中昱科技集團有限公司

Sunrise (China) Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8226

Green Energy towards Substainable Development

ANNUAL REPORT 2014

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ma Arthur On-hing
Mr. Shan Biao
Mr. Mui Wai Sum

Non-executive Director

Mr. Chen Wai Chung Edmund

Independent Non-executive Directors

Ms. Chan Sze Man
Mr. Ho Chun Kit Gregory
Mr. Ng Chi Ho Dennis
Mr. Ho Wai Shing

COMPANY SECRETARY

Mr. Tam Chak Chi

AUDIT COMMITTEE

Ms. Chan Sze Man
(Committee Chairman)
Mr. Ho Chun Kit Gregory
Mr. Ng Chi Ho Dennis

NOMINATION COMMITTEE

Mr. Ma Arthur On-hing
(Committee Chairman)
Ms. Chan Sze Man
Mr. Ng Chi Ho Dennis

REMUNERATION COMMITTEE

Ms. Chan Sze Man
(Committee Chairman)
Mr. Ho Chun Kit Gregory
Mr. Ma Arthur On-hing

AUTHORISED REPRESENTATIVES

Mr. Tam Chak Chi
Mr. Ma Arthur On-hing

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Shui On Centre
6-8 Harbour Road
Wan Chai, Hong Kong

COMPLIANCE OFFICER

Mr. Ma Arthur On-hing

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 Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

LISTING INFORMATION

The Growth Enterprise Market of the Stock of
Exchange of Hong Kong Limited
Stock code: 8226

COMPANY'S WEBSITE

www.sunrisechina-tech.com

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets, liabilities and equity attributable to owners of the Company:

CONSOLIDATED RESULTS OF THE GROUP

	2010 HK$'000	2011 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	**2014** **HK$'000**
Turnover	653,722	724,008	875,577	510,677	**49,022**
Cost of sales	(490,797)	(575,540)	(689,999)	(397,735)	**(47,418)**
Gross profit	162,925	148,468	185,578	112,942	**1,604**
Other revenue, gains and losses (net)	(63,703)	(18,636)	53,506	(50,191)	**(23,269)**
Selling and marketing costs	(18,185)	(23,475)	(32,879)	(14,905)	**(55)**
Administrative expenses	(115,809)	(129,410)	(156,962)	(109,667)	**(24,640)**
Finance costs	(10,182)	(10,428)	(25,820)	(17,789)	**(8,146)**
(Loss)/profit before tax	(44,954)	(33,481)	23,423	(79,610)	**(54,506)**
Income tax	(10,207)	(9,162)	(7,496)	(70)	**(4,965)**
(Loss)/profit for the year	(55,161)	(42,643)	15,927	(79,680)	**(59,471)**
Non-controlling interests	(22,746)	(7,137)	(6,876)	27,511	**42,776**
(Loss)/profit attributable to owners of the Company	(77,907)	(49,780)	9,051	(52,169)	**(16,695)**

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2010 HK$'000	2011 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	**2014** **HK$'000**
Total assets	639,741	844,032	1,083,550	291,801	**147,594**
Total liabilities	(361,463)	(562,529)	(758,924)	(200,922)	**(116,995)**
Total assets less total liabilities	278,278	281,503	324,626	90,879	**30,599**
Non-controlling interests	(127,108)	(153,397)	(184,495)	(28,366)	**14,737**
Equity attributable to owners of the Company	151,170	128,106	140,131	62,513	**45,336**

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of the Directors, I am pleased to present the annual report of Sunrise (China) Technology Group Limited (together with its subsidiaries, the "Group") for the year ended 31 December 2014.

THE YEAR UNDER REVIEW

In 2014, the Group continued to seek environmental related investment opportunities under its stated development goals. With heightened environmental concerns among Chinese government and its citizens, the relevant PRC authorities have promulgated several policies with a view to encourage the development of environmental related industry. The Group, being provided such valuable opportunities, has been proactively commencing development and reorganisation of its subsidiaries engaged in the environmental related sector.

The Group's core business, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan") is principally engaged in the production and sale of straw fuel briquettes. To support the green development concept promoted by China's 12th Five Year Plan, Shengyan has constructed 1 main plant and around 30 sub-plants in Baiquan County of Heilongjiang Province to recycle local waste straw into biomass product which can be used as a substitute for fossil fuels like coal through treatment process. Such business not only accelerates strategic measures for energy saving and emission reduction, but also protects the ecological environment from being polluted.

In 2014, Shengyan faced significant challenges in its straw fuel briquettes' demand due to the growth of coal consumption as coal price dropped sharply during the year 2013 and 2014. Nevertheless, the Group is confident that better sales and profit margin will be achieved again in near future as air pollution is a very serious national problem and when coal price rises again.

The Group's other subsidiary, Jiangsu Shengyi Environmental Technology Co., Ltd ("Shengyi") was principally engaged in the provision of technological desulphurisation service, which could effectively reduce sulphur dioxide and hydrogen sulfide emissions generated from burning of fossil fuels such as coal, natural gas and oil products. Since the Group's acquisition of Shengyi in September 2011, Shengyi recorded a net loss after tax of approximately HK$11.4 million and HK$6.1 million for the years ended 31 December 2012 and 2013 respectively. Hence, the Group decided to dispose of Shengyi for a total consideration of HK$51.0 million, and the disposal was completed on 30 January 2014, resulting in a gain on disposal of approximately HK$50.8 million. The Consideration represented a premium of approximately 434.7% to the Group's total investment in Shengyi of approximately HK$9.5 million since acquisition, the disposal provided an opportunity for the Group to generate gains from realising its investment in Shengyi and to devote its resources to the operations of the remaining Group's businesses and to improve the Group's working capital.

To avoid the over-reliance on the diminishing manufacturing and sales of straw briquettes business, we started to diversify our business by tapping into the natural resources and commodities trading business. During the year ended 31 December 2014, the Group started to engage in the trading of crude palm oil via its wholly-owned subsidiary, the underlining importance is to widen the Group's business network in the field of commodities trading.

Subsequent to the reporting date, the Company also started to engage in the trading of garment accessories via its wholly-owned subsidiary. The Board will continue to grasp any further business and development opportunity to provide a sound return to our shareholders and the growth of the Group as a whole.

LOOKING AHEAD

In recent years, there have been different levels of environmental issues exposed in various regions of the PRC, continuously boosting public awareness of environmental protection throughout the country and making the Chinese government to strive for integrated management enhancement of pollution prevention, energy conservation and emission reduction at the enterprise level. Benefited from the enormous support given by the government towards environmental related industry, the environmental sector is filled with promising development opportunities and clear direct guidelines, further fortified the Group's objective to develop the environmental related industry.

In 2015, the Group will continue to strengthen the existing business of Shengyan, proactively explore new business scope and continuously seek other suitable investment opportunities.

Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

APPRECIATION

On behalf of the Board and management, I would like to express gratitude to the Group's staff for their unwavering dedication and hard work during the year. I would also like to extend my thanks to all shareholders and business partners who have supported the Company throughout its ups and downs.

Ma Arthur On-hing
Executive Director

Hong Kong, 27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Manufacture and Sales of Straw Briquettes

Shengyan was incorporated in the PRC in July 2010 with a registered capital of RMB30 million and is principally engaged in the production and sales of straw fuel briquettes, which is a type of biofuels and a substitute for coal in the northeast region of the PRC. The Group completed the acquisition of its 51% interest in Shengyan in December 2012. The business model of Shengyan is briefly summarised as follows:

- Straw collection – purchase, collect and strap raw straw from farmers and transport to the warehouses for storage;

- Straw chopping – the collected straw is then crushed into fine powder through crushing equipments;

- Straw briquetting – the powdered straw is then put into the briquetting press machines from where it is compressed and processed before straw fuel briquettes are made; and

- Sales of finished products – upon receiving sales orders, the straw fuel briquettes are then sold to customers.

The customers of Shengyan are mainly consisted of companies located at Heilongjiang Province in the PRC, which are engaged in agricultural and manufacturing industries and use the straw fuel briquettes for different usage such as heat generation. Revenue of Heilongjiang Shengyan is mainly derived from the sales of straw fuel briquettes by sales orders from customers and Shengyan purchases raw straw directly from many different local farmers located at the Baiquan County of Heilongjiang Province.

Provision of Technological Desulphurisation Services

Shengyi was principally engaged in the provision of technological desulphurisation service, which could effectively reduce sulfur dioxide and hydrogen sulfide emissions generated from burning of fossil fuels such as coal, natural gas and oil products. Since there was a slowdown in overall economic growth during the past years and many traditional chemical manufacturers were suffering from cash flow shortages, existing contracts of Shengyi were experiencing slow progress.

Reference is made to the announcement of the Company dated 23 December 2013 and the circular of the Company dated 30 January 2014 in relation to the disposal of a subsidiary, the Company and a purchaser entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to dispose Confident Echo Holdings Limited and its subsidiaries including Shengyi at an aggregate consideration of HK$50,980,962. The disposal was completed on 30 January 2014.

Trading of Natural Resources and Commodities

The Group's natural resources and commodities business segment has commenced operation in the fourth quarter. During the year, a total of 5,750 metric tonnes ("MT") of crude palm oil was traded, contributing aggregate revenue of approximately HK$30 million to the Group. The Group's trading in crude palm oil was carried out in the form of trade-by-trade basis.

The Board considered that the Group was new to the commodities trading business, the profit margin as expected was thin. However, the underlining importance is to widen the Group's business network in the field of commodities trading. The Group will negotiate with suppliers and customers in order to achieve better trading terms in the upcoming trades.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2014, the turnover of the Group was decrease to approximately HK$49.0 million (2013: 510.7 million), representing a decrease by approximately 90.4% when compared with the corresponding year of 2013. The decrease in turnover was mainly attributed to the disposal of Loudspeaker Business, of which, revenue generated was approximately HK$449.1 million on 2013.

The Group disposed Shengyi's segment during the first quarter of the year, the aggregate consideration was HK$51.0 million. After deducting the net asset value, the Group generated a gain of approximately HK$50.8 million from the disposal.

The Group has commenced its environmental related businesses since 2012. Following to the disposal of Shengyi, Shenqyan is the remaining business. Revenue generated from Shenqyan was decreased by 34.0% to 18.8 million (2013: 28.5 million) for the year ended 31 December 2014. During the year, the Shengyan's segment recorded a substantial loss of approximately HK$76.4 million due to the additional provision for impairment on plant and equipment, inventories, trade and other receivables.

During the fourth quarter of the year, the Group has commenced trading of natural resources and commodities business. Revenue generated from trading of crude palm oil was HK$30.2 million for the year ended 31 December 2014. Although the profit margin from this business was thin, there was positive contribution of HK$0.2 million being recorded from the trade.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2014, the Group's major business operations took place in China and Hong Kong, financed mainly by the cash revenue generated from operating activities and by corporate borrowings. As at 31 December 2014, the Group had cash and bank balances of approximately HK$1.0 million (2013: HK$0.5 million).

As at 31 December 2014, the Group's total indebtedness comprised of the amount due to Noteholder of approximately HK$24.1 million (2013: HK$46.0 million), corporate bonds of approximately HK$24.0 million (2013: Nil) and other borrowings of approximately HK$24.1 million (2013: Nil).

As at 31 December 2014, the Group's outstanding number of issued shares of HK$0.01 each was 431,764,974 shares (2013: 431,764,974 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 31 December 2014 was 70.3% (2013: 32.3%).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the note 38 to the consolidated financial statements, the Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any significant capital commitments (2013: Nil).

Except as disclosed in the section headed "Legal Proceedings", as at 31 December 2014, the Group did not have any significant contingent liabilities (2013: Nil).

LEGAL PROCEEDINGS

Reference is made to the Company's announcement dated 25 July 2014 in relation to the writ of summons received by the Company. It was alleged in the Writ that a total sum of HK$10,000,000 was advanced by Total Shares Limited (the "Plaintiff") to Mr. Shan Xiaochang ("Mr. Shan"), the former Board Chairman and Chief Executive Officer, pursuant to a loan agreement (the "Loan Agreement") dated 9 August 2013 made between the Plaintiff as the lender and Mr. Shan as the borrower, the repayment of which was guaranteed by the Company as a guarantor by a guarantee (the "Guarantee") signed by the Company in favour of the Plaintiff dated 9 August 2013. The amount of the claim specified in the Writ was HK$10,000,000 plus the accrued unpaid interest under the Loan Agreement and other interest.

As no meeting at the Board or shareholders of the Company was held to approve the Guarantee or authorise any Director to sign the Guarantee for and on behalf of the Company, the Board is of the view that the Guarantee is not binding on or enforceable against the Company and the Claim has no merit against the Company. The Company will vigorously dispute the allegations under the Writ and is in the process of seeking independent legal advice.

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's transactions were mainly denominated in Renminbi, Hong Kong dollars and US dollars which exposed the Group to currency risk. The Group currently does not have a foreign currency hedging policy in place but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

PLEDGE OF ASSETS

Save as disclosed in the note 22 to the consolidated financial statements, the Group did not have any substantial pledge of assets (2013: Nil).

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2014, the Group had about 27 (2013: 113) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK$5.5 million (2013: HK$107.6 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

SUBSEQUENT EVENTS

Details of subsequent events are set out in the note 45 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Ma Arthur On-hing, aged 46, is the executive Director, who is responsible in managing the Group's daily operations. Mr. Ma has over 20 years of experience in investment, fund management and financial management. He is a member of the American Institute of Certified Public Accountants and is a US Certified Public Accountant. He obtained his bachelor degree in Accounting and Finance from San Francisco of State University, a master degree in Finance from Golden Gate University, and a master degree in Linguistics from Chinese University of Hong Kong. He is currently an independent non-executive director of Blue Sky Power Holdings Limited (stock code: 6828), a company listed on the Main Board of the Stock Exchange.

