LARRY JEWELRY
INTERNATIONAL COMPANY LIMITED

Incorporated in Bermuda with limited liability   Stock Code: 8351

ANNUAL REPORT
2014

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The Report, for which the directors (the "Directors") of Larry Jewelry International Company 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 of the Stock Exchange (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 the 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 the Report misleading.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luk Kee Yan Kelvin *(Chairman)*
(appointed on 7 August 2014)
Mr. Hon Kin Wai *(Chief Executive Officer)*
(appointed on 8 July 2014)
Mr. Cheng Ping Yat (re-designated from non-executive Director to executive Director on 29 April 2014 and resigned on 22 October 2014)

Non-executive Directors

Mr. Lau Pak Hong (appointed on 1 April 2014)
Ms. Ngai Ki Yee May (appointed on 1 April 2014)
Ms. Tsang Po Yee Pauline (re-designated from executive Director to non-executive Director on 29 April 2014 and resigned on 19 September 2014)
Mr. Tam B Ray Billy (resigned on 19 September 2014)

Independent Non-executive Directors

Mr. Ong Chi King (appointed on 15 October 2014)
Mr. Shum Lok To (appointed on 15 October 2014)
Mr. Tso Ping Cheong Brian
(appointed on 15 October 2014)
Mrs. Chow Liang Shuk Yee Selina
(resigned on 15 October 2014)
Mr. Fung Shing Kwong (resigned on 15 October 2014)
Mr. Yip Tai Him (appointed as non-executive Director on 1 April 2014, re-designated from non-executive Director to independent non-executive Director on 16 May 2014 and resigned on 15 October 2014)
Mr. Chan Tze Ching Ignatius
(retired on 20 June 2014)
Mr. Wong Tat Tung (retired on 20 June 2014)

BOARD COMMITTEES

Audit Committee

Mr. Shum Lok To *(Chairman)*
Mr. Lau Pak Hong
Mr. Ong Chi King
Mr. Tso Ping Cheong Brian

Remuneration Committee

Mr. Ong Chi King *(Chairman)*
Mr. Luk Kee Yan Kelvin
Ms. Ngai Ki Yee May
Mr. Shum Lok To
Mr. Tso Ping Cheong Brian

Nomination Committee

Mr. Tso Ping Cheong Brian *(Chairman)*
Mr. Lau Pak Hong
Mr. Luk Kee Yan Kelvin
Mr. Ong Chi King
Mr. Shum Lok To

COMPLIANCE OFFICER

Mr. Hon Kin Wai
(appointed on 22 October 2014)
Mr. Cheng Ping Yat (appointed on 29 April 2014 and resigned on 22 October 2014)
Ms. Tsang Po Yee Pauline (resigned on 29 April 2014)

COMPANY SECRETARY

Ms. Ko Wan Ting (appointed on 2 February 2015)
Mr. Cheng Man Wah (appointed on 1 December 2014 and resigned on 2 February 2015)
Ms. Chow Man Ngan (appointed on 8 October 2014 and resigned on 1 December 2014)
Ms. Wong Po Ling Pauline (appointed on 8 July 2014 and resigned on 8 October 2014)
Mr. Luk Wai Kuen Patrick (appointed on 29 April 2014 and resigned on 8 July 2014)
Ms. Tsang Po Yee Pauline (resigned on 29 April 2014)

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES
Mr. Luk Kee Yan Kelvin
(appointed on 22 October 2014)
Mr. Hon Kin Wai (appointed on 8 July 2014)
Mr. Luk Wai Kuen Patrick (appointed on 29 April 2014 and resigned on 8 July 2014)
Mr. Cheng Ping Yat (resigned on 22 October 2014)
Ms. Tsang Po Yee Pauline (resigned on 29 April 2014)

AUDITOR
BDO Limited

COMPLIANCE ADVISER
Quam Capital Limited
(appointed on 16 October 2014)

PRINCIPAL BANKERS
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE
Clarendon House, 2 Church Street
Hamilton HM11 Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
13/F, Pacific House
20 Queen's Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer agent
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE
Stock Exchange of Hong Kong: 8351

COMPANY WEBSITE AND INVESTOR RELATIONS
www.larryjewelryinternational.com

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company and its subsidiaries (the "Group") for the last five financial period/years is set out below:

	Year ended 31 December			Nine months ended 31 December	Year ended 31 March
	2014	2013	2012	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**264,414**	298,256	351,183	203,983	48,650
Gross profit	**60,201**	85,646	95,635	35,238	13,323
Loss before income tax	**(77,534)**	(102,888)	(67,107)	(75,565)	(18,426)
Loss attributable to owners of the Company	**(74,091)**	(103,267)	(67,910)	(74,479)	(19,362)
Basic loss per share *(HK cents)*	**(2.64)**	(6.78)	(5.79) (restated)	(9.60)	(3.05)

	At 31 December				At 31 March
	2014	2013	2012	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**74,058**	93,564	140,033	141,050	1,981
Current assets	**310,945**	338,534	358,986	473,294	118,831
Current liabilities	**19,934**	190,056	154,231	359,292	4,496
Net assets	**354,113**	227,658	264,285	193,229	116,316

The financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2011. The difference in duration of the financial periods should be considered when making year-on-year comparisons.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the Group's annual results for the year ended 31 December 2014 (the "Year").

During the Year, the Group principally engaged in design and sale of a broad range of fine jewelry products. As a result of the downturn of the luxury retail market in Southeast Asia and Greater China and the continued austerity measures implemented by the government of People's Republic of China (the "PRC") in order to reign in luxury spending and crackdown on corruption, the Group's revenue and gross profit for the Year fell by approximately 11.3% and 29.7% respectively. In order to tackle the tough operating environment, the Group continued the implementation of stringent long term cost control measures and the increment in the operating loss (before impairment on intangible assets and goodwill) was only about 4.0%.

Looking ahead, the Board and management expect the business environment to remain challenging but we are cautiously optimistic towards the overall outlook of the Group. We will endeavor to stabilise the existing operations and seek for new income source to enable the Group to grow and move forward.

We will explore opportunities to broaden the geographic base of our customers to other markets, such as the PRC and Macau, through franchising arrangement, to further develop our business and increase our visibility across South East Asian countries. We will also seek to achieve a diversified customer base through the introduction of new distinctive and unique product designs to more youthful, cosmopolitan audience.

In order to achieve these goals, the Group raised approximately HK$211.0 million during the Year from several capital raising exercises and the net proceeds therefrom have been used to repay the Group's outstanding debts and returned the Group to a healthy financial position. This has better positioned the Group to capture potential business opportunities, facilitate business expansion and enhance its earning potential.

On behalf of the Board, I would like to express my sincere gratitude to the shareholders, customers, suppliers, banks and other business associates of the Group for the continued support. I would also like to thank our Directors, management team and all our staff, whose talent and efforts are the Group's most valuable resource, and who make it possible for "Larry Jewelry" to remain one of the most renowned locally grown luxury brands in the region.

Luk Kee Yan Kelvin
Chairman and Executive Director
Hong Kong, 9 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in design and sale of jewelry products under the "Larry Jewelry" brand. The Group focuses on the development of products that are unique in design and of superb craftsmanship to meet the needs of individuals who have a discerning taste in jewelries.

2014 continues to be a difficult year for the Group, with revenue falling by 11.3% as a result of the downturn in the broader business environment. The luxury goods market in Southeast Asia and Greater China, especially the PRC, has entered a downtrend. The austerity measures implemented by the PRC government in order to reign in luxury spending and crackdown on corruption have led to continuous diminishing customer spending momentum in the PRC. Amid the current economic sentiment, the luxury retail market in Hong Kong remains sluggish in 2014. According to the statistical report published by the Census and Statistics Department of Hong Kong, the value and volume of retail sales of jewelry, watches, clocks and valuable gifts in Hong Kong recorded a year-on-year decline of 13.7% and 11.8% respectively.

Despite the setback in the sales market, the Group implemented a series of initiatives to strengthen its brand in Southeast Asia, particularly in Singapore. In July 2014, the Group held its annual Larry Splendour event in Singapore. The event marked the Group's first ever stand-alone jewelry exhibition; "Timeless Classic". As well as displaying Larry Jewelry's latest collections, the exhibition also featured a spectacular light performance. As in previous years, the event proved to be very popular with the Company's long standing clients. For event in July 2014, it attracted a number of new customers, as a result of its more open format.

In light of the significant uncertainty in the business environment, management of the Group has implemented variety of initiatives to improve operating efficiency and reduce operating costs of the Group so as to maintain a stable business operation and financial position. During the Year, the management reviewed and re-allocated staff resources, outsourced certain management function, realigned the market strategy. The adoption of these measures has proven to be effective and the overall marketing and administrative expenses of the Group during the Year declined by 9.6%.

Inventory optimisation was one of the strategies conducted by the Group in refining its management. With the aim to accelerate the inventory turnover under the unfavourable market condition, the Group launched different sale campaigns in Hong Kong during the Year, offering attractive discounts on wide range of jewelry products and the Group's overall inventory level dropped sharply by 32.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group also raised a total of HK$211.0 million as a result of an open offer and two placements, majority of which have been used to repay the Group's outstanding debts as intended. This greatly reduced the Group's interest expenses by 46.7%, and returned the Group to a healthy financial position.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK$264,414,000 compared to approximately HK$298,256,000 for the last financial year, representing a decrease of about 11.3%, which was mainly attributed to the downturn of the luxury retail market in Southeast Asia and Greater China, the temporary close of a store in Singapore for renovation and the closure of Tsim Sha Tsui store in the second quarter of the Year.

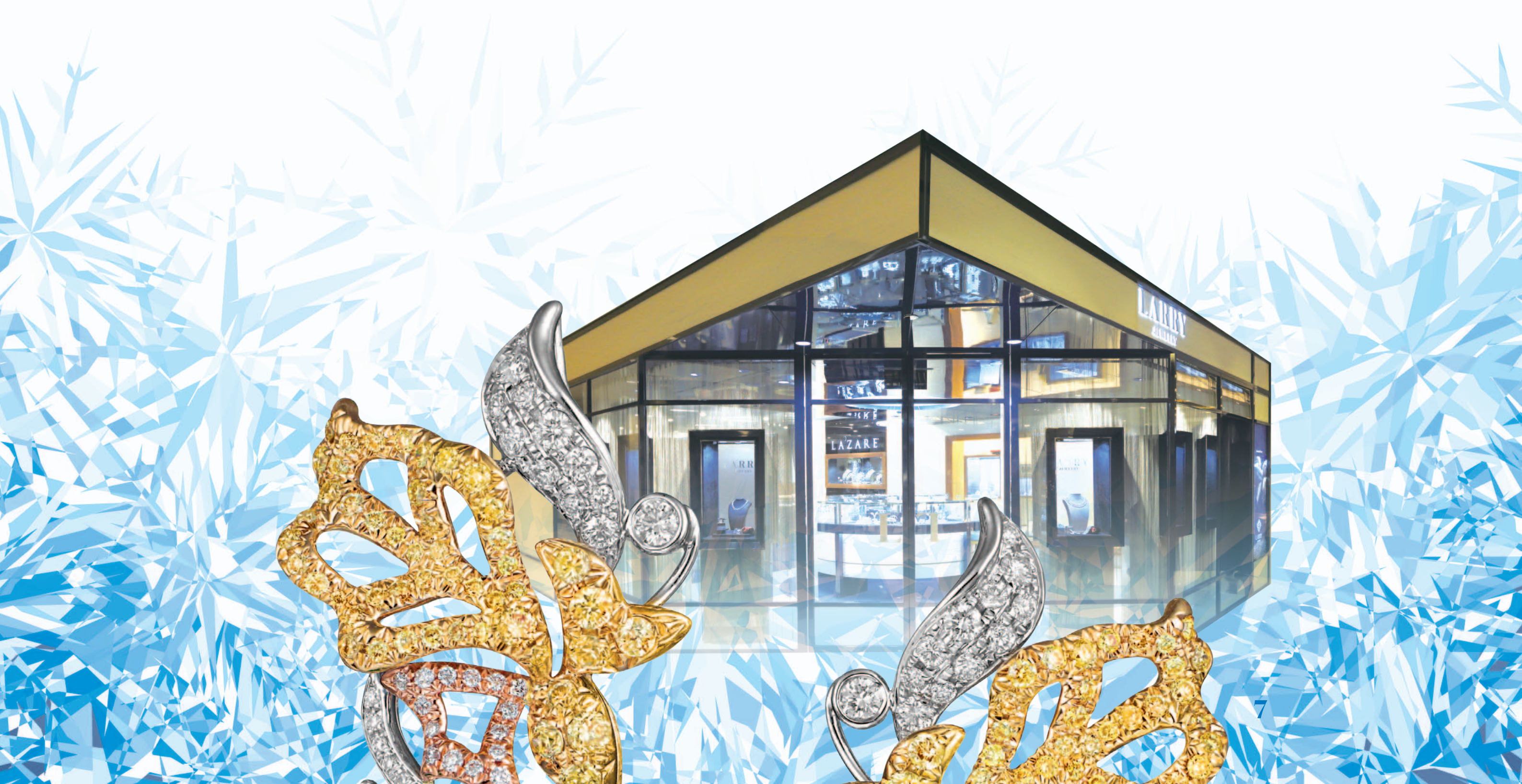
Gross Profit

The Group's gross profit for the Year decreased by about 29.7% to approximately HK$60,201,000 compared to approximately HK$85,646,000 for the last financial year. The Group's gross profit margin as reported in the consolidated statement of profit or loss was approximately 22.8% compared to approximately 28.7% for the last financial year.

In preparing the consolidated statement of profit or loss, the costs of inventories of Sharp Wonder Holdings Limited and its subsidiaries, being wholly-owned subsidiaries of the Company acquired in 2011, as at the date of acquisition were recorded at fair market value, which was 17.9% higher than the historical cost.

If inventories were recorded on historical cost basis, the Group's gross profit would be approximately HK$64,870,000 for the Year compared to approximately HK$88,983,000 for the last financial year, while the Group's adjusted gross profit margin would be approximately 24.5% for the Year compared to approximately 29.8% for the last financial year.

