The Group generally allows an average credit period of 30 – 90 days to its customers. The aging analysis of the Group's trade receivables presented based on invoice date as at the end of the reporting period is as follows:

	2013	2012
	HK$'000	HK$'000
0 – 30 days	**162**	237
31 – 90 days	**58**	87
	220	324

Aging of trade receivables which are past due but not impaired are as follows:

	2013	2012
	HK$'000	HK$'000
31 – 90 days	**58**	77

The Group did not provide any allowance on the past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

ii. Loan and interest receivables

	2013 HK$'000	2012 HK$'000
Loan and interest receivables (including accrual of interest of HK$664,000 (2012: Nil))	**24,252**	–
Less: Allowances	**(242)**	–
	24,010	–
Analysed for reporting purposes as:		
Current assets	**17,510**	–
Non-current assets	**6,500**	–
	24,010	–

The loan receivables from customers bore fixed interest rate ranging from 1.4% to 2.7% per month (2012: Nil) and were repayable according to the loan agreements. Included in the gross balances are loans of approximately HK$12,035,000 (2012: Nil) secured by real estates in Hong Kong.

The maturity profile of these loan receivables from customers (including interest receivables), net of impairment losses recognised, at the end of reporting period, analysed by the remaining periods to their contracted maturity, is as follows:

	2013 HK$'000	2012 HK$'000
Less than 3 months	**2,271**	–
Over 3 months but less than 1 year	**15,239**	–
Over 1 year but less than 3 years	**6,500**	–
	24,010	–

The movements of allowance for impairment during the year were as follows:

	HK$'000
Impairment losses recognised during the year and balance as at 31 December 2013	242

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

ii. Loan and interest receivables *(Continued)*

The loan receivables from customers have been reviewed by the management of the Company to assess impairment allowances which are based on the evaluation of collectability, aging analysis of accounts and on management's judgment, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

The following is an aging analysis for the loan receivables from customers (including interest receivables), net of impairment losses recognised, that were past due at the end of the reporting period but not impaired, analysed by the remaining periods to their contracted maturity, is as follows:

	2013	2012
	HK$'000	HK$'000
Less than 3 months	**2,213**	–
Over 3 months but less than 1 year	**2,397**	–
	4,610	–

Loan receivables from customers that were past due but not impaired related to a wide range of customers and the management of the Company consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and/or the balances are considered fully recoverable.

The fair value of the Group's loan and interest receivables, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the end of reporting period, approximates to the carrying amount of the loan and interest receivables.

iii. Other receivables

As at 31 December 2013, included in the Group's outstanding other receivables of HK$816,000 (2012: HK$1,461,000) was a receivable of approximately HK$799,000 (2012: HK$1,299,000) representing the remaining outstanding considerations in respect of the disposal of the entire equity interest of 雲浮市九方農業科技發展有限公司 (Yunfu City Jiufang Agriculture Science and Technology Development Company Limited*) during the year ended 31 December 2010.

* The English name is only for identification purposes only

17. AMOUNT DUE FROM A DIRECTOR

Details of amount due from a director pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Relationship	Maximum amount outstanding during the year HK$'000	2013 HK$'000	2012 HK$'000
Mr. Leung Lap Fu Warren	Non-executive director	1	–	1

Mr. Leung Lap Fu Warren resigned as non-executive director of the Company on 29 November 2013. The amount was unsecured, interest free and was fully repaid during the year.

18. BANK BALANCES AND CASH

As at 31 December 2013, the Group's bank balances carry interest at market rates ranged from 0.001% to 0.385% (2012: 0.001% to 0.01%) per annum.

Included in bank balances and cash of the Group are approximately HK$187,000 (2012: approximately HK$7,000) of bank balances denominated in RMB which is not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Other than bank balances and cash denominated in HK$ and RMB, the bank balance and cash denominated in other currencies are not significant.

19. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables	–	13
Other payables and accrued expenses	2,031	1,887
	2,031	1,900

The Group's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit of 30 days (2012: 30 days) from the time when the goods are received from suppliers.

The ageing analysis of the Group's trade payables presented based on invoice date as at the end of the reporting period is as follows:

	2013 HK$'000	2012 HK$'000
0 – 30 days	–	12
Over 180 days	–	1
	–	13

20. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest free and repayable on demand.

21. SHARE CAPITAL

	Number of shares		Amount	
	2013	2012	**2013**	2012
	'000	'000	**HK$'000**	HK$'000
Share with par value of HK$0.01 each				
Authorised:				
At 1 January	**50,000,000**	200,000,000	**500,000**	500,000
Share consolidation	**–**	(150,000,000)	**–**	–
At 31 December	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At 1 January	**2,050,825**	8,203,300	**20,508**	20,508
Share consolidation	**–**	(6,152,475)	**–**	–
Placing of new shares	**400,000**	–	**4,000**	–
Issue of shares upon exercise of warrants subscription rights	**30,075**	–	**301**	–
At 31 December	**2,480,900**	2,050,825	**24,809**	20,508

The movements in the Company's authorised and issued ordinary share capital during the years ended 31 December 2013 and 31 December 2012 are as follows:

(1) Pursuant to an ordinary resolution of the shareholders of the Company passed on 27 June 2012, a share consolidation was approved with effect from 28 June 2012 in which every 4 of the existing issued and unissued ordinary shares of HK$0.0025 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK$0.01 per share (the "Share Consolidation"). Immediately after the Share Consolidation, the authorised and issued and fully paid share capital of the Company comprised 50,000,000,000 and 2,050,825,000 consolidated shares of HK$0.01 each, respectively.

(2) On 18 January 2013, the Company entered into the share placing agreement with Pinestone Securities Limited and pursuant to which, the Company has agreed to place up to a maximum of 400,000,000 shares (the "Placing Shares") at a price of HK$0.10 per Placing Share for a total net proceed of approximately HK$38.7 million and further details are explained in the Company's announcement on 31 January 2013.

(3) During the year ended 31 December 2013, registered holders of 30,075,000 warrants exercised their rights to subscribe for 30,075,000 ordinary shares of the Company with par value of HK$0.01 per share (see Note 22).

All shares issued during the years ended 31 December 2013 and 31 December 2012 ranked pari passu in all respects with all shares then in issue.

22. WARRANTS

On 29 December 2010, the Company entered into the placing agreement with a placing agent to place up to 800,000,000 warrants conferring rights to subscribe up to 800,000,000 shares at an initial subscription price of HK$0.059 per share. The warrants are to be placed at an issue price of HK$0.01 per warrant. Each warrant will entitle the holder thereto to subscribe for one share of HK$0.0025 each at an initial subscription price of HK$0.059 per share, subject to adjustment, during the two-year period commencing from the date of listing of the warrants.

The movements of the warrants during the year are as follows:

			Number of warrants				
Date of Grant	Exercise price	Exercise period	Outstanding as at 1 January	Effects of Share Consolidation during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December
	HK$						
31 December 2012							
18/2/2011	0.236	18/2/2011 to 17/2/2013	800,000,000	(600,000,000)	–	–	200,000,000
31 December 2013							
18/2/2011	**0.236**	**18/2/2011 to 17/2/2013**	**200,000,000**	**-**	**(30,075,000)**	**(169,925,000)**	**-**

During the year ended 31 December 2013, registered holders of 30,075,000 warrants exercised their rights to subscribe for 30,075,000 ordinary shares of the Company and the remaining warrants were lapsed on 17 February 2013.

During the year ended 31 December 2013, the Group reversed the warrant reserve of approximately HK$6,024,000 (2012: Nil) upon the lapse of 169,925,000 (2012: Nil) warrants.