Mr. Shan Biao, aged 55, is the executive Director. Mr. Shan obtained a Master Degree in Business Administration from Macau University of Science and Technology in 2003 and completed an advanced course in modern business administration at Peking University of the People's Republic of China in 2005. He also completed an advanced course in Business Operation and Finance at Fudan University in 2006. Mr. Shan previously worked as an executive director and general manager of a company listed on the Main Board of the Stock Exchange from 2007 to 2009.

Mr. Mui Wai Sum, aged 27, is the executive Director. Mr. Mui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He holds an Honour Degree in General Finance from the Chinese University of Hong Kong. Mr. Mui had worked for an international accounting firm. He has over 3 years of experience in corporate finance, debt restructuring and insolvency administration. He is currently an executive director of Sau San Tong Holdings Limited (stock code: 8200), a company listed on the Growth Enterprise Market of the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. Chen Wai Chung Edmund, aged 42, is the non-executive Director. Mr. Chen is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 16 years of solid experiences in business management, auditing, accounting and internal control. He is currently the vice president and the company secretary of a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Simsen International Corporation Limited (stock code: 993), a company listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Sze Man, aged 34, is the independent non-executive Director. Ms. Chan holds a bachelor degree of business administration (majoring in accountancy) from the University of Science and Technology, Hong Kong. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in accounting and auditing for Hong Kong listed companies and private companies. She is currently the chief financial officer and the company secretary of a company listed on the Main Board of the Stock Exchange. She is also an independent non-executive director of Millennium Pacific Group Holdings Limited (stock code: 8147), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Ho Chun Kit Gregory, aged 36, is the independent non-executive Director. Mr. Ho holds a bachelor degree of accounting from the Monash University of Australia and is a member of the Certified Public Accountants of Australia. He has worked for several international accounting and business advisory firms for more than 10 years in providing accounting, financial, corporate advisory and corporate restructuring services to listed companies. He subsequently set up his own corporate advisory firm. Mr. Ho is also an executive director of China Oil Gangran Energy Group Holdings Limited (stock code: 8132), which is a company listed on the Growth Enterprise Market of the Stock Exchange. He is also an independent non-executive director of Asia Resources Holdings Limited (stock code: 899), which is a company listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Ng Chi Ho Dennis, aged 55, is the independent non-executive Director. Mr. Ng obtained a Bachelor of Commerce degree from the University of New South Wales, Australia and is a chartered accountant of The Institute of Chartered Accountants in Australia as well as a fellow member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Ho Wai Shing, aged 48, is the independent non-executive Director. Mr. Ho previously worked as a sales director of a company listed on the Main Board of the Stock Exchange and was also a director of two subsidiaries of that group from 1986 to 2004. After his resignation, Mr. Ho established Ocean Zone Electronic Company Limited which has been engaged in the supply networks of high end electrolytic capacitors between customers and manufacturers.

SENIOR MANAGEMENT

Mr. Tam Chak Chi, aged 38, is the chief financial officer and the company secretary of the Group. Mr. Tam is responsible for the overall financial and accounting management of the Group. He holds a bachelor degree of commerce from the University of Toronto and has more than 10 years of experience in providing accounting, auditing and financial services in his various roles as senior positions for various private and listed companies (on the Main Board and the GEM of the Stock Exchange, and NASDAQ). He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

INTRODUCTION

The Board and senior management are committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

The Board is of the view that the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2014, except for certain deviations as explained below. The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2014. Having made specific enquiry of all Directors, the Directors have complied such code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

The Board currently comprises:

Executive Directors:

Mr. Ma Arthur On-hing
Mr. Shan Biao
Mr. Mui Wai Sum

Non-executive Director:

Mr. Chen Wai Chung Edmund

Independent Non-executive Directors:

Ms. Chan Sze Man
Mr. Ho Chun Kit Gregory
Mr. Ng Chi Ho Dennis
Mr. Ho Wai Shing

The Board is collectively responsible for the oversight of the management of the Company's business and affairs of the organisation with the objective of enhancing shareholder value. The Board approves and monitors the Group's business strategies and policies. The Board is also responsible to the shareholders of the Company for overseeing the Group's overall business, strategic decisions and directions, annual budget, and other major corporate matters. Besides, the Board delegates the management team with the authority and responsibility for the daily operations and administration of the Group.

The Board has normally scheduled four regular meetings a year each at quarterly intervals and meets as and when required. In addition, the Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Director. During the year ended 31 December 2014, the Board held 15 meetings and the attendance of each Director is as follows:

	Number of meetings attended/ eligible to attend
Executive Directors:	
Mr. Ma Arthur On-hing	15/15
Mr. Shan Biao (appointed on 31 July 2014)	11/11
Mr. Mui Wai Sum (appointed on 4 November 2014)	4/5
Mr. Xiao Yujie (appointed on 28 November 2014 and resigned on 26 January 2015)	0/0
Mr. Shan Xiaochang (resigned on 25 March 2015)	2/15
Ms. Shan Zhuojun (resigned on 4 August 2014)	2/4
Non-executive Director:	
Mr. Chen Wai Chung Edmund (appointed on 25 November 2014)	0/1
Independent non-executive Directors:	
Ms. Chan Sze Man	12/15
Mr. Ho Chun Kit Gregory (appointed on 1 April 2014)	10/14
Mr. Ng Chi Ho Dennis (appointed on 26 June 2014)	10/13
Mr. Ho Wai Shing (appointed on 31 July 2014)	7/11
Mr. Wang Jialian (resigned on 10 September 2014)	4/6
Mr. Wang Zhihua (resigned on 1 April 2014)	1/1

Ms. Shan Zhuojun, the former executive Director is a niece of Mr. Shan Xiaochang, the former Chairman and the former Chief Executive Officer. Save as disclosed above, there is no family or other material relationship among members of the Board.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to discharge their duties to the Company.

Appropriate insurance cover has been arranged in respect of legal action against the Directors.

All independent non-executive Directors are appointed for a specific term of not more than 2 years. All Directors are subject to re-election by shareholders at the annual general meeting following their appointment. At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

In compliance with rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed four independent non-executive Directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of the Directors, the Board follows the requirements set out in the GEM Listing Rule.

CONTINUOUS PROFESSIONAL DEVELOPMENT

For the year ended 31 December 2014, all Directors have participated in continuous professional development, by attending conferences, seminars and in-house briefing, and giving talks and reading materials relevant to their duties, responsibilities and the Group's business in order to develop, refresh and update their knowledge and skills. Further, the Directors have received in-house trainings which covered corporate governance and listing rules and regulations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board was led by the former Chairman and the former Chief Executive Officer, Mr. Shan Xiaochang, who was responsible for corporate planning, business development strategy and overall direction of the Group. The senior management is responsible for the day-to-day operations of the Group under the leadership of Mr. Shan Xiaochang.

Code Provision A.2.1

The code provision stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Shan Xiaochang, an executive Director resigned on 25 March 2015, had served both roles as the Chairman and the Chief Executive Officer since September 2010. In view of the scale and operations of the Company and the fact that daily operations of the Group's business was delegated to the senior executives, the Board was of the view that this had not compromised accountability and independent decision-making. In addition, the audit committee of the Company composed exclusively of independent non-executive Directors and the independent non-executive Directors had free and direct access to the Company's external auditors and independent professional advisors when considered necessary.

Code Provision E.1.2

The code provision stipulated that the chairman of the Board should attend the annual general meeting of the Company.

Due to urgent business engagement, Mr. Shan Xiaochang, the former Chairman of the Board, was unable to attend the annual general meeting of the Company held on 28 July 2014 (the "Meeting"). Mr. Ma Arthur On-hing, an executive Director, presided as the chairman at the Meeting in accordance with the articles of association of the Company.

Subsequent to the end of the reporting period, Mr. Shan Xiaochang has tendered his resignation as an executive Director, the Chairman, the Chief Executive Officer and other positions in the Company with effect from 25 March 2015.

The Board is in the process of identifying a suitable candidate to assume the positions of the Chairman and the Chief Executive Officer. Further announcement will be made upon confirmation of the appointments.

REMUNERATION COMMITTEE

The remuneration committee of the Company currently comprises one executive Director, namely Mr. Ma Arthur On-hing, and two independent non-executive Directors, namely Ms. Chan Sze Man and Mr. Ho Chun Kit Gregory. Ms. Chan Sze Man is the chairman of the remuneration committee of the Company. The main role and function of the remuneration committee include the formulation of the Company's remuneration policy, the approval or recommendation of remuneration packages for the Directors and senior management, and the review and approval of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee of the Company meets regularly to determine the policy for the remuneration of Directors and assess the performance of the executive Directors. During the year, one meeting of the remuneration committee has been held with the following attendances:

	Number of meetings attended/ eligible to attend
Ms. Chan Sze Man	1/1
Mr. Ho Chun Kit Gregory (appointed on 1 April 2014)	0/0
Mr. Ma Authur On-hing (appointed on 25 March 2015)	0/0
Mr. Shan Xiaochang (resigned on 25 March 2015)	1/1
Mr. Wang Zhihua (resigned on 1 April 2014)	1/1

Details of the Director's remuneration are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company currently comprises one executive Director, namely Mr. Ma Arthur On-hing and two independent non-executive Directors, namely Mr. Chan Sze Man and Mr. Ng Chi Ho Dennis. Mr. Ma Arthur On-hing is the chairman of the nomination committee of the Company. The works carried out by the nomination committee members are set out below:

(a) to review the structure, size and composition (including the skills, knowledge and experience) and to make recommendations to the Board after such review;

(b) to assess the suitability and qualification of candidates put forward by the Chief Executive Officer and to become new board members and to report to the Board on their assessment;

(c) to assess the independence of independent non-executive Directors, having regard to the requirements under the GEM Listing Rules; and

(d) to make recommendations to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

One meeting of the nomination committee has been held during the year, with the following attendances:

	Number of meetings attended/ eligible to attend
Mr. Ma Authur On-hing (appointed on 25 March 2015)	0/0
Ms. Chan Sze Man	1/1
Mr. Ng Chi Ho Dennis (appointed on 10 September 2014)	0/0
Mr. Shan Xiaochang (resigned on 25 March 2015)	1/1
Mr. Wang Jialian (resigned on 10 September 2014)	1/1

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the fees paid and payable to auditors in respect of audit services to the Group were approximately HK$800,000 (2013: HK$620,000). No other non-audit related services were performed by the auditors.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Ms. Chan Sze Man, Mr. Ho Chun Kit Gregory and Mr. Ng Chi Ho Dennis with Ms. Chan Sze Man as the chairman.

The primary role and function of the audit committee of the Company are to oversee the relationship with the external auditors, to review the Group's preliminary quarterly results, interim results and annual financial statements and to monitor compliance with statutory and listing requirements, to engage independent legal or other advisers as it determines is necessary and to perform any investigations.

During the year ended 31 December 2014, four meetings of the audit committee of the Company have been held for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board, with the following attendances:

	Number of meetings attended/ eligible to attend
Ms. Chan Sze Man	4/4
Mr. Ho Chun Kit Gregory (appointed on 1 April 2014)	3/3
Mr. Ng Chi Ho Dennis (appointed on 10 September 2014)	1/1
Mr. Wang Jialian (resigned on 10 September 2014)	2/3
Mr. Wang Zhihua (resigned on 1 April 2014)	1/1

ACCOUNTABILITY AND AUDIT

The Board acknowledged their responsibility for preparing the financial statements of the Group and ensured the financial statements have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The statement of the auditor of the Company about their responsibilities on the financial statement of the Group is set out in the independent auditor's report.

INTERNAL CONTROL

The Board has overall responsibilities for the internal control system of the Group and for reviewing its effectiveness. The Board is also responsible for maintaining sound and effective internal control system to safeguard the interests of the shareholders and the assets of the Company. The Board will from time to time conduct a review of the Group's internal control systems. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group, covering financial, operational, compliance and risk management aspects of the Group.

The Board was satisfied to the effectiveness of the Group in managing risks save for the incident as disclosed in the section headed "Legal Proceedings" in the Management Discussion and Analysis Section. In the next financial year, the Company will further strengthen and improve the Directors' awareness of corporate governance in order to ensure the effectiveness of internal control system.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries of the Company are set out in note 44 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segments is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 25 to 26.

The Directors do not recommend the payment of any dividends in respect of the year (2013: HK$Nil).

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

There is no movement in the share capital of the Company during the year. Details are set out in note 35 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 29.

DISTRIBUTABLE RESERVES

Under the provisions of the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

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

Executive directors:

Mr. Ma Arthur On-hing
Mr. Shan Biao (appointed on 31 July 2014)
Mr. Mui Wai Sum (appointed on 4 November 2014)
Mr. Xiao Yujie (appointed on 28 November 2014 and resigned on 26 January 2015)
Mr. Shan Xiaochang (resigned on 25 March 2015)
Ms. Shan Zhuojun (resigned on 4 August 2014)

Non-executive Director:

Mr. Chen Wai Chung Edmund (appointed on 25 November 2014)

Independent non-executive directors:

Ms. Chan Sze Man
Mr. Ho Chun Kit Gregory (appointed on 1 April 2014)
Mr. Ng Chi Ho Dennis (appointed on 26 June 2014)
Mr. Ho Wai Shing (appointed on 31 July 2014)
Mr. Wang Jialian (resigned on 10 September 2014)
Mr. Wang Zhihua (resigned on 1 April 2014)

In accordance with article 108(A) of the articles of association of the Company, Mr. Chan Sze Man shall retire by rotation at the forthcoming annual general meeting and being eligible, offer herself for re-election.