The deterioration in the Group's gross profit margin was primarily attributable to more inventories being written down to their net realisable value, and lower average selling price on jewelry products sold.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year decreased by about 9.8% to approximately HK$75,407,000 compared to approximately HK$83,597,000 for the last financial year. The decrease was mainly attributable to a significant drop in the amounts spent on the rebranding program which undertook by the Group in last financial year, including the opening of VIP lounge in Beijing, and the holding of Hong Kong Larry Splendour event and other rebranding campaigns in late 2013.

Administrative Expenses

The Group's administrative expenses for the Year decreased by about 9.2% to approximately HK$35,388,000 compared to approximately HK$38,975,000 for the last financial year. The decrease was mainly attributable to the management's effort to adopt a series of effective cost control measures.

Finance Costs

The Group reduced its finance costs for the Year by about 46.7% to approximately HK$12,589,000 compared to approximately HK$23,630,000 for the last financial year, which was primarily due to the repayment of all the Group's borrowings and redemption of all its convertible notes during the Year.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company was approximately HK$74,091,000 for the Year compared to a loss of approximately HK$103,267,000 for the last financial year. The decrease in the loss of approximately HK$29,176,000 was largely due to the absence of the impairment loss on goodwill of approximately HK$43,736,000 recognised in last financial year, offset by the impairment loss on intangible assets of HK$16,000,000 (details of which are set out in note 17 to the financial statements) recognised in the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had cash and cash equivalents of approximately HK$97.9 million (2013: HK$13.6 million) and pledged bank deposits of approximately HK$11.7 million (2013: HK$27.8 million). As at 31 December 2014, the Group had no borrowings (2013: total borrowings of HK$157.8 million) and a zero gearing ratio (2013: net gearing ratio of 51.2%).

As at 31 December 2014, the Group had net current assets of approximately HK$291.0 million (2013: HK$148.5 million). The current ratio of the Group as at 31 December 2014 was approximately 15.6 (2013: 1.8). Such increase was mainly due to the repayment of all the Group's borrowings during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group financed its operations principally by revenue generated from business operations, available bank and cash balances and the net proceeds from the fund raising activities carried out by the Group during the Year. Management considers the financial position of the Group is healthy with adequate working capital for daily operations.

Fund Raising Activities

During the Year, the Group completed a series of fund raising exercises to strengthen its financial position and raised a total gross proceeds of approximately HK$211.0 million, with the net proceeds therefrom had been applied as follows:

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds	Unutilised amount as at 31 December 2014
3 January 2014	The net proceeds of approximately HK$121.3 million, representing a net price of approximately HK$0.1158 per offer share, from the issue of 1,047,518,325 offer shares at the subscription price of HK$0.12 per offer share, represented a discount of approximately 13.04% to the closing price of HK$0.1380 per ordinary share of the Company (the "Share(s)") as quoted on the Stock Exchange on the date of the underwriting agreement, on the basis of seven offer shares for every ten existing Shares	(i) HK$25 million for the redemption of part of the outstanding convertible notes	(i) All utilised as intended	Nil
		(ii) HK$73 million for future business development of the Group	(ii) Approximately HK$18 million has been utilised as intended, of which HK$4 million for the Larry Splendour events held in Singapore; HK$4 million for the renovation of Singapore store; HK$8 million for the collaboration with international designers and the rest for the development of the PRC distribution	Approximately HK$55 million
		(iii) rest for the Group's general working capital	(iii) All utilised as intended	Nil

MANAGEMENT DISCUSSION AND ANALYSIS

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds	Unutilised amount as at 31 December 2014
16 May 2014	The net proceeds of approximately HK$28.2 million, representing a net price of approximately HK$0.1067 per placing share, from the placement of 264,690,000 placing shares by placing agent to not less than six placees at the placing price of HK$0.11 per placing share, represented a discount of approximately 6.78% to the closing price of HK$0.1180 per Share as quoted on the Stock Exchange on the date of the placing agreement	For repaying part of the outstanding loans of the Group	All utilised as intended	Nil
9 July 2014	The net proceeds of approximately HK$54.9 million, representing a net price of approximately HK$0.098 per placing share, from the placement of 561,730,000 placing shares by placing agent to not less than six placees at the placing price of HK$0.10 per placing share, represented a premium of approximately 3.09% to the closing price of HK$0.097 per Share as quoted on the Stock Exchange on the date of the placing agreement	For repaying part of the outstanding loans of the Group	All utilised as intended	Nil

CAPITAL STRUCTURE

Details of the movements in share capital of the Company are set out in note 28 to the financial statements.

SIGNIFICANT INVESTMENT

As at 31 December 2014 and 2013, there was no significant investment held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the Year.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in notes 23, 25 and 34 to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, the Group has no significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and Singapore and most of the transactions are denominated in Hong Kong Dollars ("HK$"), United States Dollars and Singapore Dollars ("SGD"). Exposure to currency exchange rates arises from the Group's overseas sales and purchases. Accordingly, the Board is of the view that the Group is exposed to foreign currency exchange risk. In particular, fluctuation of exchange rates of SGD against HK$ could affect the Group's operational results.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies with stringent credit control and monitoring policies. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that it can meet the funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 72 (2013: 92) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK$31,801,000 (2013: HK$36,395,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. Year-end bonuses based on individual performance are paid to employees as recognition of, and reward for, their contributions. Other benefits include contributions to statutory mandatory provident schemes to its employees as well as a share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Looking ahead, we expect the business environment will remain challenging, while the Group remains cautiously optimistic. To fulfill the Group's long-term strategic vision of becoming an Asian fine jewelry brand, the Board and management of the Group will carefully consider the nature of all future investments based on the market environment. In 2015, the Group will focus its efforts on the following strategic initiatives:

a. Broadening Consumer Markets

Looking to reach a broader geographical spread of customer, the Group has begun to consider opportunities for the "Larry Jewelry" brand outside of Hong Kong and Singapore and increase its visibility across South East Asian countries.

The Group will look for suitable local business partners as franchisee to facilitate the development of the Group's overseas markets and brand awareness. The Group believe the local knowledge and business network of franchisee will reduce the Group's business risks and operating costs in building overseas market.

b. Consumer Diversification

The Group aim to achieve a diversified customer base in long run and make fine jewelry more accessible to a wider group of consumer, specifically the introduction of its products to working executives and bridal market.

The Group believes that the bridal market offers huge growth potential given its base of young consumers for which engagement and wedding rings are often their first serious jewelry purchase. Capturing young consumers as they make their first substantial jewelry purchase offers a significant opportunity to develop lifelong brand loyalty.

The Group is also in the view that working executives are individuals with more disposable income and will pursue a better lifestyle and unique products. They are more eager to spend on luxury products to reward themselves as well as reflect their taste and personality.

To diversify its appeal to its target customers, the Group will expand its product categories and product ranges through cooperation with different manufacturers and suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

c. Continued Cost Reduction Program

The Group believes that improving and maintaining the efficiency of the business is key to its long term success. As such, the management of the Group will continue to apply the existing cost control measures, periodically reviewing and adjusting the measures as appropriate.

The Group will also review the current store network in Hong Kong and Singapore and cautiously assess the performance of existing retail stores. The Group will consider closing non-performing stores upon expiration of their lease periods so as to focus on locations that have high foot traffic in areas that attract a significant number of potential customers, including tourists, thus maximising the efficiency of its operations.

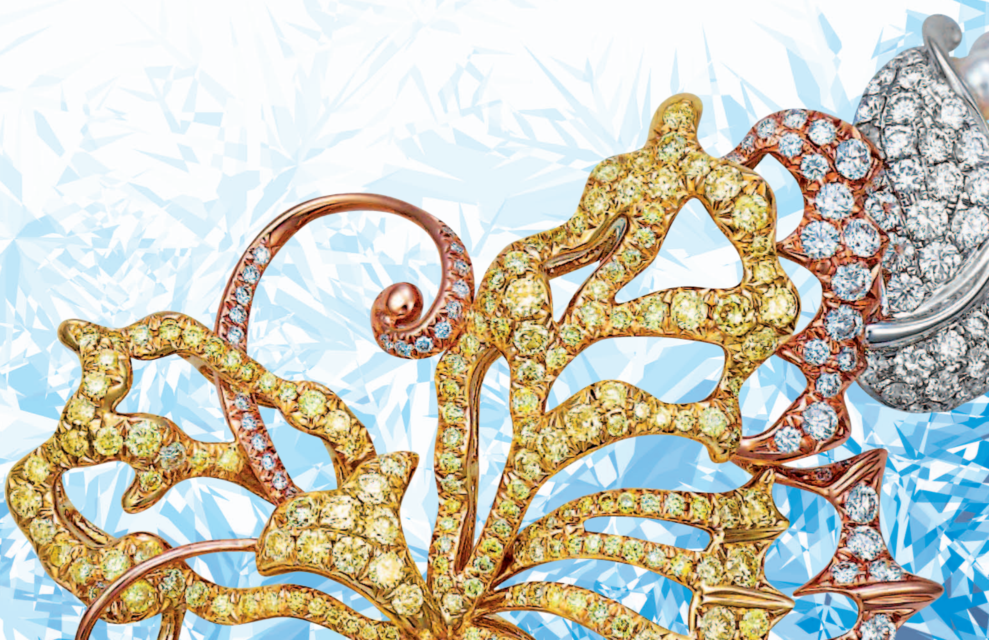
The management will also remain dedicated to improving same-store sales and inventory turnover through the introduction of workshops, customer events and marketing campaigns. The Group believes these activities will allow the customers with more opportunities to understand the industry and the Group's products, as well as increase their confidence on "Larry Jewelry" brand and the services of Group.

d. Potential Investment Opportunities

Following the successful placement of shares, the Group has repaid all of its outstanding loans and is maintaining a debt-free position. This healthier financial state means that the Group will not only benefit from the increased confidence of its trading partners and be able to secure more favourable financing terms in regards to consignments and the purchase of raw materials, but that the Group is also in a position to look for suitable investment opportunities, diversify its business and enhance its earning potential.

In light of the recent business environment and financial condition of the Group, the Board endeavors to seek suitable business opportunities to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole. As such, the Directors are now seeking for possible acquisition of a business other than the design and sale of jewelry products. If such proposed acquisition will be materialised, the Company will issue new Shares and/or debt securities to fund the business opportunity.

We are confident that the strategic initiatives being implemented and the financial resources on hand will have a positive impact on the Group, enabling the Group to grow and move forward.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Luk Kee Yan Kelvin ("Mr. Luk"), aged 32, was appointed as an executive Director on 7 August 2014 and as the chairman of the Company (the "Chairman") on 15 October 2014. He is also a member of the remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") of the Company and a director of a subsidiary of the Company. Mr. Luk holds a bachelor degree in mathematics (applied science) from the University of California, Los Angeles and a postgraduate diploma in professional accounting from The Hong Kong Polytechnic University. Mr. Luk is an executive director, the chief executive officer and chairman of Roma Group Limited (stock code: 8072), shares of which are listed on GEM. As at the date of the Report, Mr. Luk beneficially owns 528,902,842 Shares, being the single largest shareholder of the Company.

Mr. Hon Kin Wai ("Mr. Hon"), aged 53, was appointed as an executive Director and the chief executive officer of the Group (the "CEO") on 8 July 2014 and 29 April 2014 respectively. Mr. Hon is the compliance officer and authorised representative of the Company and a director of certain subsidiaries of the Company. Mr. Hon has a professional career which spans hotel management, merchandising and senior management positions across luxury and life style consumer goods industries. He brings with him over 13 years' proven expertise and knowledge of developing various international luxury watch and jewelry brands in Greater China. Prior to joining the Group, Mr. Hon was the General Manager at Dickson Concepts (International) Ltd, a role in which he was responsible for the management, operation and business development of the watch and jewelry division in the PRC and Hong Kong. Previously, he also held senior management positions in different multinational corporations such as Richemont Asia Pacific Ltd., DKSH Hong Kong Ltd. and Hagemeyer Cosa Liebermann Group (HK) Ltd. Mr. Hon holds a master in business administration degree from University of Surrey in England.

Non-executive Directors

Mr. Lau Pak Hong ("Mr. Lau"), aged 46, was appointed as a non-executive Director on 1 April 2014. Mr. Lau is also a member of the Nomination Committee and audit committee of the Company (the "Audit Committee"). He is also director of certain subsidiaries of the Company. Mr. Lau has over 20 years of accounting and operations experience in Asia alternative investment and financial services. He has extensive hands-on experiences in management and working with senior directors and industry professionals. Mr. Lau is currently the partner, chief operating officer and chief financial officer of Adamas Asset Management (HK) Limited ("Adamas"). Mr. Lau is responsible for overall strategic planning of Adamas, managing all non-investment activities which include finance and operations, system development and implementation, and human resources. Mr. Lau is also appointed as director of BCM Energy Partners Inc, a company invested by Adamas. Prior to joining Adamas, Mr. Lau was the operations director for Samena Capital and Vision Investment Management's Hedge Fund Seeding Group. Mr. Lau was in charge of the operational due diligence on hedge fund managers before the group committed investments. Mr. Lau also played a very important role in assisting each invested manager to build its infrastructure and scale up the business. He was previously the chief operations officer for TPG-Axon Capital (HK) Limited, the Hong Kong office of the U.S.-based hedge fund manager and his primary responsibility was to set up the Hong Kong operation. Mr. Lau assumed responsibilities for setting up the operational and IT infrastructure and was the principal architect in formulating compliance policies and risk management systems. From 2002 to 2004, Mr. Lau was a tax consultant in Deloitte & Touche's Financial Services Tax Practice in New York and his clients included multi-billion dollar, U.S.-based hedge funds and private equity funds. Mr. Lau has a Master of Business Administration and Master of Science in Taxation from Fordham University in New York.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ngai Ki Yee May ("Ms. Ngai"), aged 30, was appointed as a non-executive Director on 1 April 2014. She is a member of the Remuneration Committee. Ms. Ngai has extensive experience in retail and merchandising. She obtained her bachelor degree in Policy and Social Administration from City University in Hong Kong. Upon graduation, Ms. Ngai has specialised her career in the merchandizing industry and has gained over 8 years of experience since then. Ms. Ngai was a member of the buying teams of Seibu Enterprise (Hong Kong) Limited, I.T Apparels Limited and Prada Pacific Asia Limited respectively.