23. SHARE-BASED EMPLOYEE COMPENSATION

Pursuant to the Company's Share Option Scheme (the "Share Option Scheme") adopted on 27 April 2007, options may be granted to any directors, employees, consultants, customers, suppliers, agents, partners or advisers of or contractor to the Group (the "Eligible participants") or any entity in which any member of the Group holds any interest; any discretionary trust whose discretionary objects include any Eligible participants; and a company beneficially owned by any Eligible participants; and those person or company whom or which the board has resolved is qualified to be an eligible participant must remain eligible during the period when any option granted to him or it remains outstanding.

The share options vest upon the commencement of the exercise period, which is determined by the directors at the date of grant.

23. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

The movements of the options during the year are as follows:

Name or category of participant	Date of grant	Exercise price HK$	Exercise period	Number of share options: Outstanding as at 1 January	Adjustment due to Share Consolidation *(note (a) below)*	Exercised during the year	Lapsed during the year	Outstanding as at 31 December
Year ended 31 December 2012								
Directors								
Mr. Kwan Kin Chung	29/5/2007	0.4500	29/5/2007 to 28/5/2017	16,000,000	(12,000,000)	–	–	4,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	5,000,000	(3,750,000)	–	–	1,250,000
Mr. Tam Kam Biu William	29/5/2007	0.4500	29/5/2007 to 28/5/2017	20,000,000	(15,000,000)	–	–	5,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,000,000	(750,000)	–	–	250,000
Mr. Wan Xiaolin	29/5/2007	0.4500	29/5/2007 to 28/5/2017	12,000,000	(9,000,000)	–	–	3,000,000
(Note (b) below)	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,000,000	(750,000)	–	–	250,000
Mr. Chen Man Lung	29/5/2007	0.4500	29/5/2007 to 28/5/2017	16,000,000	(12,000,000)	–	(4,000,000)	–
(Note (c) below)	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,000,000	(750,000)	–	(250,000)	–
Mr. Leung Lap Yan	29/5/2007	0.4500	29/5/2007 to 28/5/2017	8,000,000	(6,000,000)	–	–	2,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,000,000	(750,000)	–	–	250,000
Mr. Leung Lap Fu Warren	29/5/2007	0.4500	29/5/2007 to 28/5/2017	8,000,000	(6,000,000)	–	–	2,000,000
(Note (d) below)	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,000,000	(750,000)	–	–	250,000
Mr. Ip Chi Wai	29/5/2007	0.4500	29/5/2007 to 28/5/2017	4,000,000	(3,000,000)	–	–	1,000,000
(Note (e) below)	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,000,000	(750,000)	–	–	250,000
Mr. Tse Wang Cheung	29/5/2007	0.4500	29/5/2007 to 28/5/2017	4,000,000	(3,000,000)	–	–	1,000,000
Angus (Note (f) below)	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,000,000	(750,000)	–	–	250,000
Mr. Tsang Wai Wa	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,000,000	(750,000)	–	–	250,000
Sub-total				101,000,000	(75,750,000)	–	(4,250,000)	21,000,000
Others								
Employees	29/5/2007	0.4500	29/5/2007 to 28/5/2017	12,000,000	(9,000,000)	–	–	3,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	5,500,000	(4,125,000)	–	–	1,375,000
Consultants	29/5/2007	0.4500	29/5/2007 to 28/5/2017	652,760,000	(489,570,000)	–	–	163,190,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	746,500,000	(559,875,000)	–	–	186,625,000
Sub-total				1,416,760,000	(1,062,570,000)	–	–	354,190,000
Total				1,517,760,000	(1,138,320,000)	–	(4,250,000)	375,190,000
Weighted average exercise price				HK$0.0775	–	–	HK$0.4336	HK$0.3086

23. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Name or category of participant	Date of grant	Exercise price HK$	Exercise period	Number of share options: Outstanding as at 1 January	Exercised during the year	Lapsed during the year	Outstanding as at 31 December
Year ended 31 December 2013							
Directors							
Mr. Kwan Kin Chung	29/5/2007	0.4500	29/5/2007 to 28/5/2017	4,000,000	–	–	4,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,250,000	–	–	1,250,000
Mr. Tam Kam Biu William	29/5/2007	0.4500	29/5/2007 to 28/5/2017	5,000,000	–	–	5,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	250,000
Mr. Wan Xiaolin (Note (b) below)	29/5/2007	0.4500	29/5/2007 to 28/5/2017	3,000,000	–	(3,000,000)	–
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	(250,000)	–
Mr. Leung Lap Yan	29/5/2007	0.4500	29/5/2007 to 28/5/2017	2,000,000	–	–	2,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	250,000
Mr. Leung Lap Fu Warren (Note (d) below)	29/5/2007	0.4500	29/5/2007 to 28/5/2017	2,000,000	–	–	2,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	250,000
Mr. Ip Chi Wai (Note (e) below)	29/5/2007	0.4500	29/5/2007 to 28/5/2017	1,000,000	–	–	1,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	250,000
Mr. Tse Wang Cheung Angus (Note (f) below)	29/5/2007	0.4500	29/5/2007 to 28/5/2017	1,000,000	–	–	1,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	250,000
Mr. Tsang Wai Wa	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	250,000
Sub-total				21,000,000	–	(3,250,000)	17,750,000
Others							
Employees	29/5/2007	0.4500	29/5/2007 to 28/5/2017	3,000,000	–	–	3,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,375,000	–	–	1,375,000
Consultants	29/5/2007	0.4500	29/5/2007 to 28/5/2017	163,190,000	–	–	163,190,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	186,625,000	–	–	186,625,000
Sub-total				354,190,000	–	–	354,190,000
Total				**375,190,000**	**–**	**(3,250,000)**	**371,940,000**
Weighted average exercise price				**HK$0.3086**	**–**	**HK$0.4286**	**HK$0.3074**

23. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Notes:

a. Following the Share Consolidation which became effective on 28 June 2012, the exercise prices of share options were adjusted from HK$0.1125 and HK$0.043 per share to HK$0.45 and HK$0.172 per share for the share options granted on 29 May 2007 and 21 September 2011, respectively. The number of share options was also adjusted as a result of the Share Consolidation.

b. Mr. Wan Xiaolin resigned as director of the Company on 26 June 2013.

c. Mr. Chen Man Lung resigned as director of the Company on 18 June 2012.

d. Mr. Leung Lap Fu Warren resigned as director of the Company on 29 November 2013.

e. Mr. Ip Chi Wai resigned as director of the Company on 14 November 2013.

f. Mr. Tse Wang Cheung Angus resigned as director of the Company on 19 November 2013.

Upon the termination of employment by retirement or resignation, the Eligible participants may exercise their options in whole or in part at any time within a period of three months commencing on the date of the cessation or termination and any options not so exercised shall lapse at the end of such period.

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 5.6 years (2012: 6.6 years).

The options may be exercised at any time of the option period provided that the options have been vested. The options were vested upon commencement of exercise period.

At the end of the reporting period, the Company had 371,940,000 (2012: 375,190,000) share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would under the present capital structure of the Company, resulting in issue of 371,940,000 (2012: 375,190,000) additional ordinary shares of the Company and additional share capital of HK$3,719,400 (2012: HK$3,751,900) and share premium of HK$110,625,100 (2012: HK$111,985,600) (before the issue expenses).

During the year ended 31 December 2013, the Group reversed the share options reserve of approximately HK$555,000 (2012: HK$1,843,000) upon the lapse of 3,250,000 (2012: 4,250,000) share options.

23. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

The inputs for calculating the fair value are shown as follows:

Grant date	**21 September 2011** *(Note (a) below)*	**29 May 2007** *(Note (b) below)*
Calculation model	Binomial	Binomial
Exercise price (HK$)	0.043	0.1125
Expected volatility	128.72%	105%
Expected life (year)	10 years	10 years
Risk-free rate	1.431%	4.47%
Expected dividend yield	0%	0%
Number of share options granted		
– Directors	13,000,000	92,000,000
– Employees	5,500,000	12,000,000
– Consultants	746,500,000	652,760,000
Fair value per share option (HK$)		
– Directors	0.028071	0.043925
– Employees	0.025240	0.034975
– Consultants	0.025240	0.044500

Notes:

(a) The fair value of the share option is determined by an independent professional qualified valuer, Messrs. BMI Appraisal Limited. The risk-free interest rate was based on yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The value of an option varies with different variables of certain subjective assumptions.

(b) The fair value of the share option is determined by an independent professional qualified valuer, Messrs. Vigers Appraisal & Consulting Limited. The risk-free interest rate was based on yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The value of an option varies with different variables of certain subjective assumptions.

24. OPERATING LEASES

The Group as lessee

	2013 HK$'000	2012 HK$'000
Minimum lease payments paid under operating leases during the year		
– Land and buildings	**1,514**	1,322

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

	2013 HK$'000	2012 HK$'000
Within one year	**1,502**	550
In the second to the fifth years inclusive	**408**	293
	1,910	843

Operating lease payments represent rentals payable by the Group for the Group's office premises. Leases are negotiated for lease terms ranging from one to two years (2012: one to two years) at inception, with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord.

25. RELATED PARTY TRANSACTIONS

i. Related parties of the Company

The management considers that the following persons/entities are related parties of the Group:

Name of related party	Relationship with the Company
Culture.com Technology Limited	A subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company

ii. Significant related party transactions

During the year, the Group had the following transactions with the related party:

	2013	2012
	HK$'000	HK$'000
Information technology service income received:		
– Culture.com Technology Limited	**220**	240

iii. Compensation of key management personnel

During the year ended 31 December 2013, the Group had remuneration paid to the Directors and other members of key management of the Group as follows:

	2013	2012
	HK$'000	HK$'000
Salaries and other benefits	**4,422**	2,384
Discretionary bonuses	**101**	–
Retirement benefit scheme contributions	**71**	41
	4,594	2,425

The remuneration of the key management personnel is determined with reference to the performance of individuals and market trends.

26. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under the schemes.

The Group operates defined contribution retirement benefit scheme for its qualifying employees in Hong Kong. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme has also been established. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit schemes contributions charged to consolidated statement of profit and loss represent contributions payable by the Group to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefit scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year ended 31 December 2013 are disclosed in Note 8.

27. ACQUISITION OF A SUBSIDIARY

On 11 June 2013, Q9-Tech Energy Development Limited, a wholly owned subsidiary of the Company, which incorporated in the British Virgin Islands, Mr. Li Kwong and Jolly Fortune International Finance Limited (Mr. Li Kwong and Jolly Fortune International Finance Limited are collectively referred to as the "Vendors"), entered into an agreement (the "Agreement") and pursuant to which, the Group agreed to acquire the entire equity interest in Fortune Credit at the consideration of approximately HK$4,052,000 (the "Fortune Credit Acquisition"). Fortune Credit is a private limited liability company incorporated in Hong Kong which is principally engaged in the provision of financing services and other related business in Hong Kong. Pursuant to the Agreement, the Vendors undertake and guarantee that all of the loan and interest receivables from customers as at the date of the Agreement as shown in the financial statements of Fortune Credit shall be fully recoverable by the Company.

The acquisition of Fortune Credit was completed on 28 June 2013 and has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK$609,000. Subsequent to this acquisition, the Group expanded in the provision of financing services and other related business in Hong Kong.