In accordance with article 112 of the articles of association of the Company, Mr. Shan Biao, Mr. Mui Wai Sum, Mr. Chen Wai Chung Edmund and Mr. Ho Wai Shing shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ma Arthur On-hing, Mr. Shan Biao, Mr. Mui Wai Sum and Mr. Chen Wai Chung Edmund entered into an appointment letter with the Company. They have no fixed term of service with the Company save that they are subject to retirement by rotation in accordance with the articles of association of the Company.

Each of Ms. Chan Sze Man, Mr. Ho Chun Kit Gregory, Mr. Ng Chi Ho Dennis and Mr. Ho Wai Shing entered into a 2-year service contract with the Company and they are subject to retirement by rotation in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive Directors the written confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules. The Company based on such confirmation, considers that all of the independent non-executive Directors are independent.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the section "Connected/Related Party Transactions" below and note 40 to the consolidated financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed under the section "Connected/Related Party Transactions" below, there is no material contract between the Group and the controlling shareholder or its subsidiaries during the year.

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

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of Ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Mr. Shan Xiaochang	Interest of a controlled corporation	56,536 *(Note 1)*	–	56,536	0.01%
	Beneficial owner	–	35,000,000 *(Note 2)*	35,000,000	6.76%
		56,536	35,000,000	35,056,536	6.77%

Notes:

1. These shares are held by Zhongyu Group Holdings Limited. The entire issued share capital of Zhongyu Group Holdings Limited is beneficially owned by Mr. Shan Xiaochang, the former Chairman, the former Chief Executive Officer and the former executive Director, who is therefore deemed to be interested in the shares held by Zhongyu Group Holdings Limited.

2. Total number of shares to be alloted and issued upon exercise in full of options under share option scheme adopted by the Company on 8 July 2002. These share options were conditionally granted to Mr. Shan Xiaochang, the former Chairman, the former Chief Executive Officer and the former executive Director on 2 September 2011. Such grants were approved by independent shareholders of the Company at the extraordinary general meeting of the Company on 20 October 2011.

Save as disclosed above, none of the Directors nor chief executives of the Company had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2014.

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

As at 31 December 2014, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of Ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Hua R Sheng Technology Company Limited	Beneficial owner	60,000,000	–	60,000,000	11.58%

Note:

The entire issued share capital of Hua R Sheng Technology Company Limited is wholly and beneficially owned by Mr. Yan Qiyu.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2014.

SHARE OPTIONS

The Company operates a share option scheme for the purpose of to enable the Company to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. Eligible participants include any employees, directors, consultants or professional advisors, shareholders and suppliers or customers of the Group. The share option scheme became effective on 8 July 2002 (the "2002 Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted at the annual general meeting held on 15 June 2012. Shares options granted prior to the expiry of the 2002 Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the 2002 Share Option Scheme. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. As at 31 December 2014, the Company had 56,200,000 (31 December 2013: 56,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 13.9% (31 December 2013: 13.9%) of its issued share capital on that date. No share option were granted under the New Share Option Scheme.

The maximum number of share issued and which may fall to be issued upon exercise of the share options granted under the share option scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share option granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

The offer of a grant of share option under the share option scheme may be accepted, upon payment of a nominal consideration of HK$1 in total by the grantee. A share option granted under the share option scheme may be exercised in whole or in part in the manner provided in the share option scheme by a grantee giving notice in writing to the Company at any time during a period not exceed 10 years from the date an share option granted under the share option scheme is offered.

The exercise price of the share options is a price determined by the Board, in its absolute discretion, but in any case is not less than whichever is the highest of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (3) the nominal value of the Shares.

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

Name or category of participant	Exercisable period	Exercise price per share of the Company HK$	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2014
Director							
Mr. Shan Xiaochang	20 October 2011 to 1 September 2021	0.962	35,000,000	–	–	–	35,000,000
Others							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	–	–	–	21,200,000
			56,200,000	–	–	–	56,200,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above and in note 36 to the consolidated financial statements, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED/RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 40 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rule.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUAL

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the Directors is decided by the remuneration committee of the Company, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Company has adopted a share options scheme as an incentive to the Directors and eligible employees. Details of the scheme are set out in note 36 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the five largest customers accounted for approximately 83.4% (2013: approximately 30.9%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 83.7% (2013: approximately 22.9%) of the Group's total purchases. The largest customer of the Group accounted for approximately 61.7% (2013: approximately 10.9%) of the Group's total turnover while the largest supplier accounted for approximately 63.4% (2013: approximately 10.5%) of the Group's total purchases.

None of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

Corporate governance report of the Company is set out on pages 11 to 15 of the annual report.

AUDITOR

The accompanying financial statements have been audited by CCTH CPA Limited who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ma Arthur On-hing
Executive Director

27 March 2015

CCTH CPA LIMITED
中正天恒會計師有限公司

TO THE SHAREHOLDERS OF
SUNRISE (CHINA) TECHNOLOGY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunrise (China) Technology Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 96, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, 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.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group incurred a loss of HK$59,471,000 for the year ended 31 December 2014.

The conditions set out in Note 2 to the consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2015

Kwong Tin Lap
Practising Certificate Number: P01953

Unit 5-6, 7/F, Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Continuing operations			
Revenue	7	**49,022**	61,576
Cost of sales		**(47,418)**	(50,684)
Gross profit		**1,604**	10,892
Other income and gains	7	**50,852**	3,063
Gain/(loss) on change in fair value of derivative financial instruments			
– Embedded derivatives of convertible loan notes	32	**–**	2,910
– Unlisted warrants	33	**7,012**	(3,925)
Loss on redemption of convertible loan notes	32	**–**	(14,766)
Selling and distribution expenses		**(55)**	(2,301)
Administrative expenses		**(24,640)**	(36,543)
Other operating expenses	8	**(81,133)**	(28,447)
Finance costs	9	**(8,146)**	(15,191)
Loss before tax	10	**(54,506)**	(84,308)
Income tax	13	**(4,965)**	4,497
Loss for the year from continuing operations		**(59,471)**	(79,811)
Discontinued operations			
Profit for the year from discontinued operations	14	**–**	131
Loss for the year		**(59,471)**	(79,680)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
Exchange differences arising during the year		**(645)**	1,863
Reclassification adjustments relating to foreign operations disposed of during the year		**–**	(22,743)
Other comprehensive expense for the year		**(645)**	(20,880)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Total comprehensive expense for the year		**(60,116)**	(100,560)
Loss for the year from continuing operations attributable to:			
Owners of the Company		**(16,695)**	(67,182)
Non-controlling interests		**(42,776)**	(12,629)
		(59,471)	(79,811)
Loss for the year from continuing and discontinued operations attributable to:			
Owners of the Company		**(16,695)**	(52,169)
Non-controlling interests		**(42,776)**	(27,511)
		(59,471)	(79,680)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(17,177)**	(77,618)
Non-controlling interests		**(42,939)**	(22,942)
		(60,116)	(100,560)
Loss per share	16		
From continuing and discontinued operations			
Basic		**HK(3.9) cents**	HK(12.08) cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**HK(3.9) cents**	HK(15.56) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**46,601**	81,681
Prepaid land lease payments	18	**6,048**	6,210
Goodwill	20	**–**	–
		52,649	87,891
Current assets			
Inventories	22	**27,694**	28,623
Trade receivables	23	**51,395**	58,650
Prepayments, deposits and other receivables	24	**14,890**	28,524
Bank balances and cash		**966**	543
		94,945	116,340
Assets classified as held for sale	25	**–**	87,570
		94,945	203,910
Current liabilities			
Trade payables	26	**27,392**	16,729
Other payables and accruals	27	**9,103**	19,910
Corporate bonds payable	28	**11,347**	–
Other borrowings	29	**15,000**	–
Amount due to noteholder	30	**24,138**	45,970
Amount due to a director	31	**189**	–
Tax payable		**5,059**	98
		92,228	82,707
Liabilities directly associated with assets classified as held for sale	25	**–**	108,189
		92,228	190,896
Net current assets		**2,717**	13,014
Total assets less current liabilities		**55,366**	100,905

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Corporate bonds payable	28	**12,667**	–
Other borrowings	29	**9,112**	–
Unlisted warrants	33	**2,064**	9,076
Deferred tax liabilities	34	**924**	950
		24,767	10,026
Net assets		**30,599**	90,879
Capital and reserves			
Share capital	35	**4,318**	4,318
Reserves		**41,018**	58,195
Equity attributable to owners of the Company		**45,336**	62,513
Non-controlling interests		**(14,737)**	28,366
Total equity		**30,599**	90,879

The consolidated financial statements on pages 25 to 96 were approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Ma Arthur On-hing
Director

Shan Biao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital HK$'000	**Share premium account** HK$'000	**Asset revaluation reserve** HK$'000	**Statutory reserve** HK$'000 *(Note below)*	**Share option reserve** HK$'000 *(Note 36)*	**Merger reserve** HK$'000	**Exchange fluctuation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2013	4,318	165,417	11,293	12,828	24,572	2,441	23,309	(104,047)	140,131	184,495	324,626
Loss for the year	–	–	–	–	–	–	–	(52,169)	(52,169)	(27,511)	(79,680)
Other comprehensive expense for the year	–	–	–	–	–	–	(20,736)	(4,713)	(25,449)	4,569	(20,880)
Total comprehensive expense for the year	–	–	–	–	–	–	(20,736)	(56,882)	(77,618)	(22,942)	(100,560)
Decrease in non-controlling interests arising on disposal of subsidiaries *(Note 38b)*	–	–	–	–	–	–	–	–	–	(133,187)	(133,187)
Share options forfeited	–	–	–	–	(2,423)	–	–	2,423	–	–	–
Transfer to retained earnings on disposal of subsidiaries	–	–	(11,293)	(12,013)	–	(2,441)	–	25,747	–	–	–
At 31 December 2013 and 1 January 2014	4,318	165,417	–	815	22,149	–	2,573	(132,759)	62,513	28,366	90,879
Loss for the year	–	–	–	–	–	–	–	(16,695)	(16,695)	(42,776)	(59,471)
Other comprehensive expense for the year	–	–	–	–	–	–	(482)	–	(482)	(163)	(645)
Total comprehensive expense for the year	–	–	–	–	–	–	(482)	(16,695)	(17,177)	(42,939)	(60,116)
Decrease in non-controlling interests arising on disposal of subsidiaries *(Note 38a)*	–	–	–	–	–	–	–	–	–	(164)	(164)
Transfer to retained earnings on disposal of subsidiaries	–	–	–	(815)	–	–	–	815	–	–	–
At 31 December 2014	4,318	165,417	–	–	22,149	–	2,091	(148,639)	45,336	(14,737)	30,599

Note: **Statutory reserve**

Pursuant to the articles of association of the group entities in the People's Republic of China ("PRC" or "Mainland China"), appropriations are made from the retained earnings to certain statutory reserves, based on a percentage of profit in accordance with the rules and regulations in Mainland China. Such appropriations to reserves would be made only with approval from the board of directors of those group entities.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss for the year		**(59,471)**	(79,680)
Adjustments for:			
Tax charge recognised in profit or loss	13	**4,965**	70
Bank interest income		**(2)**	(697)
Finance costs	9	**8,146**	17,789
Depreciation of property, plant and equipment		**10,731**	20,934
Amortisation of intangible assets		**–**	6,074
Amortisation of prepaid land lease payments		**135**	428
(Gain)/loss on change in fair value of derivative financial instruments		**(7,012)**	1,015
Impairment loss on:			
Inventories		**19,914**	12,508
Trade receivables		**28,481**	16,907
Other receivables		**5,147**	33,193
Property, plant and equipment		**27,591**	–
Loss on redemption of convertible loan notes		**–**	14,766
Loss on disposal of property, plant and equipment		**–**	908
Write-down of inventories		**–**	5,868
Reversal of impairment loss on trade receivables		**–**	(2,362)
Gain on disposal of subsidiaries	38	**(50,750)**	(18,460)
Operating cash flows before movements in working capital		**(12,125)**	29,261
Increase in inventories		**(18,985)**	(14,519)
Increase in amounts due from customers for construction contracts		**–**	(20,428)
Increase in trade receivables		**(21,191)**	(43,513)
Decrease/(increase) in prepayments, deposits and other receivables		**8,484**	(14,825)
Increase in trade payables		**10,663**	4,232
(Decrease)/increase in other payables and accruals		**(11,947)**	26,376
Increase/(decrease) in amounts due to directors		**189**	(1,200)
Cash used in operations		**(44,912)**	(34,616)
Income taxes paid		**(26)**	(2,743)
Net cash used in operating activities		**(44,938)**	(37,359)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3,621)**	(42,661)
Acquisition of subsidiaries in prior years		**–**	(19,127)
Disposal of subsidiaries	38	**26,797**	53,996
Deposit received on disposal of subsidiaries	25	**–**	21,000
Increase in restricted bank deposits		**–**	(45,916)
Interest received		**2**	697
Net cash generated from/(used in) investing activities		**23,178**	(32,011)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from financing activities			
Interest paid		**(455)**	(15,433)
Proceeds from issue of corporate bonds		**24,500**	–
Corporate bonds issue expenses		**(1,050)**	–
Other borrowings obtained		**24,112**	–
Repayment of bank loans		**–**	(52,102)
Repayment of other loan		**–**	(30,000)
Repayment of amount due to noteholder		**(27,781)**	–
Advances from non-controlling interests of subsidiaries		**–**	76,457
Net cash generated from/(used in) financing activities		**19,326**	(21,078)
Net decrease in cash and cash equivalents		**(2,434)**	(90,448)
Cash and cash equivalents at beginning of the year		**3,727**	93,822
Effects of exchange rate changes		**(327)**	353
Cash and cash equivalents at end of the year		**966**	3,727
Analysis of cash and cash equivalents at end of the year:			
Bank balances and cash		**966**	543
Bank balances and cash included in assets reclassified as held for sale	25	**–**	3,184
		966	3,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. *GENERAL*

Sunrise (China) Technology Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands, and the issued shares of which are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in investment holding. The principal activities of the Company's principal subsidiaries are set out in Note 44 to the financial statements.