Independent Non-executive Directors

Mr. Ong Chi King ("Mr. Ong"), aged 41, was appointed as an independent non-executive Director on 15 October 2014. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. Mr. Ong holds a bachelor degree in business administration from The Hong Kong University of Science and Technology and a master degree in corporate finance from The Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Ong has more than 20 years of experience in accounting, company secretarial field and finance. He has held senior positions in finance and company secretarial departments in various listed companies in Hong Kong. Mr. Ong was a director of Fitness Concept International Holdings Limited, which was incorporated in the Cayman Islands and was dissolved in June 2005 by striking off due to cessation of business. Mr. Ong is an independent non-executive director of Capital VC Limited (stock code: 2324), China Environmental Resources Group Limited (stock code: 1130) and Hong Kong Education (Int'l) Investments Limited (stock code: 1082), all of which are listed on the main board of the Stock Exchange. He was appointed as an independent non-executive director of King Force Security Holdings Limited (stock code: 8315) on 31 July 2014 and KSL Holdings Limited (stock code: 8170) on 19 November 2014, shares of which are listed on GEM. He is also the company secretary of Yue Da Mining Holdings Limited (stock code: 629), shares of which are listed on the main board of the Stock Exchange.

Mr. Shum Lok To ("Mr. Shum"), aged 36, was appointed as an independent non-executive Director on 15 October 2014. He is the chairman of Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. Mr. Shum holds a bachelor degree of business administration in accountancy from City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Shum has over 14 years of experience in accounting, external and internal auditing and finance in Hong Kong and the PRC. Mr. Shum worked in PricewaterhouseCoopers with the last position as a manager and Deloitte Touche Tohmatsu as a manager. Since 2008, Mr. Shum was the finance manager of a subsidiary of a multinational conglomerate company, shares of which are listed on the main board of the Stock Exchange and he has then been promoted to his current position as the head of finance of a joint venture company at Guangdong, the PRC of the said multinational conglomerate company in 2010. Mr. Shum was appointed as an executive director of Kong Shum Union Property Management (Holding) Limited ("Kong Shum") (stock code: 8181), shares of which are listed on GEM, on 28 July 2014 and was re-designated to a non-executive director of Kong Shum on 6 February 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tso Ping Cheong Brian ("Mr. Tso"), aged 34, was appointed as an independent non-executive Director on 15 October 2014. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee. Mr. Tso holds a bachelor degree in accountancy and a master degree in corporate governance from The Hong Kong Polytechnic University. He is a practising member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He was elected as an associate of The Institute of Chartered Secretaries and Administrators and was also admitted as a member of The Hong Kong Institute of Chartered Secretaries in January 2014. Mr. Tso has over 10 years of experience in accounting and financial management. From 2003 to 2008, he worked in Ernst & Young with last position as a manager. Mr. Tso was then being the financial controller of Greenheart Group Limited (stock code: 0094) (formerly known as Omnicorp Limited), shares of which are listed on the main board of the Stock Exchange from 2008 to 2010. Mr. Tso was the senior vice president of Maxdo Project Management Company Limited from 2010 to 2012. Since January 2013, he has been the sole proprietor of Teton CPA Company, an accounting firm in Hong Kong. Mr. Tso was appointed as a non-executive director of Kong Shum on 28 July 2014 and resigned on 6 February 2015. He was appointed as an independent non-executive director of GreaterChina Professional Services Limited (stock code: 8193) on 2 July 2014, shares of which are listed on GEM. Mr. Tso was appointed as an independent non-executive director of Newtree Group Holdings Limited (stock code: 1323) on 27 February 2015 and the company secretary of China Infrastructure Investment Limited (stock code: 600) on 9 March 2015, both of which are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Hon is a member of senior management of the Company. For details of his biography, please refer to the paragraph headed "Executive Directors" in this section.

Mr. Tay Yam Sheng Eric ("Mr. Tay"), aged 53, is the retail director of the Group's operation in Singapore and has worked for the Group for more than 30 years. Mr. Tay is an effective front line leader who is responsible for the retail operations of the boutiques in Singapore and the sales management for the South East Asian markets. With his extensive experience in the industry and his excellent customer service, Mr. Tay has made valuable contributions and a strong loyal customer base for the company over the past years. Mr. Tay processes a professional diploma in Retail Management.

Ms. Ng Swee Choo Catherine ("Ms. Ng"), aged 59, is the administration director of the Group's operation in Singapore and has worked for the Group for more than 38 years. Ms. Ng is a strong leader who is responsible for the functions of finance, office administration, human resources, production, inventory management and information technology. With her passion for the industry and her loyalty to the company, Ms. Ng has gained strong supports from internal staff members and external partners to run and maintain a healthy operation for the company over the past years. Ms. Ng holds a degree in Management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable development and growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the Year, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules with the exceptions of the following deviation:

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. During the year ended 31 December 2014, the existing non-executive Directors were not appointed for a specific term. However, such deviation has been rectified upon the signing of supplementary letter of appointments between the Company and the existing non-executive Directors on 6 March 2015, specifying the terms of appointment for two years.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("the Code"). The Company had made specific enquiry of the Directors and all the Directors confirmed that they had complied with the required standard set out in the Code during the Year.

THE BOARD

Composition

The Board currently comprises two executive Directors, namely Mr. Luk Kee Yan Kelvin (Chairman) and Mr. Hon Kin Wai (CEO), two non-executive Directors, namely Mr. Lau Pak Hong and Ms. Ngai Ki Yee May, and three independent non-executive Directors, namely Mr. Ong Chi King, Mr. Shum Lok To and Mr. Tso Ping Cheong Brian.

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this Report. The latest list of the Directors and their respective roles and functions was published both on the websites of the Company and the Stock Exchange.

Pursuant to Rule 5.05A of the GEM Listing Rules, the Company must appoint independent non-executive Directors representing at least one-third of the Board. Upon the appointment of Mr. Luk on 7 August 2014 as an executive Director, the Board comprised ten Directors including three executive Directors, four non-executive Directors and three independent non-executive Directors. Accordingly, the Company failed to comply with Rule 5.05A of the GEM Listing Rules that the number of independent non-executive Directors has fallen below the one-third of the Board. The Company took remedial steps and following the resignation of Ms. Tsang Po Yee Pauline ("Ms. Tsang") and Mr. Tam B Ray Billy ("Mr. Tam") on 19 September 2014, the Company is in compliance with the requirement under Rule 5.05A of the GEM Listing Rules.

The Company has three independent non-executive Directors, at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the Year, in compliance with the GEM Listing Rules. Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

CORPORATE GOVERNANCE REPORT

Role and Delegation

The Board has the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.

Directors have access to the advice and services of the company secretary of the Company (the "Company Secretary") who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Generally, the responsibilities of the Board include:

- formulation of long and short term operational strategies including policies relating to key business and financial objectives of the Company, material acquisitions, investments, disposal of assets or any significant capital expenditure;

- overseeing and reviewing of its financial performance and results and the internal control systems;

- approving appointment, removal or re-appointment of the Directors for election/re-election in general meetings;

- communicating with key stakeholders, including shareholders and regulatory bodies;

- performing corporate governance functions in accordance with the CG Code, including the reviewing and monitoring the corporate governance practices of the Group; and

- recommendation to shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, led by the executive Directors and the CEO.

The Directors can attend meetings in persons or through other means of electronic communication in accordance with the bye-laws of the Company (the "Bye-laws"). During the Year, the Board held 29 meetings and passed 13 written resolutions.

All Directors assume the responsibilities to shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has arranged appropriate insurance cover for the Directors in connection with the discharge of their responsibilities.

CORPORATE GOVERNANCE REPORT

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are ultimately responsible for the preparation of the financial statements for each financial year which gives a true and fair view. In preparing the financial statements, appropriate accounting policies and standards are selected and applied consistently.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 32 and 33 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Chairman plays a leading role and is responsible for effective running of the Board while the CEO is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

APPOINTMENT AND RE-ELECTION

Pursuant to the Bye-laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. In addition, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

INDUCTION AND CONTINUOUS DEVELOPMENT

Each newly appointed Director receives a comprehensive induction package (the "Package") designed to enhance his/her knowledge and understanding of the Group's culture and operations. The Package usually includes a briefing or an introduction to the Group's structure, businesses strategies, recent developments and governance practices. The Packages have been sent to all Directors newly appointed during the Year.

The Group provided continuous professional training and Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates from time to time. In addition, all Directors were requested to provide the Company with the records of the other training they received. During the Year, the Group provided several seminars and training courses to Directors.

BOARD COMMITTEES

The Board is currently supported by the Audit Committee, Remuneration Committee and Nomination Committee to oversee specific areas of the Company's affairs. Each of these Committees has been established with written terms of reference, which were approved by the Board, setting out the Committee's major duties and responsibilities. These terms of reference were published both on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Board has established a Remuneration Committee in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012). The Remuneration Committee currently comprises one executive Director, namely Mr. Luk Kee Yan Kelvin, one non-executive Director, namely Ms. Ngai Ki Yee May, and three independent non-executive Directors, namely Mr. Ong Chi King (chairman of the Remuneration Committee), Mr. Shum Lok To and Mr. Tso Ping Cheong Brian.

The Remuneration Committee is responsible for, inter alia, reviewing and making recommendations to the Board on the remuneration package of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee is provided with sufficient resources enabling it to discharge its duties.

During the Year, the Remuneration Committee held 4 meetings and passed 3 written resolutions.

Nomination Committee

The Board has established a Nomination Committee in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012 and September 2013). The Nomination Committee currently comprises one executive Director, namely Mr. Luk Kee Yan Kelvin, one non-executive Director, namely Mr. Lau Pak Hong, and three independent non-executive Directors, namely Mr. Tso Ping Cheong Brian (chairman of the Nomination Committee), Mr. Ong Chi King and Mr. Shum Lok To.

The Nomination Committee is responsible for, inter alia, reviewing the structure, size and composition of the Board (including skills, knowledge, experience and diversity needed in the future), formulating nomination policy, making recommendations to the Board on nomination, appointment or re-appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors. The Nomination Committee is provided with sufficient resources enabling it to discharge its duties.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, having due regard for the benefits of diversity on the Board.

As at the date of this Report, the Board comprises male and female Directors with diverse backgrounds and/or extensive expertise in the Group's businesses. The Board also has a balanced composition of executive and non-executive directors so that there is a strong independent element on the board, which can effectively exercise independent judgement.

During the Year, the Nomination Committee held 7 meetings and passed 3 written resolutions.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Board has established an Audit Committee in September 2009 with written terms of reference in compliance with the CG Code (which were further revised in March 2012). The Audit Committee currently comprises one non-executive Director, namely Mr. Lau Pak Hong, and three independent non-executive Directors, namely Mr. Shum Lok To (chairman of the Audit Committee), Mr. Ong Chi King and Mr. Tso Ping Cheong Brian. The terms of reference of the Audit Committee are aligned with the provisions set out in the CG Code. The Audit Committee performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with interested persons.

During the Year, the Audit Committee held 4 meetings.

BOARD AND BOARD COMMITTEES MEETINGS

The Board meets regularly at least four times each year and more frequently as the needs of the business demand. Apart from the Board meetings, the Board would from time to time devote separate sessions to consider and review the Group's strategy and business activities.

Notices of regular Board meetings were served to all Directors at least 14 days before the meetings. For all other Board and Board committees meetings, reasonable notices were given.

The agenda together with all relevant meeting materials are normally sent to all Directors or Committee members at least 3 days before (or other agreed period) each regular Board or Board committees meetings to enable them to make informed decisions with adequate data. The Board and each Director also have direct and independent access to the management whenever necessary.

According to the current Board practice, any material transactions involving a conflict of interest with a substantial shareholder of the Company or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Bye-laws also contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CORPORATE GOVERNANCE REPORT

The individual attendance records of each Director at the Board, Board committees and general meetings during the Year are set out below:

	Meetings attended held						
Name of Directors	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	AGM held on 20 June 2014	Special general meeting held on 10 February 2014	Independent board committee resolutions passed
Executive Directors							
Mr. Luk Kee Yan Kelvin (Note 1)	12/12	N/A	1/1	1/1	N/A	N/A	N/A
Mr. Hon Kin Wai (Note 1)	15/15	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Cheng Ping Yat (Note 4)	22/25	N/A	N/A	N/A	1/1	1/1	N/A
Non-executive Director							
Mr. Lau Pak Hong (Note 2)	21/22	2/2	N/A	1/1	0/1	N/A	N/A
Ms. Ngai Ki Yee May (Note 2)	15/21	N/A	1/2	N/A	1/1	N/A	N/A
Ms. Tsang Po Yee Pauline (Note 5)	17/21	N/A	0/1	0/3	1/1	1/1	N/A
Mr. Tam B Ray Billy (Note 5)	16/21	N/A	N/A	3/3	1/1	0/1	N/A
Independent Non-executive Directors							
Mr. Ong Chi King (Note 3)	5/5	1/1	0/0	0/0	N/A	N/A	N/A
Mr. Shum Lok To (Note 3)	5/5	1/1	0/0	0/0	N/A	N/A	N/A
Mr. Tso Ping Cheong Brian (Note 3)	4/5	1/1	0/0	0/0	N/A	N/A	N/A
Mrs. Chow Liang Shuk Yee Selina (Note 7)	23/24	N/A	1/2	6/7	1/1	1/1	2/2
Mr. Fung Shing Kwong (Note 7)	24/24	3/3	4/4	7/7	1/1	1/1	2/2
Mr. Yip Tai Him (Note 7)	12/17	1/1	1/2	3/4	1/1	N/A	N/A
Mr. Chan Tze Ching Ignatius (Note 6)	9/13	2/2	2/2	3/3	1/1	1/1	2/2
Mr. Wong Tat Tung (Note 6)	5/13	2/2	N/A	N/A	0/1	1/1	2/2

Notes:

1. Mr. Luk and Mr. Hon were appointed as executive Directors on 7 August 2014 and 8 July 2014 respectively. Their attendances were shown with reference to the number of the meetings held during the Year after their appointment as the Directors and members of relevant Board committees.