27. ACQUISITION OF A SUBSIDIARY *(Continued)*

i. Consideration satisfied by:

	HK$'000
Cash	**4,052**
Contingent consideration arrangement *(Note below)*	**(423)**
Total	**3,629**

Note: As mentioned above, pursuant to the Agreement, the Vendors undertake and guarantee that all of the loan and interest receivables from customers as at the date of the Agreement amounting to HK$705,000 (the "Original Fortune Credit Loan and Interest Receivables") as shown in the management accounts of Fortune Credit shall be fully recoverable by the Company. The Directors anticipated to recover an amount of HK$423,000 from the Vendors (the "Recovered Amount"), which representing the acquisition-date fair value of the contingent consideration which was included as part of the consideration transferred in a business combination. The Recovered Amount, representing the fair value of the contingent consideration on the date of acquisition and 31 December 2013 are recognised in the consolidated statement of financial position of the Company as financial asset at FVTPL (Note 15). Accordingly, the difference between the Original Fortune Credit Loan and Interest Receivables and the Recovered Amount of HK$282,000 was accounted for as part of assets acquired from the Fortune Credit Acquisition as at the date of acquisition.

ii. Assets acquired and liabilities recognised relating to the Fortune Credit Acquisition at the date of acquisition are as follows:

	HK$'000
Other receivables, prepayments and deposits	**24**
Loan and interest receivables (Note below)	**282**
Bank balances and cash	**2,758**
Other payables and accrued charges	**(44)**
	3,020

Note: The loan and interest receivables acquired, which principally comprised loan and interest receivables from customers, with a fair value of HK$282,000 (see Note 27(i) above), approximated to their gross contractual amounts. There is no contracted amount considered uncollectable.

27. ACQUISITION OF A SUBSIDIARY *(Continued)*

iii. Goodwill arising on acquisition:

	HK$'000
Consideration transferred	**3,629**
Less: Recognised amount of identified net assets acquired	**(3,020)**
Goodwill arising on acquisition	**609**

Goodwill arose in the acquisition of Fortune Credit because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of future revenue growth and market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not expected to be deductible for tax purpose.

iv. Net cash outflow arising on acquisition:

	HK$'000
Consideration paid in cash	**4,052**
Less: Bank balances and cash acquired	**(2,758)**
Net cash outflow arising on acquisition	**1,294**

v. Impact of acquisition on the result of the Group

Included in the revenue and loss of the Group for the year ended 31 December 2013 are revenue of approximately HK$1,649,000 and profit of approximately HK$929,000, respectively attributable to Fortune Credit.

Had the acquisition of Fortune Credit had been effected on 1 January 2013, the revenue and loss of the Group for the year ended 31 December 2013 would have been HK$6,105,000 and HK$9,339,000, respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is intended to be a projection of future results.

28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

i. *Financial assets*

	2013	2012
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL	**525**	169
Loans and receivables		
– Trade and other receivables	**25,540**	2,159
– Amount due from a director	**–**	1
– Bank balances and cash	**15,425**	2,668
	41,490	4,997

ii. *Financial liabilities*

	2013	2012
	HK$'000	HK$'000
Financial liabilities		
Financial liabilities at amortised cost:		
– Trade and other payables	**1,952**	1,846
– Amounts due to directors	**556**	92
	2,508	1,938

29. FINANCIAL INSTRUMENTS *(Continued)*

iii. *Credit derivatives over loans or receivables at fair value*

	2013	2012
	HK$'000	HK$'000
Opening fair value	**169**	299
Additions during the year	**423**	–
Change in fair value	**(67)**	(130)
Closing fair value	**525**	169

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including financial assets at FVTPL, trade and other receivables, amount due from a director, bank balances and cash, trade and other payables and amounts due to directors. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