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

2. *BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS*

The consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that the Group incurred a loss of HK$59,471,000 for the year ended 31 December 2014. In the opinion of the directors of the Company, the Group should be able to continue as a going concern in the next year from the date of approval of these consolidated financial statements taking into consideration the measures, which include, but are not limited to, the following:

(a) On 29 January 2015, the Company issued 86,352,000 new shares for a total cash proceeds of HK$30,223,200 (before expenses).

(b) On 26 March 2015, the Company entered into a loan agreement with an independent third party under which a loan facility of HK$60,000,000 was granted to the Company. The loan, which is unsecured, carries interest at 20% per annum and repayable on the business day falling on eighteen months from the date of the first drawdown of any amount of the loan. Up to the date of approval of these consolidated financial statements, this loan facility was not utilised by the Company.

Based on the aforesaid factors, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

New and revised HKFRSs applied in current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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

The application of the new and revised HKFRSs in the current year had no material impact on the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[4]
HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

[1] Effective for annual periods beginning on or after 1 July 2014, with limited exemptions. Earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[3] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application is permitted.

[4] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3. *APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)*

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset and give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

HKFRS 9 Financial Instruments (continued)

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

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not yet effective will have no material impact on the consolidated financial statements.

4. *SIGNIFICANT ACCOUNTING POLICIES*

Statement of compliance

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

Goodwill

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

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

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

Revenue recognition

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

Sale of goods

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

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the cost incurred or to be incurred in respect of the transaction can be measured reliably.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Revenue recognition (continued)

Construction contract

The Group's policy for recognition of revenue from construction contracts is described in the accounting policy for construction contracts below.

Service income

Service income, which represents income from after-sale services of the Group's sales, is recognised when the services have been rendered by the Group.

Rental income

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

Interest income

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contact costs will exceed total contract revenue, the expected loss is recognised as expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant leases.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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 exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants and subsidies

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government subsidies relating to the Group's manufacture and sale of goods are recognised as income when it is probable that the economic benefits associated with the subsidies will flow to the Group and the related goods have been sold.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Share-based payment arrangements

Share-based payment transactions of the Company

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

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Share-based payment arrangements (continued)

Share-based payment transactions of the Company (continued)

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

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

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

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

Current and deferred tax 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.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below), including buildings held for use in the production or for administrative purposes, are stated in the consolidated statement of financial position at cost or valuation less subsequent accumulated depreciation and accumulated impairment losses, if any.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the value of the revalued asset are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is recognised so as to write off the cost or valuation of assets (other than construction in progress) 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes and are carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Investment properties

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

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

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Intangible assets

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation 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.

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 (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 assets 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.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain and losses arising from derecognition of an intangible asset, which is 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overhead. Net realisable value is based on estimated selling price less the estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Financial assets (continued)

Impairment loss on financial assets (continued)

For all 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 and principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, 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 credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are 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 loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Convertible loan notes

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion derivative is recognised at fair value, any excess of proceeds from the notes over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

When the convertible loan notes are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the convertible loan notes are redeemed, the difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designed 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 liability 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.

Financial liabilities at FVTPL (including embedded derivatives of convertible loan notes and unlisted warrants) 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 incorporates any interest paid on the financial liability, if any.

4. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including trade and other payables, corporate bonds payable, other borrowings, amount due to noteholder, amount due to a director and convertible loan notes) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

5. *SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES*

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgments, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

5. *SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available information from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful life and residual value of property, plant and equipment

The Group determines the depreciation amount of property, plant and equipment based on the estimated useful life and residual value, which are reviewed at the end of each reporting period. The principal assumptions for the Group's estimation of the useful life and residual value include those related to the mode of operations, government regulations and scrap value of property, plant and equipment in future.

Estimated allowance for inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and write-down of inventories in the period in which such estimate is changed. As at 31 December 2014, the carrying amount of inventories is HK$27,694,000 (2013: HK$28,623,000). Write down of inventories amounted to HK$19,914,000 (2013: HK$12,508,000) has been charged to profit or loss in respect of the year.

Impairment loss recognised in respect of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of debtors' balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2014, the carrying amount of trade and other receivables amounted to an aggregate of HK$60,099,000, net of accumulated impairment losses of HK$49,737,000 (2013: HK$98,460,000, net of accumulated impairment losses of approximately HK$23,209,000), of which trade and other receivables of HK$Nil (2013: HK$23,034,000), net of impairment losses, have been reclassified as assets held for sale.

Fair value of unlisted warrants

The unlisted warrants are carried at fair value in the consolidated statement of financial position with changes in fair value recognised in profit or loss. In estimating the fair value of the unlisted warrants, the Group uses valuation performed by professorial valuers which is based on various inputs and estimates with reference to quoted market rates and adjusted for specific features of the unlisted warrants. If the input and estimates applied in the valuation are different, the carrying amount the unlisted warrants may change.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Control in a subsidiary, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan")

On 10 December 2012, a wholly-owned subsidiary of the Company, Rise Joy Investment Limited, acquired 51% equity interest in Shengyan from a third party (the "Vendor"), under which the Group has gained control and the Group's 51% interest in Shengyan is accounted for and consolidated into the consolidated financial statements of the Group. Key judgments adopted in concluding that the Group has obtained control over Shengyan are as follows:

(i) Rise Joy and the Vendor entered into a trust declaration agreement, pursuant to which the 51% equity interest is held by the Vendor in trust for Rise Joy with effect from 10 December 2012. The directors consider that such 51% equity interest in Shengyan was effectively acquired by Rise Joy on 10 December 2012, the date on which Shengyan is regarded as a subsidiary of the Company. The approval by the relevant governmental departments of Mainland China of the acquisition is yet to be obtained.

(ii) The Group has consistently and regularly held a majority of the voting rights exercised at shareholders' meetings of Shengyan; and

(iii) The shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following reportable operating segments based on their products and services:

Continuing operations:

– Manufacture and sales of straw briquettes

– Provision of technological desulphurisation services

– Trading of commodities

Discontinued operations:

– Manufacture and sales of loudspeaker systems

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, gain on disposal of subsidiaries, gain/loss on change in fair value of embedded derivatives of convertible loan notes and unlisted warrants, loss on redemption of convertible loan notes, finance costs, as well as other head office and corporate expenses are excluded from such measurement.

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

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

6. *OPERATING SEGMENT INFORMATION (continued)*

Year ended 31 December 2014

	Continuing operations				Discontinued operations	
	Manufacture and sales of straw briquettes HK$'000	Provision of technological desulphurisation services HK$'000	Trading of commodities HK$'000	Sub-total HK$'000	Manufacture and sales of loudspeaker systems HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	18,793	–	30,229	49,022	–	49,022
Segment results	(86,996)	–	(950)	(87,946)	–	(87,946)
Interest income						2
Gain on disposal of subsidiaries						50,750
Gain on change in fair value of unlisted warrants						7,012
Corporate and other unallocated expenses						(16,178)
Finance costs						(8,146)
Loss before tax						(54,506)
Segment assets	83,587	–	57,490	141,077	–	141,077
Corporate and other unallocated assets						6,517
Total assets						147,594
Segment liabilities	41,206	–	–	41,206	–	41,206
Corporate and other unallocated liabilities						75,789
Total liabilities						116,995

6. *OPERATING SEGMENT INFORMATION (continued)*

Year ended 31 December 2013

	Continuing operations				Discontinued operations	
	Manufacture and sales of straw briquettes HK$'000	Provision of technological desulphurisation services HK$'000	Trading of commodities HK$'000	Sub-total HK$'000	Manufacture and sales of loudspeaker systems HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	28,501	33,075	–	61,576	449,101	510,677
Segment results	(22,816)	(6,270)	(12,508)	(41,594)	(11,489)	(53,083)
Interest income						697
Gain on disposal of subsidiaries	–	–	–	–	–	18,460
Gain/(loss) on change in fair value of:						
– embedded derivatives of convertible loan notes						2,910
– unlisted warrants						(3,925)
Loss on redemption of convertible loan notes						(14,766)
Corporate and other unallocated expenses						(12,114)
Finance costs						(17,789)
Loss before tax						(79,610)
Segment assets	165,396	–	23,279	188,675	–	188,675
Corporate and other unallocated assets						15,556
Assets classified as held for sale						87,570
Total assets						291,801
Segment liabilities	35,033	–	–	35,033	–	35,033
Corporate and other unallocated liabilities						57,700
Liabilities directly associated with assets classified as held for sale						108,189
Total liabilities						200,922

6. *OPERATING SEGMENT INFORMATION (continued)*

Other segment information

	Continuing operations				Discontinued operations		
	Manufacture and sales of straw briquettes HK$'000	Provision of technological desulphurisation services HK$'000	Trading of commodities HK$'000	Sub-total HK$'000	Manufacture and sales of loudspeaker systems HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2014							
Write-down of inventories	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment loss on inventories	**18,748**	**–**	**1,166**	**19,914**	**–**	**–**	**19,914**
Impairment loss on trade receivables	**28,481**	**–**	**–**	**28,481**	**–**	**–**	**28,481**
Impairment loss on other receivables	**1,594**	**–**	**–**	**1,594**	**–**	**3,553**	**5,147**
Impairment loss on property, plant and equipment	**27,591**	**–**	**–**	**27,591**	**–**	**–**	**27,591**
Depreciation and amortisation	**10,812**	**–**	**–**	**10,812**	**–**	**54**	**10,866**
Capital expenditure#	**3,621**	**–**	**–**	**3,621**	**–**	**–**	**3,621**
Year ended 31 December 2013							
Write-down of inventories	399	–	–	399	5,469	–	5,868
Impairment loss on inventories	–	–	12,508	12,508	–	–	12,508
Impairment loss on trade receivables	15,939	–	–	15,939	968	–	16,907
Impairment loss on other receivables	–	–	–	–	33,193	–	33,193
Impairment loss on property, plant and equipment	–	–	–	–	–	–	–
Depreciation and amortisation	8,877	6,810	–	15,687	11,472	277	27,436
Capital expenditure#	1,465	189	–	1,654	41,007	–	42,661

Capital expenditure consists additions to property, plant and equipment and excluding assets from the acquisition of subsidiaries.

6. *OPERATING SEGMENT INFORMATION (continued)*

Geographical information

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
Mainland China	**18,793**	237,011
United States of America	**–**	86,512
Germany	**–**	111,425
Thailand	**–**	763
Singapore	**30,229**	–
Other countries	**–**	74,966
	49,022	510,677

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2014 HK$'000	2013 HK$'000
Hong Kong	**44**	–
Mainland China	**52,605**	87,891
	52,649	87,891

The non-current assets information is based on the locations of the assets and excludes goodwill and intangible assets.

Information about major customers

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

	Revenue generated from	2014 HK$'000	2013 HK$'000
Customer A	Manufacture and sales of straw briquette	**6,870**	–
Customer B	Trading of commodities	**30,229**	–
Customer C	Manufacture and sales of loudspeaker system	**–**	55,546
		37,099	55,546

7. *REVENUE, OTHER INCOME AND GAINS*

Revenue, which is also the Group's turnover recognised for the year, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and sales related taxes; income from construction contracts; and income from of maintenance services rendered.