2. Mr. Lau and Ms. Ngai were appointed as non-executive Directors on 1 April 2014. Their attendances were shown with reference to the number of the meetings held during the Year after their appointment as the Directors and members of relevant Board committees.

3. Mr. Ong, Mr. Shum and Mr. Tso were appointed as independent non-executive Directors on 15 October 2014. Their attendances were shown with reference to the number of the meetings held during the Year after their appointment as the Directors and members relevant Board committees.

4. Mr. Cheng Ping Yat resigned as an executive Director on 22 October 2014. His attendances were shown with reference to the number of the meetings held during the Year before his cessation as the Director.

5. Ms. Tsang and Mr. Tam resigned as non-executive Directors on 19 September 2014. Their attendances were shown with reference to the number of the meetings held during the Year before their cessation as the Directors and members of relevant Board committees.

6. Mr. Chan Tze Ching Ignatius and Mr. Wong Tat Tung retired as independent non-executive Directors on 20 June 2014. Their attendances were shown with reference to the number of the meetings held during the Year before their cessation as the Directors and members of relevant Board committees.

7. Mrs. Chow Liang Shuk Yee Selina, Mr. Fung Shing Kwong and Mr. Yip Tai Him resigned as independent non-executive Directors on 15 October 2014. Their attendances were shown with reference to the number of the meetings held during the Year before their cessation as the Directors and members of relevant Board committees.

INTERNAL CONTROLS

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the Company's shareholders and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss. A whistleblowing policy was adopted by the Company to provide employees with reporting channels and guidance on whistleblowing.

The Audit Committee reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management of the Company.

The Company does not have in place an independent internal audit function as the Board is of the view that the appointment is not imminent under current circumstances, taking into account the current structure and scope of the Group's operations.

AUDITOR'S REMUNERATION

During the Year, the remuneration, reviewed and approved by the Audit Committee, paid or payable to the external auditor of the Company, BDO Limited, in respect of audit and non-audit services provided, were as follows:

Type of services	2014 *HK$'000*
Audit services	580
Non-audit services	135

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Bye-laws. The Company Secretary is an employee of the Company and responsible for facilitating the Board's processes and communications among Board members, with the shareholders and management of the Company. Draft and final versions of minutes are disseminated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. All Directors have access to the minutes of the Board and Board committees meetings of the Company.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

Access to Information

The Board recognises the importance of maintaining on-going communication with shareholders. The Company proactively promotes investor relations and communications with shareholders is always given high priority. The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from shareholders. To ensure all shareholders have equal and timely access to important information of the Company, the Company make extensive use of several communication channels, including publication of financial reports, notices, circulars and announcements, together with other filings as prescribed under the GEM Listing Rules and key news and developments of the Group on its corporate website at www.larryjewelryinternational.com. The "Investor Relations" section offers a level of information disclosure in easily and readily accessible form and provides timely updates to shareholders.

Communication with Shareholders

A Shareholders' communication policy was adopted by the Company to maintain an on-going dialogue with shareholders and encourage them to communicate actively with the Company.

In addition to accessing information on the corporate website, enquiries or request of information, to the extent it is publicly available, from shareholders and other report users are welcome by email, telephone or in writing to Mr. Hon at:

Address: 13/F, Pacific House, 20 Queen's Road Central, Hong Kong
Telephone: (852) 2840-1166
Facsimile: (852) 2868-1811
Email: caric.hon@larryjewelry.com

Any shareholding matters, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Hong Kong branch share registrar and transfer office of the Company:

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: (852) 2980-1333
Facsimile: (852) 2810-8185

The latest version of the Bye-laws and memorandum of association of the Company has been published both on the websites of the Company and Stock Exchange since 30 March 2012 and did not made any amendments to the Bye-laws during the Year.

Shareholders are encouraged to attend all general meetings of the Company to stay inform the strategies and goals of the Group. The notices of the AGM and special general meetings of the Company were circulated to all shareholders in accordance with the requirements of the GEM Listing Rules and the Bye-laws. The chairman of the meeting explains the detailed procedures for conducting a poll and then answers any questions from shareholders. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

In accordance with the bye-law 58 of the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

REPORT OF THE DIRECTORS

The Board present herewith the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 34 and 35 respectively.

The Board does not recommend the payment of a final dividend for the Year (2013: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers were less than 30% of the total sales of the Group. The five largest suppliers of the Group accounted for 71% (2013: 50%) of the total purchases of the Group for the Year while the largest supplier accounted for 47% (2013: 25%) of the total purchases of the Group for the Year.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity on page 41 respectively.

The Company had no distributable reserve as at 31 December 2014 (2013: HK$Nil).

EMOLUMENT POLICY

The Remuneration Committee is responsible for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

REPORT OF THE DIRECTORS

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes are set out in note 2.17 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years/period is set out on page 4.

DIRECTORS

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

Executive Directors	Non-executive Directors	Independent non-executive Directors
Mr. Luk Kee Yan Kelvin *(Chairman)* (appointed on 7 August 2014)	Mr. Lau Pak Hong (appointed on 1 April 2014)	Mr. Ong Chi King (appointed on 15 October 2014)
Mr. Hon Kin Wai *(Chief Executive Officer)* (appointed on 8 July 2014)	Ms. Ngai Ki Yee May (appointed on 1 April 2014)	Mr. Shum Lok To (appointed on 15 October 2014)
Mr. Cheng Ping Yat (re-designated from non-executive Director to executive Director on 29 April 2014 and resigned on 22 October 2014)	Ms. Tsang Po Yee Pauline (re-designated from executive Director to non-executive Director on 29 April 2014 and resigned on 19 September 2014)	Mr. Tso Ping Cheong Brian (appointed on 15 October 2014)
	Mr. Tam B Ray Billy (resigned on 19 September 2014)	Mrs. Chow Liang Shuk Yee Selina (resigned on 15 October 2014)
		Mr. Fung Shing Kwong (resigned on 15 October 2014)
		Mr. Yip Tai Him (appointed as a non-executive Director on 1 April 2014, re-designated from non-executive Director to independent non-executive Director on 16 May 2014 and resigned on 15 October 2014)
		Mr. Chan Tze Ching Ignatius (retired on 20 June 2014)
		Mr. Wong Tat Tung (retired on 20 June 2014)

Pursuant to bye-law 83(2) of the Bye-laws, Mr. Luk, Mr. Hon, Mr. Ong, Mr. Shum and Mr. Tso, having been appointed to the Board after the AGM held on 20 June 2014, shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

Mr. Lau shall retire by rotation at the forthcoming AGM in accordance with the Bye-laws and, being eligible, offer himself for re-election.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which would have: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) Long position in the Shares

Name of Director	Capacity of interests	Number of Shares held	Approximate percentage to the issued share capital
Mr. Luk	Beneficial owner	528,902,842	15.69%

(b) Share options of the Company

Pursuant to the Scheme (as defined below), certain Directors were granted share options to subscribe for the Shares and details of the Directors' interests in share options are set out under the section headed "Share Option Scheme" below.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules or to be entered in the register referred to in the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2014, the following persons/corporations (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and the underlying Shares of the Company, which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO:

REPORT OF THE DIRECTORS

Long positions in Shares

Name of shareholders	Capacity of interests	Number of Shares held	Approximate percentage to the issued share capital
Fullink Management Limited (Note 1)	Beneficial owner	265,300,000	7.87%
Mr. Tsang Michael Man-heem (Note 1)	Interest of controlled corporation	265,300,000	7.87%
Diamond Well International Limited (Note 2)	Beneficial owner	172,970,900	5.13%
Ms. Zhang Ya Juan (Note 2)	Interest of controlled corporation	172,970,900	5.13%

Notes:

1. These Shares are held by Fullink Management Limited, which is beneficially owned as to 40% by Mr. Tsang, Michael Man-heem, 15% by Ms. Tsang, 15% by Ms. Tsang, Becky Po Kei, 15% by Ms. Tsang, Po De Wendy and 15% by Ms. Tsang, Marina Po Hing. Ms. Tsang is a director of Fullink Management Limited.

2. Diamond Well International Limited is wholly and beneficially owned by Ms. Zhang Ya Juan.

Save as disclosed above, as at 31 December 2014, the Company had not been notified by any parties (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporations" above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Year.

RELATED PARTY TRANSACTIONS

No related party transactions was noted for the Group during the Year.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its Shares listed on GEM nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities during the Year.

MANAGEMENT CONTRACT

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

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 21 September 2009 (the "Scheme") under which certain selected classes of participants (including, among others, fulltime employees) may be granted options to subscribe for the shares. The principal terms of the share option scheme are summarised in the paragraph headed "Share Option Scheme" in appendix V to the prospectus of the Company dated 29 September 2009.

Details of the movements in the share options during the Year under the Scheme are as follows:

	Number of share options								
Grantee	Outstanding as at 1 January 2014	Adjustments (Note 1)	Granted during the Year	Exercised during the Year	Lapsed during the Year	Outstanding as at 31 December 2014	Date of grant	Exercisable period	Adjusted exercise price per Share (Note 1)
Directors									
Ms. Tsang (Note 2)	6,733,790	356,891	–	–	(7,090,681)	–	10 March 2011	10 March 2011 to 9 March 2021	HK$0.614
Mr. Tam (Note 2)	6,733,790	356,891	–	–	(7,090,681)	–	10 March 2011	10 March 2011 to 9 March 2021	HK$0.614
Employees	2,318,000	122,854	–	–	(2,440,854)	–	28 March 2012	28 March 2012 to 28 March 2015	HK$0.631
Total	15,785,580	836,636	–	–	(16,622,216)	–			

Notes:

1. Pursuant to the Company's announcement dated 13 March 2014, the exercise price and the number of outstanding share options have been adjusted as a result of the open offer completed in March 2014.

2. Ms. Tsang and Mr. Tam resigned as non-executive Directors with effect from 19 September 2014. The share options granted to them under the Scheme lapsed after 30 days following the date of their resignation accordingly.

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, there is sufficient public float of the issued Shares as required under the GEM Listing Rules throughout the Year and as at the date of the Report.

PRE-EMPTIVE RIGHTS

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

INTEREST OF THE COMPLIANCE ADVISER

As at 31 December 2014, as confirmed by the Group's compliance adviser, Quam Capital Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 16 October 2014, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. BDO Limited as auditor of the Company.

On behalf of the Board
Luk Kee Yan Kelvin
Chairman and Executive Director

Hong Kong, 9 March 2015

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF LARRY JEWELRY INTERNATIONAL COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Larry Jewelry International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2014, 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 the 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 the 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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 Company and 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.

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412
Hong Kong, 9 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	**2014** ***HK$'000***	2013 *HK$'000*
Revenue	5	**264,414**	298,256
Cost of sales		**(204,213)**	(212,610)
Gross profit		**60,201**	85,646
Other income	5	**1,649**	1,404
Selling and distribution expenses		**(75,407)**	(83,597)
Administrative expenses		**(35,388)**	(38,975)
Finance costs	7	**(12,589)**	(23,630)
Operating loss		**(61,534)**	(59,152)
Impairment on intangible assets	17	**(16,000)**	–
Impairment on goodwill	16	**–**	(43,736)
Loss before income tax	8	**(77,534)**	(102,888)
Income tax credit/(expense)	9	**3,443**	(379)
Loss for the year attributable to owners of the Company	11	**(74,091)**	(103,267)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company during the year	12		
— Basic and diluted		**(2.64)**	(6.78)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 ***HK$'000***	2013 *HK$'000*
Loss for the year attributable to owners of the Company	**(74,091)**	(103,267)
Other comprehensive expense		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(3,793)**	(3,371)
Total other comprehensive expense for the year	**(3,793)**	(3,371)
Total comprehensive expense for the year attributable to owners of the Company	**(77,884)**	(106,638)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(a)	**5,340**	6,560
Goodwill	16	**–**	–
Intangible assets	17	**63,000**	79,000
Deposits	18	**5,718**	8,004
		74,058	93,564
Current assets			
Inventories	21	**189,242**	282,167
Trade receivables	22	**5,907**	4,616
Prepayments, deposits and other receivables		**6,113**	10,414
Pledged bank deposits	23	**11,745**	27,777
Bank and cash balances	23	**97,938**	13,560
		310,945	338,534
Current liabilities			
Trade payables	24	**8,898**	15,629
Other payables and accruals		**10,797**	15,529
Borrowings	25	**–**	81,940
Convertible notes	27	**–**	75,839
Provision for tax		**239**	1,119
		19,934	190,056
Net current assets		**291,011**	148,478
Total assets less current liabilities		**365,069**	242,042

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Deferred tax liabilities	26	**10,956**	14,384
		10,956	14,384
Net assets		**354,113**	227,658
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**33,704**	14,965
Reserves	29	**320,409**	212,693
Total equity		**354,113**	227,658

Luk Kee Yan Kelvin
Director

Hon Kin Wai
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(b)	**210**	366
Interests in subsidiaries	19	**7**	7
		217	373
Current assets			
Deposits and other receivables		**313**	1,637
Amounts due from subsidiaries	19	**329,799**	314,394
Bank and cash balances	23	**55,967**	246
		386,079	316,277
Current liabilities			
Other payables and accruals		**1,306**	728
Convertible notes	27	**–**	75,839
Amounts due to subsidiaries	19	**39,190**	13,665
		40,496	90,232
Net current assets		**345,583**	226,045
Total assets less current liabilities		**345,800**	226,418
Net assets		**345,800**	226,418
EQUITY			
Share capital	28	**33,704**	14,965
Reserves	29	**312,096**	211,453
Total equity		**345,800**	226,418