The Group's activities expose it primarily to the market risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. Details are disclosed as follows:

i. Foreign currency risk management

The Group collects most of its revenue in HK$ and incurs most of its expenditures as well as capital expenditures in HK$. As at 31 December 2012 and 31 December 2013, certain of the Group's and the Company's cash on hand and bank deposits are denominated in foreign currencies, which expose the Group and the Company to foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risk. However, the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate. As the Directors consider that the Group's financial assets that are denominated in foreign currencies are insignificant as at 31 December 2012 and 31 December 2013, and accordingly, no sensitivity analysis of foreign currencies against HK$ has been presented.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

ii. Interest rate risk management

The Group has limited exposure to interest rate risk because the Group has no significant interest bearing financial assets and liabilities as at 31 December 2012 and 31 December 2013, other than loan and interest receivables, interest bearing bank deposits and balances. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable rates for bank deposits and balances are all short term in nature and at the prevailing market interest rates. Loan and interest receivables at fixed rate exposes the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the Directors monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise. The Directors considered the Group's exposure to interest rate risk is not material. Hence, no interest rate sensitively analysis is presented.

iii. Credit risk management

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables and bank balances and cash represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

The Group expects that there is no significant credit risk associated with cash at bank since all the Group's bank balances and cash are deposited with major and creditworthy banks located in Hong Kong and the PRC.

The Directors consider that the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

As at the end of the reporting period, the Group has credit risk in respect of the amount due from Yunfu City and, in the opinion of the Directors, since the amount was fully recovered subsequent to 31 December 2013 and accordingly, there is no significant credit risk associated with such amount.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

iii. Credit risk management *(Continued)*

The Group is exposed to credit risk attributable to loan and interest receivables from customers. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. In respect of loan and interest receivables from customers, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Loan and interest receivables from customers are due as at the due date of corresponding loan agreement.

As at 31 December 2013, approximately 50% (2012: Nil) of the loan and interest receivables from customers are secured by real estate situated in Hong Kong. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Further, as at 31 December 2013, approximately 90% (2012: Nil) of the total loan and interest receivables from customers were due from a few of largest customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Directors review the recoverability of each trade and loan and interest receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan and interest receivables from customers are set out in Note 16.

iv. Liquidity risk management

Ultimate responsibility for liquidity risk rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and based on the earliest date on which the Group would be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

iv. Liquidity risk management *(Continued)*

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2012			
Trade and other payables	1,846	1,846	1,846
Amount due to a director	92	92	92
	1,938	1,938	1,938
As at 31 December 2013			
Trade and other payables	**1,952**	**1,952**	**1,952**
Amounts due to directors	**556**	**556**	**556**
	2,508	**2,508**	**2,508**

v. Fair value measurements

Fair value measurements of financial instruments

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

Other than the financial assets at FVTPL, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Financial assets at FVTPL in respect of listed equity securities in Hong Kong are determined by reference to the quoted bid prices in active markets.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

v. Fair value measurements *(Continued)*

Fair value measurements of financial instruments *(Continued)*

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

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial assets at FVTPL is determined (in particular, the valuation technique and inputs used).

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair values as at 31 December **2013** **HK$'000**	2012 HK$'000	**Fair value hierarchy**	**Valuation techniques and key inputs**
Listed equity securities in Hong Kong	**102**	169	Level 1	Quoted bid prices in active markets
Contingent consideration (Note 15)	**423**	–	Level 3	Reference to the fair value of the amounts recovered from the Vendors (Note 27)

There were no transfers between Level 1, 2 and 3 during both years.

The Directors consider that, other than the financial assets at FVTPL, the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**36**	45
Interests in subsidiaries	(i)	**2,500**	2,500
		2,536	2,545
CURRENT ASSETS			
Other receivables		**1,030**	1,505
Bank balances and cash		**365**	335
		1,395	1,840
CURRENT LIABILITIES			
Other payables and accrued expenses		**264**	268
Amount due to a director		**466**	–
Amounts due to subsidiaries	(ii)	**13,971**	13,874
		14,701	14,142
NET CURRENT LIABILITIES		**(13,306)**	(12,302)
NET LIABILITIES		**(10,770)**	(9,757)
CAPITAL AND RESERVES			
Share capital		**24,809**	20,508
Reserves	(iii)	**(35,579)**	(30,265)
TOTAL DEFICIENCY		**(10,770)**	(9,757)