	2014			2013		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue						
Sales of goods	**49,022**	**–**	**49,022**	28,501	423,783	452,284
Income from construction contracts	**–**	**–**	**–**	33,075	–	33,075
Maintenance services income	**–**	**–**	**–**	–	25,318	25,318
Total revenue	**49,022**	**–**	**49,022**	61,576	449,101	510,677
Other income						
Bank interest income	**2**	**–**	**2**	372	325	697
Mould income	**–**	**–**	**–**	–	157	157
Gross rental income on investment properties	**–**	**–**	**–**	–	2,538	2,538
Sales of scrap materials	**–**	**–**	**–**	–	348	348
Service income	**–**	**–**	**–**	200	525	725
Others	**13**	**–**	**13**	129	2,782	2,911
	15	**–**	**15**	701	6,675	7,376
Gains						
Exchange gains, net	**87**	**–**	**87**	–	–	–
Gain on disposal of subsidiaries *(Note 38)*	**50,750**	**–**	**50,750**	–	–	–
Reversal of impairment loss on trade receivables	**–**	**–**	**–**	2,362	–	2,362
	50,837	**–**	**50,837**	2,362	–	2,362
Total other income and gains	**50,852**	**–**	**50,852**	3,063	6,675	9,738

8. OTHER OPERATING EXPENSES

	2014			2013		
Impairment loss recognised in respect of:	**Continuing operations HK$'000**	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
– Property, plant and equipment *(Note 17)*	**27,591**	**–**	**27,591**	–	–	–
– Inventories *(Note 22)*	**19,914**	**–**	**19,914**	12,508	–	12,508
– Trade receivables *(Note 23)*	**28,481**	**–**	**28,481**	15,939	968	16,907
– Other receivables *(Note 24)*	**5,147**	**–**	**5,147**	–	33,193	33,193
	81,133	**–**	**81,133**	28,447	34,161	62,608

9. FINANCE COSTS

	2014			2013		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Interest on:						
– Bank borrowings wholly repayable within five years	**–**	**–**	**–**	–	2,231	2,231
– Corporate bonds payable *(Note 28)*	**564**	**–**	**564**	–	–	–
– Other borrowings *(Note 29)*	**1,595**	**–**	**1,595**	6,457	–	6,457
– Amount due to noteholder *(Note 30)*	**5,987**	**–**	**5,987**	1,841	–	1,841
– Convertible loan notes *(Note 32)*	**–**	**–**	**–**	6,826	–	6,826
– Discounted bills	**–**	**–**	**–**	–	367	367
Overdue interest on convertible loan notes	**–**	**–**	**–**	67	–	67
	8,146	**–**	**8,146**	15,191	2,598	17,789

10. LOSS BEFORE TAX

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

	2014			2013		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Cost of inventories sold	**47,418**	**–**	**47,418**	25,366	341,582	366,948
Write-down of inventories	**–**	**–**	**–**	399	5,469	5,868
Construction costs recognised	**–**	**–**	**–**	24,919	–	24,919
Depreciation of property, plant and equipment	**10,731**	**–**	**10,731**	9,776	11,158	20,934
Amortisation of:						
– Intangible assets *(Note a)*	**–**	**–**	**–**	6,053	21	6,074
– Prepaid land lease payments *(Note a)*	**135**	**–**	**135**	135	293	428
Auditor's remuneration	**823**	**–**	**823**	620	173	793
Exchange losses, net	**–**	**–**	**–**	942	9,551	10,493
Rental charges on land and buildings under operating leases	**1,820**	**–**	**1,820**	1,444	217	1,661
Loss on disposal of property, plant and equipment	**–**	**–**	**–**	–	908	908
Rental income from investment properties less direct operating expenses	**–**	**–**	**–**	–	(2,538)	(2,538)
Research and development costs:						
Current year expenditure	**–**	**–**	**–**	4,262	12,622	16,884
Less: Government grants *(Note b)*	**–**	**–**	**–**	–	(174)	(174)
	–	**–**	**–**	4,262	12,448	16,710
Directors' remuneration *(Note 11)*	**2,113**	**–**	**2,113**	1,929	–	1,929
Other staff costs (excluding directors' remuneration):						
Wages, salaries and allowances	**4,627**	**–**	**4,627**	11,791	96,846	108,637
Pension scheme contribution	**90**	**–**	**90**	115	608	723
Total staff costs	**6,830**	**–**	**6,830**	13,835	97,454	111,289

Notes:

(a) The amortisation of intangible assets and the amortisation of prepaid land lease payments for the year are included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

(b) Government grants have been received for research activities in Mainland China. The government grants released have been deducted from the research and development costs to which they relate. There are no unfulfilled conditions or contingencies relating to these grants.

11. DIRECTORS' REMUNERATION

2014	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Pension scheme contribution HK$'000**	**Total Remuneration HK$'000**
Executive directors:				
Mr. Shan Xiaochang *(note i)*	**–**	**520**	**17**	**537**
Ms. Shan Zhuojun *(note ii)*	**–**	**309**	**9**	**318**
Mr. Ma Arthur On-hing	**–**	**520**	**17**	**537**
Mr. Shan Biao *(note iii)*	**–**	**217**	**–**	**217**
Mr. Mui Wai Sum *(note iv)*	**–**	**41**	**–**	**41**
Mr. Xiao Yujie *(note v)*	**–**	**24**	**–**	**24**
Non-executive director:				
Mr. Chen Wai Chung Edmund *(note vi)*	**26**	**–**	**–**	**26**
Independent non-executive directors:				
Mr. Wang Jialian *(note vii)*	**75**	**–**	**–**	**75**
Mr. Wang Zhihua *(note viii)*	**27**	**–**	**–**	**27**
Ms. Chan Sze Man	**110**	**–**	**–**	**110**
Mr. Ho Chun Kit Gregory *(note ix)*	**90**	**–**	**–**	**90**
Mr. Ng Chi Ho Dennis *(note x)*	**61**	**–**	**–**	**61**
Mr. Ho Wai Shing *(note xi)*	**50**	**–**	**–**	**50**
	439	**1,631**	**43**	**2,113**

2013	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contribution HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Shan Xiaochang	–	520	15	535
Ms. Shan Zhuojun	–	520	15	535
Mr. Ma Arthur On-hing	–	520	15	535
Independent non-executive directors:				
Mr. Wang Jialian	108	–	–	108
Mr. Wang Zhihua	108	–	–	108
Ms. Chan Sze Man	108	–	–	108
	324	1,560	45	1,929

11. DIRECTORS' REMUNERATION (continued)

Notes:

(i) Mr. Shan Xiaochang resigned as executive director of the Company on 25 March 2015.

(ii) Ms. Shan Zhuojun resigned as executive director of the Company on 4 August 2014.

(iii) Mr. Shan Biao was appointed executive director of the Company on 31 July 2014.

(iv) Mr. Mui Wai Sum was appointed executive director of the Company on 4 November 2014.

(v) Mr. Xiao Yujie was appointed executive director of the Company on 28 November 2014 and resigned as executive director of the company on 26 January 2015.

(vi) Mr. Chen Wai Chung Edmund was appointed non-executive director of the Company on 25 November 2014.

(vii) Mr. Wang Jailian resigned as independent non-executive director of the Company on 10 September 2014.

(viii) Mr. Wang Zhihua resigned as independent non-executive director of the Company on 1 April 2014.

(ix) Mr. Ho Chun Kit Gregory was appointed independent non-executive director of the Company on 1 April 2014.

(x) Mr. Ng Chi Ho Dennis was appointed independent non-executive director of the Company on 26 June 2014.

(xi) Mr. Ho Wai Shing was appointed independent non-executive director of the Company on 31 July 2014.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2013: two directors) whose remuneration are included in directors' remuneration as set out in note 11 above. Details of the remuneration of the remaining three highest paid employees (2013: three employee) are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and other benefits	**3,029**	3,970
Pension scheme contribution	**84**	143
	3,113	4,113

These three highest paid employees (2013: three employees) who remuneration fell within the following bands is as follows:

	2014 Number of employees	2013 Number of employees
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	2
More than HK$1,500,000	**–**	1
	3	3

13. INCOME TAX

	2014			2013		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Current tax						
– PRC Enterprise Income Tax	5,058	–	5,058	213	1,265	1,478
– Other jurisdictions	–	–	–	–	473	473
	5,058	–	5,058	213	1,738	1,951
Over provision in prior years						
– PRC Enterprise Income Tax	(71)	–	(71)	(2,526)	(685)	(3,211)
– Other jurisdictions	–	–	–	–	(38)	(38)
	(71)	–	(71)	(2,526)	(723)	(3,249)
Deferred tax (credit)/charge *(Note 34)*	(22)	–	(22)	(2,184)	3,552	1,368
Total tax charge/(credit) for the year	4,965	–	4,965	(4,497)	4,567	70

No provision for Hong Kong profits tax has been made for both of the years presented as the Group did not generate any assessable profits arising in Hong Kong during those years.

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at 25% for both of the years presented. A PRC subsidiary was registered as a Hi-New Technology Enterprise by the relevant government authority in the PRC and is subjected to the PRC corporate tax at the rate of 15%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

13. INCOME TAX (continued)

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

	2014 HK$'000	2013 HK$'000
Loss for the year	**(59,471)**	(79,680)
Income tax expense	**4,965**	70
Loss before tax	**(54,506)**	(79,610)
Tax calculated at the tax rate of 25% (2013: 25%)	**(13,627)**	(19,903)
Tax effect of expenses not deductible for tax	**8,962**	13,987
Tax effect of income not subject to tax	**(1,753)**	(541)
Effect of income subject to different tax rates	**(7,612)**	–
Tax effect of deductible temporary differences not recognised	**19,212**	11,935
Tax effect of tax loss not recognised	**–**	16
Effect of tax granted to PRC subsidiaries	**–**	(2,254)
Effect of different tax rates of subsidiaries in other jurisdictions	**–**	79
Others	**(146)**	–
Overprovision in respect of prior years	**(71)**	(3,249)
Income tax expense	**4,965**	70

14. DISCONTINUED OPERATIONS

In 2013, following the disposal of the Company's subsidiary, Taraki Inc., as detailed in Note 38b, the Group discontinued its business of manufacture and sales of loudspeaker systems on 18 July 2013. An analysis of the results attributable to the discontinued operations is as follows:

	1.1.2013 to 18.7.2013 HK$'000
Loss of the discontinued operations	(18,329)
Gain on disposal of subsidiaries *(Note 38b)*	18,460
Profit for the year from discontinued operations	131
Profit/(loss) for the year from discontinued operations attributable to:	
Owners of the Company	15,013
Non-controlling interests	(14,882)
	131

14. *DISCONTINUED OPERATIONS (continued)*

The loss from discontinued operations are analysed as follows:

	Notes	1.1.2013 to 18.7.2013 HK$'000
Revenue	7	449,101
Cost of sales		(347,051)
Gross profit		102,050
Other income and gains	7	6,675
Selling and distribution expenses		(12,604)
Administrative expenses		(73,124)
Other operating expenses	8	(34,161)
Finance costs	9	(2,598)
Loss before tax	10	(13,762)
Income tax expense	13	(4,567)
Loss for the year from discontinued operations		(18,329)
Cash flows from discontinued operations		
Net cash inflows from operating activities		111,018
Net cash outflows from investing activities		(78,205)
Net cash outflows from financing activities		(56,484)
		(23,671)

15. *DIVIDENDS*

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

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is as follows:

	2014 HK$'000	2013 HK$'000
Loss		
(i) From continuing and discontinued operations		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(16,695)**	(52,169)
Effect of dilutive potential ordinary shares:		
(Gain)/loss on change in fair value of:		
– Embedded derivatives of convertible loan notes	–	(2,910)
– Unlisted warrants	**(7,012)**	3,925
Interest on convertible loan notes	–	6,893
Loss for the purpose of diluted loss per share	**N/A**	N/A
(ii) From continuing operations		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(16,695)**	(67,182)
Effect of dilutive potential ordinary shares:		
(Gain)/loss on change in fair value of:		
– Embedded derivatives of convertible loan notes	–	(2,910)
– Unlisted warrants	**(7,012)**	3,925
Interest on convertible loan notes	–	6,893
Loss for the purpose of diluted loss per share	**N/A**	N/A
Number of shares		
	Number of shares '000	Number of shares '000
From continuing and discontinued operations and from continuing operations		
Number of ordinary shares for the purpose of basic loss per share	**431,765**	431,765
Effect of dilutive potential ordinary shares:		
Convertible loan notes	–	79,497
Unlisted warrants	**66,667**	66,667
Number of ordinary shares for the purpose of diluted loss per share	**498,432**	577,929

Diluted loss per share for the years ended 31 December 2014 and 31 December 2013 is not presented because the Group sustained a loss for each of these years and the impact of conversion of convertible notes and exercise of share options, if any, is regarded as anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2013	135,229	36,841	212,206	11,472	101,517	497,265
Reclassified from prepayment for acquisition of property, plant and equipment	–	–	–	–	5,167	5,167
Additions	1,011	1,059	408	368	39,815	42,661
Transfer	–	5,438	40,475	–	(45,913)	–
Disposals	–	(10)	(2,738)	(44)	–	(2,792)
Derecognised on disposal of subsidiaries *(Note 38b)*	(120,083)	(38,662)	(178,115)	(7,109)	(101,158)	(445,127)
Reclassified as held for sale *(Note 25)*	–	–	(5,706)	–	–	(5,706)
Exchange realignment	3,197	895	5,564	351	2,413	12,420
At 31 December 2013	19,354	5,561	72,094	5,038	1,841	103,888
Additions	–	1,894	–	–	1,727	3,621
Transfer	(12,102)	15,661	(7)	7	(3,559)	–
Exchange realignment	(77)	(19)	(294)	(11)	(9)	(410)
At 31 December 2014	7,175	23,097	71,793	5,034	–	107,099
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	10,953	24,315	97,297	3,370	–	135,935
Depreciation for the year	3,894	2,833	12,920	1,287	–	20,934
Eliminated on disposals	–	–	(1,845)	(39)	–	(1,884)
Eliminated on disposal of subsidiaries *(Note 38b)*	(13,048)	(26,124)	(90,383)	(3,199)	–	(132,754)
Eliminated on reclassification as held for sale *(Note 25)*	–	–	(3,335)	–	–	(3,335)
Exchange realignment	328	569	2,270	144	–	3,311
At 31 December 2013	2,127	1,593	16,924	1,563	–	22,207
Transfer	(3,343)	3,343	–	–	–	–
Depreciation for the year	1,653	988	7,783	307	–	10,731
Impairment losses recognised in profit or loss *(Note 8)*	–	7,142	20,449	–	–	27,591
Exchange realignment	(1)	(1)	(27)	(2)	–	(31)
At 31 December 2014	436	13,065	45,129	1,868	–	60,498
CARRYING AMOUNTS						
At 31 December 2014	6,739	10,032	26,664	3,166	–	46,601
At 31 December 2013	17,227	3,968	55,170	3,475	1,841	81,681

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The property, plant and machinery, other than buildings and construction in progress, are carried at cost less accumulated depreciation and accumulated impairment, if any. The buildings, which are situated in the PRC, are carried at fair value on Level 3 fair value measurement. The construction in progress is carried at cost less accumulated impairment , if any.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over their estimated useful lives, less their residual values as follows:

Buildings	Remaining lease terms of the relevant land
Leasehold improvements	5-10 years
Machinery, furniture and equipment	3-20 years
Motor vehicles	2-10 years

The fair values of the Group's buildings at 31 December 2014 and 31 December 2013 have been arrived at on the basis of valuations carried out at those dates by Shing Yin Appraisal Limited, an independent valuer not related to the Group, and management of the Group respectively. The valuations at those date were estimated using the depreciated replacement cost approach taking account of the aggregate amount of the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or obsolescence and environmental factors (the "Depreciated Replacement Cost Approach"). There has been no change from the valuation technique used in the prior year. In determining the fair value of the buildings, the highest and best use of the buildings is their current use.