Luk Kee Yan Kelvin
Director

Hon Kin Wai
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss before income tax		**(77,534)**	(102,888)
Adjustments for:			
Interest income	5	**(153)**	(56)
Interest expenses	7	**12,589**	23,630
Depreciation	8	**4,963**	4,695
Write-down of inventories to net realisable value	8	**5,686**	1,382
Impairment on intangible assets	8	**16,000**	–
Impairment on goodwill	8	**–**	43,736
Reversal of impairment provision on trade receivables	8	**(119)**	(303)
Bad debts written off	8	**4**	2
Written off/loss on disposals of property, plant and equipment	8	**1,393**	80
Change in fair value of financial assets at fair value through profit or loss	8	**–**	229
Gain on early redemption of convertible notes	8	**–**	(450)
Operating loss before working capital changes		**(37,171)**	(29,943)
Decrease in inventories		**86,586**	19,666
(Increase)/decrease in trade receivables		**(1,088)**	316
Decrease/(increase) in prepayments, deposits and other receivables		**6,595**	(1,041)
Decrease in trade payables		**(6,693)**	(7,096)
Decrease in other payables and accruals		**(4,661)**	(5,201)
Cash generated from/(used in) operations		**43,568**	(23,299)
Interest paid		**(8,486)**	(9,302)
Income tax paid		**(816)**	(1,560)
Net cash generated from/(used in) operating activities		**34,266**	(34,161)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	15(a)	**(5,186)**	(4,187)
Decrease in pledged bank deposits		**16,046**	305
Interest received		**153**	56
Net cash generated from/(used in) investing activities		**11,013**	(3,826)
Cash flows from financing activities			
Repayment of borrowings		**(216,322)**	(321,253)
New borrowings raised		**135,339**	294,938
Redemption of convertible notes	27	**(78,000)**	(1,600)
Interest paid for convertible notes	27	**(1,942)**	(1,920)
Proceeds from issue of shares	28	**210,991**	71,650
Share issue expenses		**(6,652)**	(1,639)
Net cash generated from financing activities		**43,414**	40,176
Net increase in cash and cash equivalents		**88,693**	2,189
Cash and cash equivalents as at the beginning of the year		**13,560**	15,115
Effect of foreign exchange rate changes		**(4,315)**	(3,744)
Cash and cash equivalents as at the end of the year		**97,938**	13,560
Analysis of balances of cash and cash equivalents			
Bank and cash balances	23	**97,938**	13,560

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000 (note 29(iii))	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Merger reserve HK$'000 (note 29(i))	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 1 January 2013	10,181	348,344	3,988	24,692	8,408	(830)	(1,033)	(129,465)	264,285
Transfer on redemption of convertible notes	–	–	–	(606)	–	–	–	606	–
Issue of shares upon open offer (note 28(i))	3,054	30,542	–	–	–	–	–	–	33,596
Issue of shares upon subscription of shares (note 28(ii))	1,730	36,324	–	–	–	–	–	–	38,054
Share issue expenses	–	(1,639)	–	–	–	–	–	–	(1,639)
Share options forfeited (note 30)	–	–	–	–	(2,505)	–	–	2,505	–
Transactions with owners	4,784	65,227	–	(606)	(2,505)	–	–	3,111	70,011
Loss for the year	–	–	–	–	–	–	–	(103,267)	(103,267)
Other comprehensive expense – Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(3,371)	–	(3,371)
Total comprehensive expense for the year	–	–	–	–	–	–	(3,371)	(103,267)	(106,638)
Balance as at 31 December 2013 and 1 January 2014	14,965	413,571	3,988	24,086	5,903	(830)	(4,404)	(229,621)	227,658

	Share capital HK$'000	**Share premium HK$'000**	**Capital contribution reserve HK$'000 (note 29(iii))**	**Convertible notes equity reserve HK$'000**	**Share option reserve HK$'000**	**Merger reserve HK$'000 (note 29(i))**	**Translation reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**
Balance as at 31 December 2013 and 1 January 2014	**14,965**	**413,571**	**3,988**	**24,086**	**5,903**	**(830)**	**(4,404)**	**(229,621)**	**227,658**
Transfer on redemption of convertible notes	**–**	**–**	**–**	**(24,086)**	**–**	**–**	**–**	**24,086**	**–**
Issue of shares upon open offer (note 28(iii))	**10,475**	**115,227**	**–**	**–**	**–**	**–**	**–**	**–**	**125,702**
Issue of shares upon subscription of shares (note 28(iv))	**2,647**	**26,469**	**–**	**–**	**–**	**–**	**–**	**–**	**29,116**
Issue of shares upon placing of shares (note 28(v))	**5,617**	**50,556**	**–**	**–**	**–**	**–**	**–**	**–**	**56,173**
Share issue expenses	**–**	**(6,652)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,652)**
Share options forfeited (note 30)	**–**	**–**	**–**	**–**	**(5,903)**	**–**	**–**	**5,903**	**–**
Transactions with owners	**18,739**	**185,600**	**–**	**(24,086)**	**(5,903)**	**–**	**–**	**29,989**	**204,339**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(74,091)**	**(74,091)**
Other comprehensive expense — Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(3,793)**	**–**	**(3,793)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(3,793)**	**(74,091)**	**(77,884)**
Balance as at 31 December 2014	**33,704**	**599,171**	**3,988**	**–**	**–**	**(830)**	**(8,197)**	**(273,723)**	**354,113**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

Larry Jewelry International Company Limited (the "Company") was incorporated in Bermuda with limited liability on 11 June 2009. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company and its subsidiaries (collectively referred to as the "Group") is located at 13/F., Pacific House, 20 Queen's Road Central, Hong Kong. The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange") since 7 October 2009.

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The financial statements for the year ended 31 December 2014 were approved for issue by the board of directors on 9 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 34 to 96 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the periods presented unless otherwise stated. The adoption of new or amended HKFRSs and the impact on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL"). The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.2 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation and business combination (Continued)

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

When the Group loses control of a subsidiary, profit or loss on disposal 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

2.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Goodwill (Continued)

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating unit ("CGU") that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values, if any, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixtures	25%
Office equipment	25%
Leasehold improvements	20% or the lease term, whichever is shorter
Moulds	30%

The assets' estimated useful lives, depreciation methods and estimated residual values, if any, are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2.6 Intangible assets

The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Goodwill, intangible assets, property, plant and equipment and interests in subsidiaries are subject to impairment testing. All assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Goodwill and intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGU that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for CGU, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Financial assets

The Group's financial assets mainly include trade receivables, deposits and other receivables, financial assets at fair value through profit or loss, pledged bank deposits and bank and cash balances. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

Financial assets at fair value through profit or loss

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial assets at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Impairment of financial assets

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

Impairment of financial assets (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

Impairment losses are written off against the corresponding assets directly. Where the recovery of receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work in progress and finished goods, comprises the cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank or at other financial institution and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.11 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accruals, borrowings and convertible notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policies for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade payables, other payables and accruals

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings, which include bank loans and other loans, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Convertible notes

(i) *Convertible notes contain liability and equity components*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities (Continued)

Convertible notes (Continued)

(i) Convertible notes contain liability and equity components (Continued)

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

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

(ii) Convertible notes contain liability and equity components, and early redemption option derivative

Convertible notes issued by the Company that contain liability, conversion option and early redemption option (which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, both liability and early redemption option components are measured at fair value. The difference between the gross proceeds of the issue of the convertible notes and the fair values assigned to the liability and early redemption option components respectively, representing the conversion option for the holder to convert the notes into equity, is included in convertible notes equity reserve.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest rate method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible notes equity reserve until the embedded conversion option is exercised (in which case the balance stated in the convertible notes equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profit. No gain or loss is recognised in the profit or loss upon conversion or expiration of the conversion option.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities (Continued)

Convertible notes (Continued)

(ii) Convertible notes contain liability and equity components, and early redemption option derivative (Continued)

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option are charged to 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 notes using the effective interest method.

Where the convertible notes are redeemed, the consideration paid and any transactions cost thereof is allocated between the liability, conversion option and early redemption option components of the convertible notes at the date of the redemption. The difference between the consideration paid for the redemption of the liability component, which is determined using the prevailing market interest rate of similar non-convertible debts, and its carrying amount at the date of the redemption is recognised in profit or loss. Similarly, the different between the consideration paid for redemption of early redemption component, which is measured at fair value, and its carrying amount at the date of the redemption is recognised in profit or loss while the difference between the consideration paid for the redemption of the conversion option component and its carrying amount at the date of the transaction is included in equity (accumulated losses).

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received and receivables for the sale of goods and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(ii) Management income

Management income is recognised when the services are rendered.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.15 Operating leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss using the straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests 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 is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Retirement benefit costs and short-term employee benefits

Retirement benefit schemes

The Group participates in several staff retirement benefit schemes for employees in Hong Kong, the People's Republic of China (the "PRC") and Singapore, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the schemes.

The subsidiary operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

The subsidiary operating in Singapore are required to participate in post-employment benefits plans under which the subsidiary pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The subsidiary has no further payment obligations once the contributions have been paid.

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on 5% of the employees' basic salaries, with a cap of monthly salaries of HK$30,000 commenced on or after 1 June 2014 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

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

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

2.18 Provision and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provision and contingent liabilities (Continued)

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

2.19 Share-based compensation

The Group operates equity-settled share-based compensation plans for remuneration of its directors, professionals, customers, suppliers, agents and consultants of the Company and its subsidiaries.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

2.20 Related parties

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

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

2.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The Group has identified the following reportable segments:

(i) Design and trading of jewelry products; and

(ii) Retailing of jewelry products.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are priced with reference to prices charged to external parties for similar orders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Segment reporting (Continued)

The management policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except expenses related to share-based payments, finance costs, income tax, corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

2.22 Borrowings costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities

The adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not effective, and have not been adopted by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

HKFRS 9 (2014) — Financial Instruments

The standard is effective for the accounting period beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The standard is effective for the accounting period beginning on or after 1 January 2017. The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Inventory valuation

Inventory is valued at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

(ii) Impairment on receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The policy for the impairment on receivables of the Group is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment on their ability to make payments, provision for impairment may be required.

(iii) Income taxes

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

(iv) Estimated impairment on intangible assets

The Group tests on annual basis whether intangible assets are impaired in accordance with the accounting policy stated in note 2.7. Determining whether intangible assets are impaired requires an estimation of the value in use of the CGUs to which intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Details in impairment assessment are set out in note 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents total invoiced value of goods sold in the course of the Group's principal activities, net of returns and trade discounts. Revenue and other income recognised during the year are as follows:

	2014 HK$'000	2013 HK$'000
Revenue		
Sales	**264,414**	298,256
Other income		
Interest income	**153**	56
Exchange gain, net	**–**	30
Reversal of impairment provision on trade receivables	**118**	303
Sundry income	**1,378**	1,015
	1,649	1,404

6. SEGMENT INFORMATION

The executive directors have identified the Group's two product lines as operating segments as further described in note 2.21.

(a) Design and Trading of Jewelry Products segment

(b) Retailing of Jewelry Products segment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION (CONTINUED)

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	2014		
	Design and Trading of Jewelry Products segment *HK$'000*	Retailing of Jewelry Products segment *HK$'000*	Total *HK$'000*
Revenue:			
From external customers	2,867	261,547	264,414
Inter-segment revenue	545	7,640	8,185
Reportable segment revenue	3,412	269,187	272,599
Reportable segment loss	(1,841)	(58,197)	(60,038)
Bank interest income	–	152	152
Depreciation	69	4,403	4,472
Written off/loss on disposal of property, plant and equipment	5	228	233
Write-down of inventories to net realisable value	1,486	4,200	5,686
Reversal of impairment provision on trade receivables	119	–	119
Bad debts written off	4	–	4
Impairment on intangible assets	–	16,000	16,000
Reportable segment assets	90	328,382	328,472
Additions to non-current segment assets	–	5,186	5,186
Reportable segment liabilities	4	29,581	29,585

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION (CONTINUED)

	2013		
	Design and Trading of Jewelry Products segment *HK$'000*	Retailing of Jewelry Products segment *HK$'000*	Total *HK$'000*
Revenue:			
From external customers	13,035	285,221	298,256
Inter-segment revenue	940	3,499	4,439
Reportable segment revenue	13,975	288,720	302,695
Reportable segment loss	(3,126)	(75,561)	(78,687)
Bank interest income	–	54	54
Depreciation	206	3,832	4,038
Written off/loss on disposal of property, plant and equipment	–	80	80
Write-down of inventories to net realisable value	126	1,256	1,382
Reversal of impairment provision on trade receivables	303	–	303
Bad debts written off	2	–	2
Impairment on goodwill	–	43,736	43,736
Reportable segment assets	4,640	421,940	426,580
Additions to non-current segment assets	–	3,424	3,424
Reportable segment liabilities	727	127,044	127,771

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION (CONTINUED)

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2014 HK$'000	2013 HK$'000
Reportable segment revenue	272,599	302,695
Elimination of inter segment revenue	(8,185)	(4,439)
Group revenue	264,414	298,256
Reportable segment loss	(60,038)	(78,687)
Finance costs	(5,269)	(14,328)
Change in fair value of financial assets at fair value through profit or loss	–	(229)
Unallocated corporate income	381	416
Unallocated corporate expenses	(12,608)	(10,510)
Gain on early redemption of convertible notes	–	450
Loss before income tax	(77,534)	(102,888)
Reportable segment assets	328,472	426,580
Property, plant and equipment	210	366
Deposits	–	1,483
Bank and cash balances	55,967	246
Unallocated assets	354	3,423
Group assets	385,003	432,098
Reportable segment liabilities	29,585	127,771
Convertible notes	–	75,839
Unallocated	1,305	830
Group liabilities	30,890	204,440

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION (CONTINUED)

The Group's revenue from external customers and its non-current assets other than financial instruments are divided into the following geographical areas:

	Revenue from external customers		Non-current assets other than financial instruments	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong, Macau and Taiwan	**103,917**	106,284	**65,464**	84,722
Singapore	**160,497**	184,549	**2,876**	838
The United States of America and Canada	**–**	7,423	**–**	–
	264,414	298,256	**68,340**	85,560

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

During the year ended 31 December 2014, there was no revenue from external customers attributed to Bermuda (the Company's country of domicile) (2013: Nil) and no non-current assets were located in Bermuda (2013: Nil). The country of domicile is determined as the country where the Company was incorporated.