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

Notes:

i Interests in subsidiaries

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**7,502**	7,502
Less: Impairments	**(5,002)**	(5,002)
	2,500	2,500

ii Amounts due to subsidiaries

The amounts are unsecured, interest free and are repayable on demand.

iii. Reserves

	Share premium HK$'000	**Share options reserve** HK$'000 (Note 23)	**Warrant reserve** HK$'000 (Note 22)	**Reorganisation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2012	120,370	52,684	7,090	2,501	(204,848)	(22,203)
Loss and total comprehensive expense for the year	–	–	–	–	(8,062)	(8,062)
Lapsed of share options (Note 23)	–	(1,843)	–	–	1,843	–
At 31 December 2012	120,370	50,841	7,090	2,501	(211,067)	(30,265)
Loss and total comprehensive expense for the year	–	–	–	–	(46,835)	(46,835)
Placement of new shares (Note 21)	34,724	–	–	–	–	34,724
Issue of shares upon exercise of warrant subscription rights (Note 21)	7,863	–	(1,066)	–	–	6,797
Lapsed of warrants (Note 22)	–	–	(6,024)	–	6,024	–
Lapsed of share options (Note 23)	–	(555)	–	–	555	–
At 31 December 2013	**162,957**	**50,286**	**–**	**2,501**	**(251,323)**	**(35,579)**

32. SUBSIDIARIES

As at the end of the reporting period, particulars of the Company's subsidiaries (all are private limited liability company) are as follows:

Name of company	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities and place of operations
Q9 Technology (BVI) Limited	British Virgin Islands ("BVI")	100 ordinary shares of US$1 each	100%	–	Investment holding
Q9-Tech Energy Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	–	Investment holding
Q9-Tech Energy Development Limited	BVI	100 ordinary shares of US$1 each	100%	–	Inactive
Qcode Chinese Computer Limited	Hong Kong	600,000 ordinary shares of HK$1 each	–	100%	Holding patents
Q9 Technology Company Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Provision of institution and corporate services
Q9 Technology (Retail) Company Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Sales and licensing of computer software
Q9 Technology (OEM) Company Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Development and licensing of computer software
Q9 Technology (Shenzhen) Limited	PRC	HK$2,000,000	–	100%	Development, sales and licensing of computer software
Q9 Investments Limited	BVI	100 ordinary shares of US$1 each	–	100%	Investments holding
New Q9-Tech Equipment Trading Limited	Macau	MOP$25,000	–	100%	Research and development for biotechnology

32. SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities and place of operations
China Bio Cassava Group Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100%	Inactive
China Bio Cassava Development Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100%	Inactive
Growlong Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Inactive
Fortune Credit (Note below)	Hong Kong	5,000,000 ordinary shares of HK$1 each	–	100%	Provision of financing services
珠海橫琴中投商務服務有限公司	PRC	Issued and paid share capital RMB150,000/ Registered capital RMB1,000,000	–	100%	Inactive

Note: The Group acquired 100% of the share capital of Fortune Credit on 28 June 2013 and details of which are set out in Note 27.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Grant of share options

Pursuant to the Company's announcement on 10 January 2014, the Company offered to grant share options to subscribe for an aggregate of 248,090,000 ordinary shares of HK$0.01 each in the capital of the Company to certain eligible participants and details of which are set out in the Company's announcement dated 10 January 2014.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Loss before tax	**(8,884)**	(8,480)	(27,725)	(5,425)	(13,581)

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Property, plant and equipment	**502**	149	347	524	1,342
Goodwill	**609**	–	–	–	–
Prepaid lease payments	**–**	–	–	–	2,097
Available-for-sales investment	**–**	–	–	–	7
Others assets	**41,810**	5,237	13,610	14,473	17,944
Total liabilities	**(2,587)**	(1,992)	(2,083)	(1,834)	(2,366)
Total equity	**40,334**	3,394	11,874	13,163	19,024