Reconciliation of Level 3 fair value measurements is as follows:

	Buildings HK$'000
At 1 January 2014, at fair value	17,227
Transfer during the year	(8,759)
Depreciation for the year	(1,653)
Exchange realignment	(76)
At 31 December 2014, at fair value	6,739

Had the Group's buildings been measured in a historical cost basis, their carrying amount at 31 December 2014 would have been HK$6,739,000 (2013: HK$17,227,000).

Following the Group's evaluation that no government subsidy will be granted for the Group's business of manufacture and sales of straw briquettes in the current and future years, management of the Company conducted a review of the economic viability of the Group's property, plant and equipment relating to this business and considered it appropriate to recognise impairment loss of HK$20,499,000 (2013: Nil) on such assets based on their estimated fair value less costs to sell. Such impairment loss has been recognised in profit or loss in respect of the year and included in other operating expenses (Note 8).

18. *PREPAID LAND LEASE PAYMENTS*

	2014 **HK$'000**	2013 HK$'000
The Group's prepaid land lease payments comprise:		
Land outside Hong Kong under medium-term lease	**6,174**	6,336
Movements during the year:		
At beginning of the year	**6,336**	26,017
Derecognised on disposal of subsidiaries *(Note 38b)*	**–**	(19,447)
Amortisation for the year	**(135)**	(428)
Exchange realignment	**(27)**	194
At end of the year	**6,174**	6,336
Analysed for reporting purposes as:		
Current assets (included in prepayments, deposits and other receivables)	**126**	126
Non-current assets	**6,048**	6,210
	6,174	6,336

The leasehold lands are situated in Mainland China and are held under medium-term leases.

19. *INVESTMENT PROPERTIES*

	2014 **HK$'000**	2013 HK$'000
At beginning of the year	**–**	34,569
Derecognised on disposal of subsidiaries *(Note 38b)*	**–**	(35,347)
Exchange realignment	**–**	778
At end of the year	**–**	–

20. GOODWILL

	2014 HK$'000	2013 HK$'000
Cost		
At beginning of the year	**31**	1,430
Derecognised on disposal of subsidiaries	**(31)**	(1,149)
Reclassified as held for sale	**–**	(250)
At end of the year	**–**	31
Impairment		
At beginning of the year	**(31)**	(1,430)
Eliminated on disposal of subsidiaries	**31**	1,149
Eliminated on reclassification as held for sale	**–**	250
At end of the year	**–**	(31)
Carrying amounts		
At end of the year	**–**	–

21. INTANGIBLE ASSETS

	Order backlog HK$'000 *(note (a))*	Trademark and patents HK$'000 *(note (b))*	Total HK$'000
Cost			
At 1 January 2013	**17,274**	**1,350**	**18,624**
Additions	**–**	**938**	**938**
Derecognised on disposal of subsidiaries	**–**	**(938)**	**(938)**
Reclassified as held for sale *(Note 25)*	**(17,173)**	**(1,342)**	**(18,515)**
Exchange realignment	**(101)**	**(8)**	**(109)**
At 31 December 2013 and 31 December 2014	**–**	**–**	**–**
Accumulated amortisation			
At 1 January 2013	**9,956**	**160**	**10,116**
Charge for the year	**5,919**	**155**	**6,074**
Eliminated on disposal of subsidiaries	**–**	**(21)**	**(21)**
Eliminated on reclassification as held for sale *(Note 25)*	**(16,069)**	**(302)**	**(16,371)**
Exchange realignment	**194**	**8**	**202**
At 31 December 2013 and 31 December 2014	**–**	**–**	**–**
Carrying amounts			
At 31 December 2014	**–**	**–**	**–**
At 31 December 2013	–	–	–

The amortisation charge for the year ended 31 December 2013 was included in administrative expenses *(Note 10a)*.

Notes:

(a) Order backlog is amortised on a straight line basis over the estimated completion period of each project, ranging from 1.5 years to 3 years.

(b) Trademark and patents are amortised over the straight line basis over their estimated useful lives of 10 years.

22. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**318**	3,582
Finished goods	**27,376**	25,041
	27,694	28,623

The finished goods mainly represent fertilisers which were purchased by the Group for trading purposes.

Included in the inventories are finished goods with the carrying amount of HK$27,261,000 (2013: Nil) which have been pledged as security for the other borrowings granted to the Group (Note 29).

23. TRADE RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**95,982**	104,893
Less: Impairment loss recognised	**(44,587)**	(23,209)
	51,395	81,684
Less: Reclassified to assets classified as held for sale *(Note 25)*	**–**	(23,034)
	51,395	58,650

The aging analysis of trade receivables, net of impairment loss, based on delivery date is as follows:

	2014 HK$'000	2013 HK$'000
Within 90 days	**38,260**	29,956
91 – 180 days	**152**	–
181 – 365 days	**3,977**	12,412
More than 365 days	**9,006**	39,316
	51,395	81,684

Included in trade receivables as at 31 December 2013 is retention monies receivable from customers amounted to HK$5,614,000, of which HK$3,533,000) was expected to be recovered after one year. The retention monies receivable at 31 December 2013 was included in assets classified as held for sale *(Note 25)*.

No retention monies receivable from customers was included in trade receivables as at 31 December 2014.

23. *TRADE RECEIVABLES (continued)*

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An average credit period of 180 days (2013: 180 days) is granted to customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. An aging analysis of the Group's trade receivables, that are past due but not impaired, is as follows:

	2014	2013
	HK$'000	HK$'000
Past due:		
181 – 365 days	**3,977**	12,412
More than 365 days	**9,006**	39,316
	12,983	51,728

The Group reviews customer credit limit regularly based on historical repayment record. Trade receivables that were neither past due nor impaired related to a number of customers. Having considered the credit quality of the customers and the past experience of debts settlement, management of the Group is of the view that these trade receivables are fully recoverable and impairment loss on the receivables is not required to be made.

The table below reconciled the impairment of trade receivables for the year:

	2014	2013
	HK$'000	HK$'000
Balance at beginning of the year	**23,209**	18,120
Reversal of impairment loss *(Note 7)*	**–**	(2,362)
Impairment loss recognised *(Note 8)*	**28,481**	16,907
Eliminated on disposal of subsidiaries	**(7,068)**	(9,923)
Exchange realignment	**(35)**	467
Balance at end of the year	**44,587**	23,209

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Other receivables	8,704	16,776
Deposits and prepayments	6,186	11,748
	14,890	28,524

An analysis of other receivables is as follows:

	2014 HK$'000	2013 HK$'000
Other receivables	13,854	16,776
Less: Impairment loss recognised	(5,150)	–
	8,704	16,776

The table below reconciled the impairment of other receivables:

	2014 HK$'000	2013 HK$'000
Balance at beginning of of the year	–	–
Impairment loss recognised *(Note 8)*	5,147	33,193
Eliminated on disposal of subsidiaries	–	(33,193)
Exchange realignment	3	–
Balance at end of the year	5,150	–

25. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As referred to Note 38a, the Company entered into an agreement on 23 December 2013 for the disposal of 51% equity interest in Confident Echo, which was completed on 30 January 2014.

The consolidated assets and liabilities of Confident Echo and its subsidiaries at 31 December 2013 are analysed as follows:

	31.12.2013
	HK$'000
Assets	
Property, plant and equipment *(Note 17)*	2,371
Intangible assets *(Note 21)*	2,144
Amounts due from customers for contract work *(Note below)*	30,163
Trade receivables *(Note 23)*	23,034
Prepayments, deposits and other receivables	12,714
Restricted bank deposits	13,960
Bank balances and cash	3,184
Assets of Confident Echo and its subsidiaries classified as held for sale	87,570
Liabilities	
Trade payables *(Note 26)*	(13,806)
Other payables and accruals	(72,847)
Deferred tax liabilities *(Note 34)*	(536)
Liabilities of Confident Echo and its subsidiaries	(87,189)
Deposit received on disposal of Confident Echo	(21,000)
Liabilities directly associated with assets classified as held for sale	(108,189)
Net assets of Confident Echo and its subsidiaries	381

Note:	HK$'000
An analysis of the amounts due from customers for contract work is as follows:	
Contract costs incurred plus recognised profits less recognised losses	30,163
Less: Progress billings	–
Amounts due from contract customers	30,163

26. TRADE PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**27,392**	30,535
Less: reclassified to liabilities directly associated with assets classified as held for sale *(Note 25)*	**–**	(13,806)
	27,392	16,729

In general, the credit terms granted by suppliers ranged from 30 to 180 days. An aging analysis of the Group's trade payables is as follows:

	2014 HK$'000	2013 HK$'000
Within 30 days	**–**	516
31 – 90 days	**1,271**	10,799
91 – 180 days	**–**	138
181 – 365 days	**2,680**	14,983
More than 365 days	**23,441**	4,099
	27,392	30,535

27. OTHER PAYABLES AND ACCRUALS

	2014 HK$'000	2013 HK$'000
Other payables	**3,548**	17,082
Accruals	**5,555**	2,828
	9,103	19,910

28. CORPORATE BONDS PAYABLE

	2014 HK$'000	2013 HK$'000
Corporate bonds payable		
– within one year	**11,347**	–
– more than five years	**12,667**	–
	24,014	–
Less: Amounts shown under current liabilities	**(11,347)**	–
Amounts shown under non-current liabilities	**12,667**	–

28. *CORPORATE BONDS PAYABLE (continued)*

Movements in the corporate bonds payable during the year are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January 2014	–	–
Issue of corporate bonds, at cash	24,500	–
Transaction costs incurred for issue of bonds	(1,050)	–
Imputed interest on bonds for the year	564	–
At 31 December 2014	24,014	–

During the year, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK$31,000,000, giving rise to a total gross proceed of HK$31,000,000 (before expenses). Total proceeds received by the Company amounted to HK$24,500,000 which have been arrived at after deducting interests on the bonds prepaid amounted to HK$6,500,000. At 31 December 2014, the corporate bonds with the principal amount of HK$31,000,000 (2013: Nil) remained outstanding.

Other details of the corporate bonds are as follows:

		Corporate bonds due on		
		7 September 2015	29 September 2021	9 March 2022
(i)	Date of issue	8 September 2014	30 September 2014	10 September 2014
(ii)	Principal amount	HK$11,000,000	HK$10,000,000	HK$10,000,000
(iii)	Interest rates	10% per annum	5% per annum	4% per annum
(iv)	Maturity period	1 year	7 years	7.5 years

	31 December 2014 HK$'000
Carrying amount of corporate bonds due on	
– 7 September 2015	11,347
– 29 September 2021	5,612
– 9 March 2022	7,055
	24,014

29. OTHER BORROWINGS

	2014 HK$'000	2013 HK$'000
Loans from third parties		
– secured	**15,000**	–
– unsecured	**9,112**	–
	24,112	–
Carrying amount repayable		
– within one year	**15,000**	–
– more than two years but not more than five years	**9,112**	–
	24,112	–
Less: Amounts shown under current liabilities	**(15,000)**	–
Amount shown under non-current liabilities	**9,112**	–

The secured loan amounted to HK$15,000,000, which was granted to the Company, carries interest at 25% per annum and is repayable within one year from the end of the reporting period. Such loan is secured by the pledge of the Group's inventories with the carrying amount of HK$27,261,000 at 31 December 2014 (2013: Nil) *(Note 22)*.

The unsecured loan from another third party represents the loan capital issued by a subsidiary, Shengyan, amounted to RMB7,210,000 (equivalent to HK$9,112,000), which carries interest at 5% per annum and is repayable on 16 July 2017. Details of the loan capital are set out in Note 44c. The directors of the Company are of the view that Shengyan is able to comply with the requirements set out in Note 44c such that repayment of the loan capital will not be demanded by the third party before 16 July 2017. Accordingly, such loan is classified as non-current liabilities.

30. AMOUNT DUE TO NOTEHOLDER

	2014 HK$'000	2013 HK$'000
Unsecured amount due to noteholder	**24,138**	45,970

As referred to in Note 32, the Convertible Loan Notes were redeemed by the Company on 9 October 2013 for a consideration of RMB35,956,376 (equivalent to approximately HK$45,460,000). Such consideration payable to the noteholder had not been repaid at 31 December 2013 and interest on such payable was charged at 18% per annum.

During the year, the Company entered into certain agreements with the noteholder, under which the repayment of the outstanding consideration payable was further extended to 30 December 2014 and interests on the note were calculated at the interest rates revised from 18% per annum to 30% and 45% per annum with effect from 1 April 2014 and 1 November 2014 respectively, which are inclusive of the consent fees calculated at 12% and 27% per annum respectively of the outstanding balances.

At the end of the reporting period, the amount due to noteholder, representing consideration payable and accrued interest thereon, amounted to RMB19,099,841 (2013: RMB36,222,355).

31. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest free and repayable on demand.