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest charges on bank and other borrowings wholly repayable within five years	**8,486**	9,302
Imputed interest expenses wholly repayable within five years — convertible notes (note 27)	**4,103**	14,328
	12,589	23,630

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. LOSS BEFORE INCOME TAX

	2014 **HK$'000**	2013 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**580**	578
Cost of inventories recognised as expense, including	**204,213**	212,610
— Write-down of inventories to net realisable value	**5,686**	1,382
Reversal of impairment provision on trade receivables (note 22)	**(119)**	(303)
Bad debts written off (note 22)	**4**	2
Depreciation	**4,963**	4,695
Written off/loss on disposals of property, plant and equipment	**1,393**	80
Impairment on intangible assets (note 17)	**16,000**	–
Impairment on goodwill (note 16)	**–**	43,736
Change in fair value of financial assets at fair value through profit or loss (note 20)	**–**	229
Gain on early redemption of convertible notes	**–**	(450)
Employee benefit expense (note 13)	**31,801**	36,395
Exchange loss/(gain), net	**1,379**	(30)
Operating lease rentals in respect of rented premises	**46,505**	45,057

9. INCOME TAX (CREDIT)/EXPENSE

	2014 **HK$'000**	2013 HK$'000
Current income tax — Singapore		
— Current year	**24**	1,061
— Over-provision in respect of prior years	**(45)**	(124)
Deferred tax		
— Current year (note 26)	**(3,422)**	(558)
	(3,443)	379

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in Bermuda and the BVI for the year (2013: Nil).

No income tax has been provided for Hong Kong, the PRC and Macau as there is no estimated assessable profit derived from these tax jurisdictions (2013: Nil).

Singapore income tax has been provided at the rate of 17% (2013: 17%) on the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Reconciliation between income tax credit and accounting loss at applicable tax rate is as follows:

	2014 HK$'000	2013 HK$'000
Loss before income tax	(77,534)	(102,888)
Tax credit on loss before income tax, calculated at applicable rate in the tax jurisdiction concerned	(13,771)	(17,132)
Tax effect of non-deductible expenses	5,646	10,992
Tax effect of non-taxable revenue	(720)	(886)
Tax effect of deductible temporary difference not recognised	457	138
Tax effect of tax loss not recognised	5,350	7,979
Utilisation of previously unrecognised tax losses	(32)	(382)
Over-provision in respect of prior years	(45)	(124)
Others	(328)	(206)
Income tax expense	(3,443)	379

10. DIVIDENDS

The board of directors did not recommend any payment of dividend during the year ended 31 December 2014 (2013: Nil).

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss for the year attributable to owners of the Company of HK$74,091,000 (2013: HK$103,267,000), a loss of HK$14,325,000 (2013: HK$20,624,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company of HK$74,091,000 (2013: HK$103,267,000) and on the weighted average number of 2,802,880,889 ordinary shares (2013: 1,522,416,743 ordinary shares) in issue during the year. The weighted average number of ordinary shares adopted in calculation of the basic earnings per share for the year ended 31 December 2014 has been adjusted to reflect the impact of the bonus elements in the open offer in March 2014 (note 28(iii)).

For the year ended 31 December 2014 and 2013, basic loss per share is the same as diluted loss per share as there was no dilutive ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2014 HK$'000	2013 HK$'000
Wages, salaries and allowances	30,021	34,202
Defined contribution retirement benefit scheme contributions	1,780	2,193
	31,801	36,395

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company are as follows:

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Share-based payment expenses HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2014						
Executive directors						
Mr. Hon Kin Wai	(a)	116	1,008	–	12	1,136
Mr. Luk Kee Yan Kelvin	(b)	220	–	–	7	227
Mr. Cheng Ping Yat	(c)	252	–	–	12	264
Non-executive directors						
Mr. Lau Pak Hong	(d)	180	–	–	9	189
Ms. Ngai Ki Yee May	(d)	180	–	–	9	189
Mr. Tam B Ray Billy	(e)	173	–	–	9	182
Ms. Tsang Po Yee Pauline	(f)	510	–	–	10	520
Independent non-executive directors						
Mr. Ong Chi King	(g)	19	–	–	1	20
Mr. Shun Lok To	(g)	19	–	–	1	20
Mr. Tso Ping Cheong Brian	(g)	19	–	–	1	20
Mr. Yip Tai Him	(h)	130	–	–	6	136
Mrs. Chow Liang Shuk Yee Selina	(i)	474	–	–	–	474
Mr. Chan Tze Ching Ignatius	(j)	142	–	–	–	142
Mr. Fung Shing Kwong	(i)	213	–	–	–	213
Mr. Wong Tat Tung	(j)	113	–	–	6	119
		2,760	1,008	–	83	3,851

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Share-based payment expenses HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2013						
Executive directors						
Ms. Tsang Po Yee Pauline		–	780	–	15	795
Non-executive directors						
Mr. Tam B Ray Billy		–	240	–	12	252
Mr. Cheng Ping Yat		–	240	–	12	252
Mr. Lau Wan Pui Joseph	(k)	174	–	–	10	184
Independent non-executive directors						
Mrs. Chow Liang Shuk Yee Selina		600	–	–	–	600
Mr. Chan Tze Ching Ignatius		240	–	–	–	240
Mr. Fung Shing Kwong		210	–	–	–	210
Mr. Wong Tat Tung		180	–	–	9	189
		1,404	1,260	–	58	2,722

Notes:

(a) Appointed on 8 July 2014.

(b) Appointed on 7 August 2014.

(c) Redesignated from a non-executive director to an executive director on 29 April 2014 and resigned on 22 October 2014.

(d) Appointed on 1 April 2014.

(e) Resigned on 19 September 2014.

(f) Redesignated from an executive director to a non-executive director on 29 April 2014 and resigned on 19 September 2014.

(g) Appointed on 15 October 2014.

(h) Appointed as a non-executive director on 1 April 2014, redesignated from a non-executive director to an independent non-executive director on 16 May 2014 and resigned on 15 October 2014.

(i) Resigned on 15 October 2014.

(j) Retired on 20 June 2014.

(k) Appointed on 10 November 2012, redesignated from an independent non-executive director to a non-executive director and removed on 3 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2014 (2013: Nil).

No share options were granted to the directors of the Company during the year (2013: Nil). The value of the share options granted to directors is measured according to the Group's accounting policy for share-based employee compensation as set out in note 2.19. Details of these benefits in kind including the principal terms and number of options granted are disclosed in note 30.

No emoluments were paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2014 (2013: Nil).

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group for the year included 1 (2013: 1) director whose emoluments are reflected in the analysis as shown in note 14(a). The emoluments of the remaining 4 (2013: 4) highest paid individuals for the year are as follows:

	2014 **HK$'000**	2013 HK$'000
Basic salaries, bonuses and other allowances	**3,281**	3,813
Defined contribution retirement benefit scheme Contributions	**67**	54
	3,348	3,867

Their emoluments were within the following bands:

	2014 **No. of individual**	2013 No. of individual
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**1**	2
	4	4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(c) Remuneration of senior management

Remuneration of senior management of the Group, including amounts paid to the highest paid employees other than directors as disclosed in note 14(b) are within the following bands:

	2014 No. of individual	2013 No. of individual
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**–**	1
	2	5

15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Leasehold improvements *HK$'000*	Moulds *HK$'000*	Total *HK$'000*
As at 1 January 2013					
Cost	3,369	1,887	6,871	461	12,588
Accumulated depreciation	(1,724)	(638)	(2,655)	(391)	(5,408)
Net book amount	1,645	1,249	4,216	70	7,180
Year ended 31 December 2013					
Opening net book amount	1,645	1,249	4,216	70	7,180
Additions	271	207	3,709	–	4,187
Depreciation	(1,104)	(547)	(2,974)	(70)	(4,695)
Disposals	–	(3)	–	–	(3)
Written off	(34)	–	(43)	–	(77)
Exchange differences	(25)	(10)	3	–	(32)
Closing net book amount	753	896	4,911	–	6,560
As at 31 December 2013					
Cost	**3,525**	**2,061**	**11,577**	**461**	**17,624**
Accumulated depreciation	**(2,772)**	**(1,165)**	**(6,666)**	**(461)**	**(11,064)**
Net book amount	**753**	**896**	**4,911**	**–**	**6,560**
Year ended 31 December 2014					
Opening net book amount	**753**	**896**	**4,911**	**–**	**6,560**
Additions	**1,358**	**1,678**	**2,150**	**–**	**5,186**
Depreciation	**(737)**	**(844)**	**(3,382)**	**–**	**(4,963)**
Disposals	**(234)**	**(112)**	**(343)**	**–**	**(689)**
Written off	**(85)**	**(41)**	**(578)**	**–**	**(704)**
Exchange differences	**(22)**	**(12)**	**(16)**	**–**	**(50)**
Closing net book amount	**1,033**	**1,565**	**2,742**	**–**	**5,340**
As at 31 December 2014					
Cost	**3,519**	**2,755**	**10,216**	**–**	**16,490**
Accumulated depreciation	**(2,486)**	**(1,190)**	**(7,474)**	**–**	**(11,150)**
Net book amount	**1,033**	**1,565**	**2,742**	**–**	**5,340**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company

	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
As at 1 January 2013			
Cost	625	1,610	2,235
Accumulated depreciation	(103)	(1,238)	(1,341)
Net book amount	522	372	894
Year ended 31 December 2013			
Opening net book amount	522	372	894
Depreciation	(156)	(372)	(528)
Closing net book amount	366	–	366
As at 31 December 2013			
Cost	625	1,610	2,235
Accumulated depreciation	(259)	(1,610)	(1,869)
Net book amount	366	–	366
Year ended 31 December 2014			
Opening net book amount	**366**	**–**	**366**
Depreciation	**(156)**	**–**	**(156)**
Closing net book amount	**210**	**–**	**210**
As at 31 December 2014			
Cost	**625**	**1,610**	**2,235**
Accumulated depreciation	**(415)**	**(1,610)**	**(2,025)**
Net book amount	**210**	**–**	**210**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. GOODWILL — GROUP

The amount of goodwill recognised in the consolidated statement of financial position, arising from the acquisitions of subsidiaries, is as follows:

	2014 **HK$'000**	2013 HK$'000
At the beginning of the year		
Gross carrying amount	**48,818**	48,818
Accumulated impairment	**(48,818)**	(5,082)
Net carrying amount	**–**	43,736
For the year		
Opening net carrying amount	**–**	43,736
Impairment losses	**–**	(43,736)
Closing net carrying amount	**–**	–
At the end of the year		
Gross carrying amount	**48,818**	48,818
Accumulated impairment	**(48,818)**	(48,818)
Net carrying amount	**–**	–

Goodwill of retailing of jewelry products in Hong Kong and Singapore arose from the acquisition of Sharp Wonder Holdings Limited and its subsidiaries (the "Sharp Wonder Group") in 2011.

Subsequent to the acquisition of the Sharp Wonder Group in 2011, the revenue and net profit generated from retailing of jewelry products in Hong Kong and Singapore has dropped, which was resulted from unstable global economic environment, keen competition of the market and drop in demand for luxury jewelry products from the PRC customers. As a result, an impairment loss on goodwill was recognised in profit or loss during the year ended 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INTANGIBLE ASSETS — GROUP

The amount of intangible assets recognised in the consolidated statement of financial position, in relation to brand name arising from the acquisition of the Sharp Wonder Group, is as follows:

	Brand name	
	2014	2013
	HK$'000	*HK$'000*
At the beginning of the year		
Gross carrying amount	**79,000**	79,000
Accumulated impairment	**–**	–
Net carrying amount	**79,000**	79,000
For the year		
Opening net carrying amount	**79,000**	79,000
Impairment losses	**(16,000)**	–
Closing net carrying amount	**63,000**	79,000
At the end of the year		
Gross carrying amount	**79,000**	79,000
Accumulated impairment	**(16,000)**	–
Net carrying amount	**63,000**	79,000

In the opinion of the directors of the Company, brand name is considered to have an indefinite life as it has been in the market for many years and the nature of the industry in which the Group operates is that the brand obsolescence is not common if supported by appropriate level of marketing.

For impairment testing, intangible assets with indefinite useful lives at 31 December 2014 were allocated to the CGU relating to the retailing of jewelry products in Hong Kong and Singapore.

The recoverable amount for this CGU was determined based on value in use calculations, covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at nil growth rate. The discount rate applied to the cash flow projection was 16.37%. To reflect the continued downturn of the luxury retail market in Southeast Asia and Greater China and the austerity measure implemented by the PRC government in order to reign in luxury spending and crackdown on corruption, the overall estimated revenue in the five-year budget plan of current year was lower than that of last year, leading to a decrease in the recoverable amount of the CGU as at 31 December 2014 and resulted impairment losses of intangible assets of HK$16,000,000 for the year ended 31 December 2014. The key assumptions also include stable profit margins, which have been determined based on past performance, and expectations of the Company's management for market share, after taking into consideration published market forecast and research. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to this CGU. The growth rate reflects the long-term average growth rate for the product line of the CGU.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INTANGIBLE ASSETS — GROUP (CONTINUED)

Based on the assessment, the carrying amount of the CGU was approximately HK$84,340,000 whereas the recoverable amount from value in use of the CGU was approximately HK$68,340,000 as at 31 December 2014, provision for impairment loss of HK$16,000,000 were then recognised in profit or loss to reflect the recoverable amount of the CGU. The impairment losses were fully allocated to intangible assets as the management of the Company considered the allocation of impairment loss to property, plant and equipment is negligible.

18. DEPOSITS — GROUP AND COMPANY

Deposits represented the non-current rental deposits paid. All of the deposits were refundable within five years and were denominated in HK$ and Singapore dollars ("SGD"). These related to a number of independent counterparties for whom there is no recent history of default. The existing counterparties do not have significant defaults in the past.