32. CONVERTIBLE LOAN NOTES AND EMBEDDED DERIVATIVES

On 9 August 2011 (the "Issue Date"), the Company issued 12% convertible redeemable notes (the "Convertible Loan Notes") due on 8 August 2016 (the "Maturity Date") at a principal amount of RMB33,000,000 (equivalent to approximately HK$40,000,000) to an independent subscriber. Pursuant to the terms of the Convertible Loan Notes, the Notes are convertible into new shares of the Company during the period from 9 August 2012 up to the tenth day immediately before the Maturity Date. The Convertible Loan Notes could be initially converted into new shares of the Company at the conversion price of HK$1.50 per share (the "Conversion Price"), subject to Conversion Price reset adjustment of which the Conversion Price will be adjusted to the lower of (i) the Conversion Price at the dates falling each three month anniversaries after the Issue Date (the "Price Reset Dates"); and (ii) the average closing price per share at the respective Price Reset Dates, subject to a minimum reset price of 40% of the initial Conversion Price, i.e. HK$0.60 per share. The Company shall have the option to redeem the Convertible Loan Notes in whole or in part at the last day of the 24th calendar month from the Issue Date at a yield of 16% per annum. The amount payable shall be the principal amount of the Convertible Loan Notes so redeemed together with interest accrued thereon up to the redemption date. On the 26th, 36th and 48th calendar month from the Issue Date, the noteholder shall have the option to require the Company to redeem the Convertible Loan Notes at a yield of 15% per annum. On the Maturity Date, all outstanding Convertible Loan Notes will be redeemed at a yield of 15% per annum. As at 31 December 2012, the Conversion Price has been reset to HK$0.60 and the Convertible Loan Notes can be converted up to an aggregate 79,497,114 ordinary shares of the Company, assuming a full conversion of the Convertible Loan Notes.

During the year ended 31 December 2013, at the request of the noteholder, the Company redeemed all of the Convertible Loan Notes on 9 October 2013 at a consideration of RMB35,956,376. Such consideration payable by the Company has been overdue at the end of the reporting period. Interest on the outstanding balance was charged at 18% per annum.

The Convertible Loan Notes contain two components, liability component and embedded derivatives. The liability component is carried at amortised cost with the effective interest rate of 34.66% per annum. The embedded derivatives are carried at fair value with change in fair value recognised in profit or loss. Movements of the liability component and embedded derivatives during the years are set out as follows:

	Liability component	**Embedded derivatives**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2013	28,016	2,910	30,926
Imputed interest charged *(Note 9)*	6,826	–	6,826
Interest paid	(4,980)	–	(4,980)
Gain arising from change in fair value	–	(2,910)	(2,910)
Exchange realignment	832	–	832
Loss on redemption *(Note below)*	14,766	–	14,766
	45,460	–	45,460
Reallocated to amount due to noteholder on redemption *(Note 30)*	(45,460)	–	(45,460)
At 31 December 2013 and 31 December 2014	–	–	–

Note: The loss on redemption of the Convertible Loan Notes, which represents the excess of the consideration for the redemption of RMB35,956,376 over the aggregate of the carrying amounts of the liability component and derivative components of the note, amounted to HK$14,766,000 which has been recognised in profit or loss in respect of the year ended 31 December 2013.

33. UNLISTED WARRANTS

	2014 HK$'000	2013 HK$'000
At beginning of the year	**9,076**	5,151
(Gain)/loss in on change in fair value recognised profit or loss	**(7,012)**	3,925
At end of the year	**2,064**	9,076

On 9 August 2011, the Company issued 40 unlisted warrants to an independent investor, for a consideration of HK$800,000. Each of the unlisted warrants entitles the holder to subscribe for 26,666,680 ordinary shares of the Company at an initial exercise price of HK$1.50 per share (the "Exercise Price") during the period from 22 August 2011 to 8 August 2016 (the "Exercise Period"). The Exercise Price will be adjusted to the lower of (i) the Exercise Price at the Price Reset Dates; and (ii) the average closing price per share at the respective Price Reset Dates, subject to a minimum reset price of 40% of the initial Exercise Price. Any warrants remained outstanding after the Exercise Period will be lapsed and cancelled. On 9 May 2012, the Exercise Price has been reset to HK$0.60 per share, which is the minimum reset price, and the unlisted warrants are convertible into 66,666,700 new shares of the Company. There was no change in the Exercise Price and no warrants were exercised, lapsed or cancelled during the period from 10 May 2012 up to 31 December 2014.

The unlisted warrants are stated at fair value, with any gains or losses from change in fair value recognised in profit or loss. The fair value of the unlisted warrants at 31 December 2014 and 2013 was valued by Shing Yin Appraisal Limited, an independent valuer, using Monte Carlo Simulation. The inputs into the models were as follows:

	2014	2013
Risk-free rate	**0.397%**	0.545%
Expected volatility	**59.01%**	58.66%
Expected life	**1.58 years**	2.58 years
Dividend yield	**Nil**	Nil

The risk-free rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the contractual tenor of the unlisted warrants.

The expected volatility was determined based on the historical volatility of the share prices of the Company.

34. *DEFERRED TAX*

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2014 **HK$'000**	2013 HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(924)**	(950)
Deferred tax liabilities, net	**(924)**	(950)

Movement in deferred tax assets and liabilities during the year, without taking account of the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation allowance HK$'000	**Provisions and impairment losses** HK$'000	**Revaluation of lands and buildings** HK$'000	**Revaluation of intangible assets** HK$'000	**Total** HK$'000
At 1 January 2013	3,789	(864)	(9,964)	(2,049)	(9,088)
(Charged)/credited to profit or loss	(3,552)	–	671	1,513	(1,368)
Derecognised on disposal of subsidiaries *(Note 38b)*	(120)	884	8,392	–	9,156
Reclassified to liabilities directly associated with assets classified as held for sale *(Note 25)*	–	–	–	536	536
Exchange realignment	(117)	(20)	(49)	–	(186)
At 31 December 2013 and 1 January 2014	**–**	**–**	**(950)**	**–**	**(950)**
Credited to profit or loss	**–**	**–**	**22**	**–**	**22**
Exchange realignment	**–**	**–**	**4**	**–**	**4**
At 31 December 2014	**–**	**–**	**(924)**	**–**	**(924)**

Notes:

The balance included deferred tax arising from revaluation of leasehold lands in Mainland China.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of taxable temporary differences attributable to the profits earned by the Mainland China subsidiaries amounting to HK$3,863,000 (2013: HK$17,680,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of reporting period, the Group has unused tax losses and other deductible temporary differences totalling approximately HK$93,943,000 (2013: HK$40,638,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these deductible temporary differences due to the unpredictability of future profit streams.

35. SHARE CAPITAL

	2014 HK$'000	2013 HK$'000
Authorised		
20,000,000,000 (2013: 20,000,000,000) ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid		
431,765,000 (2013: 431,765,000) ordinary shares of HK$0.01 each	**4,318**	4,318

36. SHARE OPTION SCHEME

The Group adopted a share option scheme (the "Scheme") which has become effective on 15 June 2012. In accordance with the Scheme, share options may be granted to any employees, consultants or professional advisors, and suppliers or customers of the Group.

The exercise price of the options granted is the highest of (i) the closing price of the Company's shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of the share. The options are exercisable at the grant date and have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options of the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company.

No share option was granted by the Company during both of the years ended 31 December 2014 and 31 December 2013.

36. SHARE OPTION SCHEME (continued)

Movements in the number of share options outstanding and their exercise prices are as follows:

	2014					2013				
	Weighted average exercise price	Number of share options				Weighted average exercise price	Number of share options			
	price	Directors	Employees	Others	Total	price	Directors	Employees	Others	Total
	HK$	'000	'000	'000	'000	HK$	'000	'000	'000	'000
Outstanding at the beginning of the year	**0.857**	**35,000**	**–**	**21,200**	**56,200**	0.857	35,000	4,000	21,200	60,200
Forfeited during the year	**0.857**	**–**	**–**	**–**	**–**	0.857	–	(4,000)	–	(4,000)
Outstanding at the end of the year	**0.857**	**35,000**	**–**	**21,200**	**56,200**	0.857	35,000	–	21,200	56,200
Exercisable at the end of the year	**0.857**	**35,000**	**–**	**21,200**	**56,200**	0.857	35,000	–	21,200	56,200

No share option expense has been recognised by the Group for the year ended 31 December 2014 (2013: Nil) in relation to share options granted by the Company.

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK$0.857 (2013: HK$0.857) per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 6.36 years (2013: 7.36 years).

37. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in social insurance schemes operated by the relevant local government authorities. The insurance premium is borne by the Group on a specified proportion of the employee's salaries laid down under the relevant PRC laws and regulations.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of approximately HK$133,000 (2013:HK$768,000) represents contributions payable to these schemes by the Group at rates or amount specified in the rules of the schemes.

Apart from the above, the Group has no significant obligations under retirement benefit schemes at the end of both of the years presented.

38. *DISPOSAL OF SUBSIDIARIES*

(a) Disposal took place during the year ended 31 December 2014.

On 23 December 2013, the Company entered into an agreement with the third party for the disposal of the Group's 51% equity interest in a subsidiary, Confident Echo Holdings Limited ("Confident Echo"), for a cash consideration of HK$50,980,962, of which a cash deposit of HK$21,000,000 was received by the company up to 31 December 2013. Confident Echo, through its subsidiaries established in the PRC, is principally engaged in provision of technical desulphurisation services. The disposal of Confident Echo was completed on 30 January 2014.

	HK$'000
Consideration received:	
Consideration received in cash	50,981

Analysis of assets and liabilities at the date of disposal over which control was lost:

	HK$'000
Assets classified as held for sale *(Note 25)*	
Property, plant and equipment	2,371
Intangible assets	2,144
Amounts due from customers for contract work	30,163
Trade receivables	23,034
Prepayments, deposits and other receivables	12,714
Restricted bank deposits	13,960
Bank balances and cash	3,184
Liabilities classified as directly associated with assets classified as held for sale *(Note 25)*	
Trade payables	(13,806)
Other payables and accruals	(72,833)
Deferred tax liabilities	(536)
Net assets disposed of	395

Gain on disposal of subsidiaries	**HK$'000**
Consideration received	50,981
Net assets disposed of	(395)
Non-controlling interests	164
Gain on disposal *(Note 7)*	50,750

Net cash inflow on disposal of subsidiaries	**HK$'000**
Consideration received in cash	50,981
Less: Deposits received in the previous year	(21,000)
Bank balances and cash disposed of	(3,184)
	26,797

38. *DISPOSAL OF SUBSIDIARIES (continued)*

(b) Disposal took place during the year ended 31 December 2013

On 18 July 2013, the Company disposed of 100% equity interest in a subsidiary, Taraki Inc. ("Taraki"), to a third party and the amount due by the Company to Taraki for an aggregate consideration of HK$122,000,000. Taraki, through its subsidiaries, is engaged in the manufacture and sales of loudspeaker systems.

	HK$'000
Consideration received:	
Consideration received in cash	122,000

Analysis of assets and liabilities at the date of disposal over which control was lost:

	HK$'000
Property, plant and equipment	312,373
Prepaid land lease payments *(Note 18)*	19,447
Investment properties *(Note 19)*	35,347
Intangible assets	917
Deferred tax assets *(Note 34)*	1,683
Inventories	72,293
Trade receivables	237,281
Prepayments, deposits and other receivables	37,828
Restricted bank deposits	81,073
Bank balances and cash	68,004
Trade payables	(247,244)
Other payables and accruals	(143,623)
Amounts due to directors	(2,110)
Amounts due to non-controlling interests of subsidiaries	(141,578)
Bank borrowings	(52,465)
Tax payable	(786)
Deferred tax liabilities *(Note 34)*	(10,839)
Net assets disposed of	267,601

Gain on disposal of subsidiaries

	HK$'000
Consideration received	122,000
Net assets disposed of	(267,601)
Non-controlling interests	133,187
Cumulative exchange gains in respect of the net assets of the subsidiaries	30,874
Gain on disposal	18,460

The gain on disposal is included in loss of the year from discontinued operations *(Note 14)*.

Net cash inflow on disposal of subsidiaries	**HK$'000**
Consideration received in cash	122,000
Less: Bank balances and cash disposed of	(68,004)
	53,996

39. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2014, the Group had the following contingent liabilities and commitments:

(a) Contingent liabilities

During the year, a writ of summons dated 16 July 2014 was issued by a third party, Total Shares Limited ("Total Shares"), claiming against the Company and Mr. Shan Xiaochang ("Mr. Shan"), a director of the Company, in respect of a sum of HK$10,000,000 which was advanced by Total Shares to Mr. Shan, the repayment of which was guaranteed by the Company. The Company has contested the case vigorously. Having sought legal advices, the directors are of the opinion that the Company has a good defence against the allegation and the legal action would not result in a material loss to the Group, accordingly no provision for liabilities has been made in the consolidated financial statements. Mr. Shan resigned as director of the Company with effect from 25 March 2015.

(b) Operating leases

As lessee

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

	2014 HK$'000	2013 HK$'000
Within the first year	**1,528**	1,819
In the second to the fifth year inclusive	**–**	1,528
	1,528	3,347

Operating lease payments represent rental payables by the Group for certain of its office premises. Leases and rentals are negotiated and fixed respectively for an average of three years.