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES — COMPANY

	2014 ***HK$'000***	2013 *HK$'000*
Unlisted shares, at cost	**7,497**	7,497
Less: Impairment loss	**(7,490)**	(7,490)
	7	7
Amounts due from subsidiaries	**378,799**	438,323
Less: Impairment loss	**(49,000)**	(123,929)
	329,799	314,394
Amount due to subsidiaries	**(39,190)**	(13,665)

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

The directors consider that the carrying amounts of the amounts due from/(to) subsidiaries approximate their fair values at the reporting date because the amounts have a short maturity period on its inception, such that the time value of money impact is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES — COMPANY (CONTINUED)

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

Name of company	Place of incorporation/ registration and type of legal entity	Particulars of issued share capital/ paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activity and place of operation
			Directly	Indirectly	
Allwin State Limited	BVI, limited liability company	1,000 ordinary shares of United States Dollars ("US$") 1 each	100%	–	Investment holding in Hong Kong
Alpha Wealth Investments Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	Investment holding in Hong Kong
Better Act Group Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	Investment holding in Hong Kong
Better Win International Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	Investment holding in Hong Kong
Eternity Diamonds Trading Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	Inactive in Hong Kong
Fame Treasure Global Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	Inactive in Hong Kong
Larry Jewelry Development Limited (formerly, Eternity Jewelry Company Limited)	Hong Kong, limited liability company	9,999 ordinary shares of HK$1 each	–	100%	Design and sale of jewelry products in Hong Kong
Larry Jewelry Development (Macau) Limited (formerly, Eternity Jewelry (Macau) Company Limited)	Macau, limited liability company	25,000 ordinary shares of Macau Pataca ("MOP") 1 each	–	100%	Inactive in Macau
Full Join Limited ("Full Join")	BVI, limited liability company	3,000 ordinary shares of US$1 each	100%	–	Investment holding in Hong Kong
Invest Trade Group Limited	BVI, limited liability company	1,000 ordinary shares of US$1 each	100%	–	Investment holding in Hong Kong
Larry Jewelry Limited	Hong Kong, limited liability company	50,000,000 ordinary shares of HK$1 each	–	100%	Design and sale of jewelry products in Hong Kong
Larry Jewelry (1967) Pte. Ltd.	Singapore, limited liability company	13,800,000 ordinary shares of SGD1 each	–	100%	Design and sale of jewelry products in Singapore
Merit Will Inc.	BVI, limited liability company	1,000 ordinary shares of US$1 each	100%	–	Investment holding in Hong Kong
New Larry Jewelry Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	Provision of administrative and management services
Parkwell Asia Limited ("Parkwell Asia")	BVI, limited liability company	1,000 ordinary shares of US$1 each	–	100%	Investment holding in Hong Kong
Peakwood Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	Investment holding in Hong Kong
Sharp Wonder Holdings Limited	BVI, limited liability company	3 ordinary shares of US$1 each	–	100%	Investment holding in Hong Kong
Vera Jewels Company Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	Design and sale of jewelry products in Hong Kong
俊文時尚（北京）商貿有限公司 Larry Fashion (Beijing) Trading Limited*	the PRC, wholly foreign owned enterprise	Registered share capital of HK$6,000,000	–	100%	Display of jewelry products in the PRC

* The English name is for the identification purpose only.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP AND COMPANY

	2014 HK$'000	2013 HK$'000
Redemption option derivatives		
At 1 January	–	229
Change in fair value	–	(229)
At 31 December	–	–

As at 31 December 2013, the derivatives are related to the fair value of early redemption option of convertible notes issued by the Company and were revalued by an independent professional qualified valuer, details of which are set out in note 27.

21. INVENTORIES — GROUP

	2014 HK$'000	2013 HK$'000
Raw materials	24,675	36,542
Work in progress	942	6,417
Finished goods	163,625	239,208
	189,242	282,167

22. TRADE RECEIVABLES — GROUP

	2014 HK$'000	2013 HK$'000
Trade receivables	5,907	4,735
Less: Provision of impairment on trade receivables	–	(119)
	5,907	4,616

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. TRADE RECEIVABLES — GROUP (CONTINUED)

The Group allows a credit period from 0 to 90 days (2013: 0 to 90 days) to its non-retail customers for the year. Based on the invoice dates, ageing analysis of trade receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**5,560**	4,588
31–60 days	**336**	25
61–90 days	**11**	–
91–180 days	**–**	–
181–365 days	**–**	3
Over 1 year	**–**	–
	5,907	4,616

Based on the due date, ageing analysis of trade receivables that are not impaired is as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**5,560**	4,588
1–30 days past due	**336**	25
31–90 days past due	**11**	–
91–365 days past due	**–**	3
Over 1 year past due	**–**	–
	347	28
	5,907	4,616

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers.

Trade receivables that were neither past due nor impaired related to diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. TRADE RECEIVABLES — GROUP (CONTINUED)

Movement in the provision of impairment on trade receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Balance at the beginning of the year	**119**	456
Reversal of impairment loss (note 8)	**(119)**	(303)
Exchange difference	**–**	(34)
Balance at the end of the year	**–**	119

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2014, the Group has determined trade receivables of HK$Nil (2013: HK$119,000) as individually impaired. Based on this assessment, reversal of impairment loss, net of HK$119,000 (2013: HK$303,000) has been made in the year ended 31 December 2014. During the year, bad debts written off of HK$4,000 (2013: HK$2,000) were made in the profit or loss against trade receivables (note 8). The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

23. BANK AND CASH BALANCES AND PLEDGED BANK DEPOSITS

	Group		**Company**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Pledged bank deposits	**11,745**	27,777	**–**	–
Bank and cash balances	**97,938**	13,560	**55,967**	246

Pledged bank deposits represent deposits pledged to banks to secure bank facilities granted to the Group. At 31 December 2014, the pledged bank deposits of HK$4,000,000 and HK$7,745,000 carry interest fixed rate of 0.05% per annum and 0.25% per annum respectively in respect of bank guarantees provided by banks to a supplier. At 31 December 2013, the pledged bank deposits of HK$7,730,000 and HK$20,047,000 carry interest at fixed rate of 0.25% to 0.6% per annum and 0.05% to 0.27% per annum respectively. In addition, the pledged bank deposits of HK$7,730,000 was pledged in respect of bank guarantee provide by a bank to a supplier and of HK$20,047,000 was pledged to secured bank loans of HK$29,956,000 (note 25(ii)).

The directors consider that the fair value of the short-term bank deposits was not materially different from their carrying amount because of the short maturity period on their inception.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. TRADE PAYABLES — GROUP

The Group normally settles the outstandings due to trade payables within 0 to 150 days days (2013: 0 to 150 days) credit term. Based on the invoice date, ageing analysis of trade payables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**6,730**	9,859
31–60 days	**2,168**	4,191
61–90 days	**–**	1,571
91–180 days	**–**	8
181–365 days	**–**	–
	8,898	15,629

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

25. BORROWINGS — GROUP AND COMPANY

		Group	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Borrowings wholly repayable more than one year but not exceeding two years and classified as current liabilities			
Other loan, net of issuance expenses and secured	(i)	**–**	51,984
Bank loan, secured	(ii)	**–**	29,956
		–	81,940

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

25. BORROWINGS — GROUP AND COMPANY (CONTINUED)

Notes:

(i) On 4 July 2012, Larry Jewelry (1967) Pte Limited and Larry Jewelry Limited, both being wholly owned subsidiaries of the Company (the "Borrowers"), and the Company as one of the guarantors with other subsidiaries of the Company have entered into a facility agreement (the "Facility Agreement") with GE Capital Services Pte Ltd and GE Commercial Finance (Hong Kong) Limited (collectively, "GE Capital"), in relation to the provision of facilities in an aggregate amount up to HK$234,000,000 (the "Facilities") to the Group.

The Facilities have a maturity period of three years from the date of the first drawdown under the Facility Agreement.

The Facilities carry interest rate at 3-month Hong Kong Dollar HIBOR rate plus 4.35% per annum and 3-month Singapore Dollar SIBOR rate plus 4.35% per annum in respect of drawing in Hong Kong Dollars and drawing in Singapore Dollars respectively.

As at 31 December 2013, the outstanding principal amount due to GE Capital under the Facility Agreement was HK$55,636,000.

During the year ended 31 December 2014, the outstanding principal amount due to GE Capital under the Facility Agreement was repaid in full.

The Group has classified the liability as current because, as at 31 December 2013, it did not have an unconditional right to defer its settlement for at least twelve months after that date.

(ii) On 26 April 2012, the Group drawn down a bank loan of HK$50,000,000, which bears interest at the rate of 3% per annum over HIBOR and is repayable by 36 monthly instalments starting from May 2012. As at 31 December 2013, the bank loan is secured by a time deposit of HK$20,047,000 (note 23).

The Group has classified the liability as current because, as at 31 December 2013, it did not have an unconditional right to defer its settlement for at least twelve months after that date.

At 31 December 2013, the Company executed a corporate guarantee to bank in respect of the bank loan granted to a subsidiary of the Company. No provision for the Company's obligation under the corporate guarantee contract had been made as the Group's management considered that it is not probable that the subsidiary would default on the bank loan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. DEFERRED TAXATION — GROUP

Deferred taxation is calculated in full on temporary differences under liability method using applicable tax rates.

The movement of the deferred tax liabilities/(assets) is as follows:

	Fair value adjustment on business combination HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2013	14,819	203	15,022
Credited to profit or loss (note 9)	(558)	–	(558)
Exchange differences	–	(80)	(80)
At 31 December 2013 and 1 January 2014	14,261	123	14,384
Credited to profit or loss (note 9)	(3,422)	–	(3,422)
Exchange differences	–	(6)	(6)
At 31 December 2014	**10,839**	**117**	**10,956**

No deferred tax assets of HK$21,199,000 (2013: HK$15,880,000) on estimated tax losses of HK$128,478,000 (2013: HK$96,245,000) have been recognised due to the unpredictability of future profit streams.

27. CONVERTIBLE NOTES — GROUP AND COMPANY

(a) On 11 July 2011, an aggregate principal amount of HK$54,000,000 of the convertible notes ("CN1") were issued to the placees with the conversion price of HK$1.50 per conversion share, which bear interest at the rate of 2% per annum and will be redeemed by the Company on 11 July 2014 at 120% of its principal amount. The Company may at any time after the second anniversary of the first issue date redeem the convertible notes at 120% of the principal amount by 14 days prior notice to a noteholder.

In February 2012, the Company and the CN1 holder agreed to change the redemption term of the CN1 from "the Company may at any time after the second anniversary of the first issue date redeem the convertible notes at 120% of the principal amount by 14 days prior notice to a noteholder" to "the Company may at any time from the first issue date purchase the whole or any part of the CN1 at the relevant purchase rate (i.e. such rate shall in any event not exceed 120% or, if no agreement could be reached, 120%) of the principal amount by serving a 14 days prior notice of redemption to the CN1 holder".

During the year ended 31 December 2013, the Company redeemed total principal amount of HK$2,000,000 of CN1 for a total consideration of HK$1,600,000, resulting in a gain of approximately HK$451,000 from the redemption, which was recognised in profit or loss. As at 31 December 2013, the principal amount of HK$12,000,000 of CN1 remained outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. CONVERTIBLE NOTES — GROUP AND COMPANY (CONTINUED)

(a) (Continued)

On 23 May 2013, the conversion price of CN1 had been adjusted to HK$1.31 per conversion share upon the completion of the open offer of the Company as detailed in Note 28.

During the current year, the Company redeemed total principal amount of HK$12,000,000 of CN1 at maturity date.

(b) On 8 September 2011, a zero coupon convertible notes in the principal amount of HK$2,000,000 ("CN2") were issued, as a part of the consideration for the acquisition of Parkwell Asia Limited and its subsidiaries (the "Parkwell Group"). CN2 bear no interest and were issued with the conversion price of HK$1.00 per conversion share and will be redeemed by the Company on 8 September 2014 at 100% of its principal amount.

On 23 May 2013, the conversion price of CN2 had been adjusted to HK$0.87 per conversion share upon the completion of the open offer of the Company as detailed in Note 28.

During the current year, the Company redeemed total principal amount of HK$2,000,000 of CN2 at maturity date.

(c) On 22 March 2012, an aggregate principal amount of HK$56,000,000 of the convertible notes ("CN3") were issued to the placees with the conversion price of HK$0.8 per conversion share, which bear interest at the rate of 3% per annum and will be redeemed by the Company on 22 March 2014 (the "Maturity Date") at 110% of its principal amount.

On 23 May 2013, the conversion price of CN3 had been adjusted to HK$0.70 per conversion share upon the completion of the open offer of the Company as detailed in Note 28.

On 20 January 2014, a CN3 holder who is the legal and beneficial owner of the CN3 of the Company in the principal amount of HK$34,000,000 executed an irrevocable undertaking which confirmed that the CN3 holder shall not demand the repayment of the CN3 in the principal amount of HK$34,000,000 ("Outstanding Principal") of any part thereof from the Company and shall withhold all legal actions or proceedings against the Company to recover the Outstanding Principal or any part thereof and shall not demand the Company to use any of the proceeds of the open offer in March 2014 to repay the Outstanding Principal or any part thereof subject to fulfilment of conditions (i) the completion of open offer (as disclosed in note 28(iii)) and (ii) the receipts of an amount equivalent to the aggregate of 10% of the Outstanding Principal and the accrued interest on the Outstanding Principal on the Maturity Date by the CN3 holder from the Company.

During the current year, the Company redeemed total principal amount of HK$56,000,000 of CN3.

For CN1 and CN3, the fair value of the liability component, include in current liabilities in 2013, was calculated using a market interest rate for an equivalent non-convertible notes net of issuance expenses. For the derivative asset component, it refers to the fair value of early redemption option by the Company. The residual amount, representing the value of the equity conversion component, was included in convertible notes equity reserve net of issuance expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. CONVERTIBLE NOTES — GROUP AND COMPANY (CONTINUED)

For CN2, the fair values of the liability component and the equity component were determined at the date of the issuance of the convertible notes. The fair value of the liability component, include in current liabilities in 2013, was calculated using a market interest rate for an equivalent non-convertible notes. The fair value of the equity component is included in convertible notes equity reserve.