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties during the year:

Sales and purchases

	2014 HK$'000	2013 HK$'000
Sonavox Electronics (Suzhou Industrial Park) Company Limited (上聲電子(蘇州工業園區)有限公司) ("SSIP"), a non-controlling shareholder of a subsidiary – sales of goods	**–**	279

(b) Key management personnel compensation

	2014 HK$'000	2013 HK$'000
Salaries and other short-term benefits	**2,574**	3,836
Pension scheme contribution	**67**	157
	2,641	3,993

41. *CAPITAL MANAGEMENT*

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

The capital structure of the Group consists of net debts (bank and other borrowings less bank balances and cash) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking consideration of future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

42. *FINANCIAL INSTRUMENTS*

(a) Categories of financial instruments

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows:

	2014 **HK$'000**	2013 HK$'000
Financial assets		
Loans and receivables		
Trade and other receivables	**60,099**	75,426
Bank balances and cash	**966**	543
	61,065	75,969
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Unlisted warrants	**2,064**	9,076
Financial liabilities at amortised costs		
Trade and other payables	**36,495**	36,639
Corporate bonds payable	**24,014**	–
Other borrowings	**24,112**	–
Amount due to noteholder	**24,138**	45,970
Amount due to a director	**189**	–
	111,012	91,685

42. *FINANCIAL INSTRUMENTS (continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, corporate bonds payable, other borrowings, amount due to noteholder, amount due to a director, and unlisted warrants. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner. There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk

Foreign exchange risk arises when the group entities enter into transactions denominated in a currency other than their functional currency. The Group's monetary assets and liabilities are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The exchanges rates among these currencies are not pegged except US dollars and HK dollars, and there are fluctuations of exchange rates among these currencies.

The Group currently does not have a foreign currency hedging policy. However, the management will closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the monetary assets and monetary liabilities at the reporting date denominated in currencies other than functional currencies of the related entities are as follows:

	Assets		**Liabilities**	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
RMB	**–**	–	**24,138**	45,970

Sensitivity analysis

The following table indicates the approximate change in the Group's profit or loss after income tax expense in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances of assets and liabilities of the group entities where the denomination of these balances is in a currency other than the functional currencies of these entities. A positive number below indicates a decrease in loss for the year (2013: an increase in profit) where the functional currency strengthens against the relevant currency. For a weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	2014		2013	
	Increase in foreign exchange rate %	**Effect on loss for the year HK$'000**	Increase in foreign exchange rate %	Effect on profit for the year HK$'000
RMB	**5%**	**1,207**	5%	2,299

42. *FINANCIAL INSTRUMENTS (continued)*

(b) Financial risk management objectives and policies (continued)

Interest rate risk

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The Group is exposed to interest rate risk as the group entities may borrow funds at both fixed interest rates and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. Although the board of directors accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is not significant, accordingly no sensitivity analysis is presented.

The Group's borrowings at end of each of the reporting periods presented carry interests at fixed interest rates, analysed below:

The Group

	2014		2013	
	Effective interest rate	**Carrying amount**	Effective interest rate	Carrying amount
	%	**HK$'000**	%	HK$'000
Fixed rate borrowings				
– corporate bonds payable	**4%-10%**	**24,014**	–	–
– other borrowings	**5%-25%**	**33,224**	–	–
– amount due to noteholder	**45%**	**24,138**	18%	45,970

Sensitivity analysis

The Group had no floating rate borrowings at end of each of the reporting periods presented. Accordingly, there would have no impact on the results of the Group for the year (2013: Nil) upon any change in interest rate on floating rate borrowings assuming that no floating rate borrowings were outstanding during the year.

42. *FINANCIAL INSTRUMENTS (continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk

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

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

At 31 December 2014, the Group has concentration of credit risk as 59% (2013: 39%) and 100% (2013: 89%) of the trade receivables (net of impairment) were due from one customer and five customers respectively.

At 31 December 2014, the Group has also significant concentration of credit risk arising from the amounts due from third parties amounted to HK$5,463,000 (2013: HK$12,700,000) included in other receivables.

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

None of the Group's financial assets are secured by collateral or other credit enhancements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position of the Group after deducting any impairment losses.

Liquidity risk

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

The Group relies on corporate bonds payable as a significant source of liquidity. As at 31 December 2014, the Group has no available unutilised banking facilities (2013: Nil).

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

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

42. *FINANCIAL INSTRUMENTS (continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

The amounts included below for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

The Group

At 31 December 2014	Weighted average interest rate	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Trade and other receivables	–	60,099	–	–	60,099	60,099
Bank balances and cash	0.5%	966	–	–	966	966
		61,065	–	–	61,065	61,065
Non-derivative financial liabilities						
Trade payables	–	27,392	–	–	27,392	27,392
Other payables and accruals	–	9,103	–	–	9,103	9,103
Corporate bonds payable	4%, 5% & 10%	12,100	–	20,000	32,100	24,014
Other borrowings	5% & 25%	17,610	10,023	–	27,633	24,112
Amount due to noteholder	45%	28,597	–	–	28,597	24,138
Amount due to a director	–	189	–	–	189	189
		94,991	10,023	20,000	125,014	108,948

At 31 December 2013	Weighted average interest rate	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Trade and other receivables	–	75,426	–	–	75,426	75,426
Bank balances and cash	0.5%	543	–	–	543	543
		75,969	–	–	75,969	75,969
Non-derivative financial liabilities						
Trade payables	–	16,729	–	–	16,729	16,729
Other payables and accruals	–	19,910	–	–	19,910	19,910
Bank and other borrowings	N/A	–	–	–	–	–
Amount due to noteholder	18%	45,970	–	–	45,970	45,970
Amount due to a director	–	–	–	–	–	–
		82,609	–	–	82,609	82,609

42. *FINANCIAL INSTRUMENTS (continued)*

(c) Fair value measurement

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

The Group's financial liabilities at fair value through profit or loss, representing the unlisted warrants, are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial liabilities are determined in particular, the valuation technique(s) and input used.

Financial liabilities	Fair value as at 31 December 2014 HK$'000	2013 HK$'000	Fair value hierarchy	Valuation technical(s) and key inputs
Unlisted warrants	**2,064**	9,076	Level 2	Monte Carlo Simulation *(Note 33)*

There were no transfer of the financial liabilities between the levels in both of the years presented.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(iii) Reconciliation of Level 3 fair value measurements

The financial liabilities at fair value through profit or loss are measured at fair value on Level 2 fair value measurement. Reconciliation of Level 3 fair value measurements is not presented.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Non-current assets		
Property, plant and equipment	–	–
Investments in subsidiaries	–	–
	–	–
Current assets		
Inventories	–	18,426
Prepayments, deposits and other receivables	280	7,974
Amounts due from subsidiaries	97,902	139,661
Bank balances and cash	83	372
	98,265	166,433
Assets classified as held for sale	–	9,500
	98,265	175,933
Current liabilities		
Other payables and accruals	4,929	1,768
Corporate bonds payable	11,347	–
Other borrowings	15,000	–
Amount due to noteholder	24,138	45,970
Amount due to a director	189	26,962
Tax payable	5,000	–
	60,603	74,700
Liabilities directly associated with assets classified held for sale	–	21,000
	60,603	95,700
Net current assets	37,662	80,233
Total assets less current liabilities	37,662	80,233
Non-current liabilities		
Corporate bonds payable	12,667	–
Unlisted warrants	2,064	9,076
	14,731	9,076
Net assets	22,931	71,157
Capital and reserves		
Share capital	4,318	4,318
Reserves:		
Share premium	165,417	165,417
Share option reserve	22,149	22,149
Merger reserve	19,550	19,550
Accumulated losses	(188,503)	(140,277)
Total equity	22,931	71,157

44. *SUBSIDIARIES*

Details of the Group's subsidiaries at the end of the reporting period

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2014 %	2013 %	2014 %	2013 %	2014 %	2013 %	
A-Plus Glory Capital Limited	British Virgin Islands ("BVI")	Ordinary	US$1	100	100	–	–	100	100	Investment holding
Modern World Group Limited	BVI	Ordinary	US$5	100	100	–	–	100	100	Investment holding
Ever Wealth Capital Holdings Limited	BVI	Ordinary	US$2	100	100	–	–	100	100	Investment holding
Confident Echo Holdings Limited ("Confident Echo")[b]	BVI	Ordinary	US$1,000	–	51	–	–	–	51	Investment holding
Rich Share Global Limited	BVI	Ordinary	US$1	100	100	–	–	100	100	Investment holding
Wealth Great Corporation Limited	Hong Kong	Ordinary	HK$1	–	–	100	100	100	100	Investment holding
Era Smart Trading Limited	Hong Kong	Ordinary	HK$1	–	–	100	100	100	100	Inactive
Honest Smart Investment Limited	Hong Kong	Ordinary	HK$1	–	–	100	100	100	100	Provision of management services to group companies
Faith King Investment Limited[b]	Hong Kong	Ordinary	HK$1,000	–	–	–	51	–	51	Investment holding
Rise Joy Investment Limited	Hong Kong	Ordinary	HK$1	–	–	100	100	100	100	Investment holding
宜興瑞添能源技術諮詢有限公司	PRC	Registered	HK$1,000,000	–	–	100	100	100	100	Inactive
Jiangsu Shengyi (江蘇晟宜環保科技有限公司)[a, b]	PRC	Registered	RMB16,000,000	–	–	–	51	–	51	Provision of technical desulphurisation services
Shengyan (黑龍江省盛焱新能源開發有限公司)[a, c]	PRC	Registered capital and capital reserve	RMB30,908,748 and RMB6,301,252	–	–	51	51	51	51	Manufacture and sales of straw briquette
西安晟科石化工程有限公司 (陜西晟宜環保科技有限公司)[b]	PRC	Registered	RMB1,000,000	–	–	–	40.8	–	40.8	Inactive
Fame Holding Limited	BVI	Ordinary	US$1	100	–	–	–	100	–	Investment holding
Winning Force Limited	Hong Kong	Ordinary	HK$1	–	–	100	–	100	–	Trading of commodities
Shanghai Industrial Commodities Trading Limited	Hong Kong	Ordinary	HK$10,000	–	–	100	–	100	–	Investment holding
博屬 (上海) 貿易有限公司	PRC	Registered	–	–	–	100	–	100	–	Inactive

44. *SUBSIDIARIES (continued)*

Notes:

a These entities are registered as sino-foreign equity joint ventures under the PRC law. The English translation of these names is for reference only. The official names of these entities are in Chinese.

b These entities were disposed of during the year ended 31 December 2014.

c In July 2014, Shengyan issued loan capital to a third party amounted to RMB7,210,000, which carries return on capital of 5% per annum and is repayable on 16 July 2017. This loan capital to the extent of RMB908,748 was regarded registered capital of Shengyan with the remaining amount of RMB6,301,252 as its capital reserve. In addition, the third party has been given the rights to demand repayment of the loan capital at any time when there are adverse changes in business operation of Shengyan or the return on capital is not settled as and when it falls due.

Except as aforesaid, none of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Confident Echo	*(Note i)*	**–**	49	**–**	(3,004)	**–**	163
Shengyan	PRC	**49**	49	**(42,776)**	(9,625)	**(14,737)**	28,203
上聲科技*(Note ii)*	PRC	**–**	–	**–**	899	**–**	–
上聲電子*(Note ii)*	PRC	**–**	–	**–**	(15,166)	**–**	–
和盛實業*(Note ii)*	PRC	**–**	–	**–**	418	**–**	–
上昇音響*(Note ii)*	PRC	**–**	–	**–**	(1,033)	**–**	–
				(42,776)	(27,511)	**(14,737)**	28,366

Notes:

(i) Confident Echo was incorporated in the BVI and, through its subsidiaries, is principally engaged in the provision of technical desulphurisation services in the PRC. 51% equity interest in Confident Echo was disposed of by the Company during the current year.

(ii) These entities were disposed of by the Group during the year ended 31 December 2013.

44. SUBSIDIARIES (continued)

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

Shengyan	2014 HK$'000	2013 HK$'000
Current assets	30,847	77,429
Non-current assets	52,731	81,586
Current liabilities	(112,733)	(105,890)
Non-current liabilities	(924)	(950)
Equity attributable to owners of the Company	(15,342)	23,972
Non-controlling interests	(14,737)	28,203
Revenue	18,793	28,505
Expenses	(105,964)	(48,669)
Loss for the year	(87,171)	(20,164)
Loss attributable to owners of the Company	(44,395)	(10,539)
Loss attributable to non-controlling interests	(42,776)	(9,625)
Loss for the year	(87,171)	(20,164)
Total comprehensive expense attributable to owners of the Company	(43,916)	(9,755)
Total comprehensive expense attributable to non-controlling interests	(42,939)	(8,872)
Total comprehensive expense for the year	(86,855)	(18,627)
Net cash (outflow)/inflow from operating activities	(13,458)	6,140
Net cash outflow from investing activities	(3,619)	(6,630)
Net cash inflow from financing activities	8,647	–
Net cash outflow	(8,430)	(490)

45. SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2014:

(a) On 14 January 2015, the Company entered into a placing agreement with a third party, under which the Company issued 86,352,000 new shares on 29 January 2015 at the price of HK$0.35 per share, giving a total cash proceeds of HK$30,223,200 (before expenses).

(b) On 7 January 2015 and 25 March 2015, the Company entered into agreements with certain third parties, under which these third parties have agreed to act as placing agents for the purpose of arranging placees, on a best effort basis, to subscribe for the unlisted corporate bonds to be issued by the Company with the principal amounts of up to HK$200,000,000 and HK$100,000,000 respectively. Up to the date of approval of these consolidated financial statements, no corporate bonds have been issued by the Company in this respect.

(c) On 26 January 2015, the Company acquired 51% equity interest in Mark Wish Limited ("Mark Wish"), an entity incorporated in the British Virgin Islands, and shareholder's loan made to Mark Wish for an aggregate consideration of HK$500,000. Mark Wish is an investment holding company and its subsidiary is principally engaged in the trading of garment accessories. As the fair values of assets and liabilities of Mark Wish as at the date of its acquisition are currently not determined, accordingly, goodwill on this acquisition is yet to be measured.

(d) On 6 February 2015, the Company entered into an agreement with the noteholder (Note 30), under which the repayment of the amount due by the Company to the noteholder has been further extended to 30 May 2015 and interest on the outstanding balance is calculated at the interest rate of 45% per annum (inclusive of the consent fee calculated at 27% per annum).