Movement of liability component for the year ended 31 December 2014 is as follows:

	CN1 *HK$'000*	CN2 *HK$'000*	CN3 *HK$'000*	Total *HK$'000*
At 1 January 2013	13,233	1,806	50,442	65,481
Imputed interest expenses (note 7)	2,413	113	11,802	14,328
Interest paid	(240)	–	(1,680)	(1,920)
Redemption of convertible notes	(2,050)	–	–	(2,050)
At 31 December 2013 and 1 January 2014	13,356	1,919	60,564	75,839
Imputed interest expenses (note 7)	1,284	81	2,738	4,103
Interest paid	(240)	–	(1,702)	(1,942)
Redemption of convertible notes	(14,400)	(2,000)	(61,600)	(78,000)
At 31 December 2014	–	–	–	–

Interest expenses of CN1, CN2 and CN3 were calculated using the effective interest rate method by applying the effective interest rate of 20.04%, 6.27% and 23.99% per annum respectively to the liability component.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. SHARE CAPITAL

	Notes	2014 Number of shares	2014 HK$'000	2013 Number of shares	2013 HK$'000
Authorised:					
Ordinary shares of HK$0.01 each,					
As at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014		**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each,					
As at 1 January		**1,496,454,750**	**14,965**	1,018,064,500	10,181
Issue of shares upon open offer in May 2013	(i)	**–**	**–**	305,419,350	3,054
Issue of shares upon subscription in July 2013	(ii)	**–**	**–**	172,970,900	1,730
Issue of shares upon open offer in March 2014	(iii)	**1,047,518,325**	**10,475**	–	–
Issue of shares upon placing in June 2014	(iv)	**264,690,000**	**2,647**	–	–
Issue of shares upon placing in July 2014	(v)	**561,730,000**	**5,617**	–	–
As at 31 December		**3,370,393,075**	**33,704**	1,496,454,750	14,965

Notes:

(i) On 23 May 2013, a total of 305,419,350 new ordinary shares of the Company were issued at HK$0.11 each as a result of the open offer to the shareholders of the Company, on the basis of three offer shares for every ten shares held by the shareholders. As a result, there was an increase in share capital and share premium of approximately HK$3,054,000 and HK$30,542,000 respectively. Details of the open offer are set out in the Company's announcements dated 5 April 2013 and 23 May 2013 and prospectus dated 26 April 2013.

(ii) On 24 June 2013, the Company entered into a subscription agreement with a subscriber for the subscription of an aggregate 172,970,900 new ordinary shares of the Company at a subscription price of HK$0.22 per subscription share. As a result, the Company issued 172,970,900 new ordinary shares at HK$0.22 per share on 16 July 2013. As a result, there was an increase in share capital and share premium of approximately HK$1,730,000 and HK$36,324,000 respectively. Details of the subscription are set out in the Company's announcements dated 24 June 2013 and 16 July 2013.

(iii) On 13 March 2014, a total of 1,047,518,325 new ordinary shares of the Company were issued at HK$0.12 each as a result of the open offer to the shareholders of the Company, on the basis of seven offer shares for every ten shares held by the shareholders. As a result, there was an increase in share capital and share premium of approximately HK$10,475,000 and HK$115,227,000 respectively. Details of the open offer are set out in the Company's announcements dated 3 January 2014, 10 February 2014 and 13 March 2014, circular dated 21 January 2014 and prospectus dated 19 February 2014.

(iv) On 16 May 2014, the Company entered into a placing agreement with a placing agent for the placing of an aggregate 264,690,000 new ordinary shares of the Company at a placing price of HK$0.11 per placing share. As a result, the Company issued 264,690,000 new ordinary shares at HK$0.11 per share on 10 June 2014. As a result, there was an increase in share capital and share premium of approximately HK$2,647,000 and HK$26,469,000 respectively. Details of the placing are set out in the Company's announcements dated 16 May 2014 and 10 June 2014.

(v) On 9 July 2014, the Company entered into a placing agreement with a placing agent for the placing of an aggregate 561,730,000 new ordinary shares of the Company at a placing price of HK$0.10 per placing share. As a result, the Company issued 561,730,000 new ordinary shares at HK$0.10 per share on 30 July 2014. As a result, there was an increase in share capital and share premium of approximately HK$5,617,000 and HK$50,556,000 respectively. Details of the placing are set out in the Company's announcements dated 9 July 2014, 23 July 2014 and 30 July 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

Company

	Share premium *HK$'000*	Capital contribution reserve *HK$'000* (note (iii))	Convertible notes equity reserve *HK$'000*	Contributed surplus *HK$'000* (note (ii))	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance as at 1 January 2013	348,344	3,988	24,692	5,689	8,408	(141,535)	249,586
Redemption of convertible notes	–	–	(606)	–	–	606	–
Issue of shares upon open offer (note 28(i))	30,542	–	–	–	–	–	30,542
Issue of shares upon subscription (note 28(ii))	36,324	–	–	–	–	–	36,324
Share issue expenses	(1,639)	–	–	–	–	–	(1,639)
Share options forfeited (note 30)	–	–	–	–	(2,505)	2,505	–
Transactions with owners	65,227	–	(606)	–	(2,505)	3,111	65,227
Loss and total comprehensive expense for the year	–	–	–	–	–	(103,360)	(103,360)
Balance as at 31 December 2013 and 1 January 2014	**413,571**	**3,988**	**24,086**	**5,689**	**5,903**	**(241,784)**	**211,453**
Redemption of convertible notes	**–**	**–**	**(24,086)**	**–**	**–**	**24,086**	**–**
Issue of shares upon open offer (note 28(iii))	**115,227**	**–**	**–**	**–**	**–**	**–**	**115,227**
Issue of shares upon placing (note 28(iv))	**26,469**	**–**	**–**	**–**	**–**	**–**	**26,469**
Issue of shares upon placing (note 28(v))	**50,556**	**–**	**–**	**–**	**–**	**–**	**50,556**
Share issue expenses	**(6,652)**	**–**	**–**	**–**	**–**	**–**	**(6,652)**
Share options forfeited (note 30)	**–**	**–**	**–**	**–**	**(5,903)**	**5,903**	**–**
Transactions with owners	**185,600**	**–**	**(24,086)**	**–**	**(5,903)**	**29,989**	**185,600**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(84,957)**	**(84,957)**
Balance as at 31 December 2014	**599,171**	**3,988**	**–**	**5,689**	**–**	**(296,752)**	**312,096**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. RESERVES (CONTINUED)

Notes:

(i) Merger reserve

Merger reserve of the Group represented the sum of difference between the nominal value of the ordinary shares issued (a) by the Company and the share capital of Full Join; and (b) by Full Join and the share capital of Larry Jewelry Development Limited acquired through the shares swap pursuant to the reorganisation.

(ii) Contributed surplus

Contributed surplus of the Company represented the sum of difference between the net assets value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the reorganisation.

(iii) Capital contribution reserve

Capital contribution reserve represents the amount arising from a bonus issue of shares of the Company by way of capitalising the Company's retained profits and deemed capital contribution from a substantial shareholder.

30. SHARE-BASED COMPENSATION

The Company adopted a share option scheme (the "SO Scheme") on 21 September 2009 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, directors, professionals, customers, suppliers, agents and consultants of the Company and its subsidiaries. The SO Scheme will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the GEM Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within a 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the GEM Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. SHARE-BASED COMPENSATION (CONTINUED)

The grant of share options is effective upon payment of a remittance of HK$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

During the year, no share options (2013: Nil) were granted to directors, employees and consultants of the Group under the SO Scheme.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Movement of the share options and the exercise price

2014

				Number of share options						
Name/category of grantee	Notes	Date of grant	Exercisable period	Balance as at 1 January 2014	Adjusted during the year (note (iii))	Granted during the year	Exercised during the year	Forfeited during the year	Balance as at 31 December 2014	Exercise price per share HK$ (note (iii))
Non-executive directors										
Mr. Tam B Ray Billy*	(i)	10 March 2011	10 March 2011 to 9 March 2021	6,733,790	356,891	–	–	(7,090,681)	–	0.614
Ms. Tsang Po Yee Pauline#	(i)	10 March 2011	10 March 2011 to 9 March 2021	6,733,790	356,891	–	–	(7,090,681)	–	0.614
				13,467,580	713,782	–	–	(14,181,362)	–	
Employees										
In aggregate	(i)	28 March 2012	28 March 2012 to 28 March 2015	2,318,000	122,854	–	–	(2,440,854)	–	0.631
Total				15,785,580	836,636	–	–	(16,622,216)	–	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. SHARE-BASED COMPENSATION (CONTINUED)

Movement of the share options and the exercise price (Continued)

2013

Name/category of grantee	Notes	Date of grant	Exercisable period	Number of share options: Balance as at 1 January 2013	Adjusted during the year ((note(iv))	Granted during the year	Exercised during the year	Forfeited during the year	Balance as at 31 December 2013	Exercise price per share HK$ ((note(iv))
Executive directors										
Ms. Tsang Po Yee Pauline	(i)	10 March 2011	10 March 2011 to 9 March 2021	5,810,000	923,790	–	–	–	6,733,790	0.647
Non-executive directors										
Mr. Tam B Ray Billy	(i)	10 March 2011	10 March 2011 to 9 March 2021	5,810,000	923,790	–	–	–	6,733,790	0.647
				11,620,000	1,847,580	–	–	–	13,467,580	
Employees										
In aggregate	(i)	28 March 2012	28 March 2012 to 28 March 2015	7,300,000	1,160,700	–	–	(6,142,700)	2,318,000	0.664
Third parties										
In aggregate	(ii)	8 March 2011	8 March 2011 to 7 March 2013	17,000,000	–	–	–	(17,000,000)	–	0.553
In aggregate	(ii)	4 October 2011	4 October 2011 to 3 October 2013	30,000,000	4,615,385	–	–	(34,615,385)	–	0.650
				47,000,000	4,615,385	–	–	(51,615,385)	–	
Total				65,920,000	7,623,665	–	–	(57,758,085)	15,785,580	

* Resigned on 19 September 2014

Redesignated from an executive director to a non-executive director on 29 April 2014 and resigned on 19 September 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. SHARE-BASED COMPENSATION (CONTINUED)

Notes:

(i) The fair values of share options granted were determined using Black-Scholes option pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

	2012
Date of grant	28 March 2012
Share price at date of grant	HK$0.77
Expected volatility	72.27%
Expected option life	3 years
Risk-free interest rate	0.35%
Exercise price	HK$0.77

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

(ii) The fair values of share options granted were determined by the fair value of the services received from these third parties.

(iii) The exercise prices for the share options granted and the number of share options granted were adjusted to reflect the impact of the open offers in March 2014. Details of the above are set out in the Company's announcement dated 13 March 2014.

(iv) The exercise prices for the share options granted and the number of shares options granted were adjusted to reflect the impact of the open offer in May 2013. Details of the above are set out in the Company's announcements dated 23 May 2013.

On 13 March 2014, the Group announced that another open offer was completed. No exercise prices for the share options granted and the number of share options granted were adjusted to reflect the open offer in March 2014. Details of the completion of the open offer are set out in the Company's announcement dated 13 March 2014.

Share options outstanding and weighted average exercise price for the reporting periods presented are as follows:

	2014		2013	
	Number of share options	**Weighted average exercise price** ***HK$***	Number of share options	Weighted average exercise price *HK$*
Outstanding as at 1 January	**15,785,580**	**0.649**	65,920,000	0.701
Adjusted	**836,636**	**0.616**	7,623,665	0.651
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Forfeited	**(16,622,216)**	**0.616**	(57,758,085)	0.623
Outstanding as at 31 December	**–**	**–**	15,785,580	0.649
Exercisable as at 31 December	**–**	**–**	15,785,580	0.649

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. SHARE-BASED COMPENSATION (CONTINUED)

The options outstanding at 31 December 2013 had exercise prices of HK$0.647 to HK$0.664 per share and weighted average remaining contractual life of 6.32 years.

There were no equity-settled share-based payments (2013: Nil) recognised in profit or loss for the year. No liabilities were recognised due to share-based payment transactions.

During the year, as two non-executive directors and an employee (2013: two employees and a consultant) resigned, 16,622,216 share options (2013: 57,758,085 share options) granted to them were forfeited accordingly. As a result, there was a decrease in share option reserve of HK$5,903,000 (2013: HK$2,505,000) and a transfer to accumulated losses of HK$5,903,000 (2013: HK$2,505,000).

31. OPERATING LEASE COMMITMENTS

As at 31 December 2014, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

Group

	2014	2013
	HK$'000	*HK$'000*
Within one year	**22,526**	43,560
In the second to fifth years inclusive	**17,970**	17,738
	40,496	61,298

Company

	2014	2013
	HK$'000	*HK$'000*
Within one year	**–**	537
In the second to fifth years inclusive	**–**	–
	–	537

Operating lease payments represent rentals payable by the Group for office premises and retail shops. The leases run for initial periods of 1–3 years (2013: 1–3 years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. A leasing arrangement has been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to calculate the above commitments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. OTHER COMMITMENTS

Group

	2014 **HK$'000**	2013 HK$'000
Contracted but not provided for:		
Design fee and advertisement	**226**	2,107

Company

At the reporting date, the Company has no other commitments (2013: Nil).

33. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties:

	2014 **HK$'000**	2013 HK$'000
Rental expenses paid to:		
– a related company	**–**	7,722

During the year ended 31 December 2013, part of the rental expenses was paid to related companies in which key management of the Company's subsidiary have indirect equity interests.

These transactions were conducted in the ordinary course of business and negotiated at terms agreed between the parties.

(ii) Key management personnel compensation
The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in note 14 to the financial statements.

34. PLEDGE OF ASSETS

(a) At 31 December 2013, debentures were executed by the Group in favour of GE Capital charging, by way of fixed and floating charges, all of the undertakings, properties, assets and revenues of the Company and of its 10 subsidiaries as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to GE Capital.

(b) At 31 December 2013, the Group pledged all rights, titles and interests in 100% of the entire share capital of its 10 subsidiaries and all benefits accruing to the pledged equity interest to GE Capital as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to GE Capital.

During the year ended 31 December 2014, the aforesaid pledge of assets were released as the other loan (note 25(i)) were repaid in full.

35. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure. The Group does not hold or issue derivative financial instruments for trading purpose during the year.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to a variety of risks which resulted from both its operating and investing activities. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

35.1 Categories of financial assets and liabilities

The carrying amounts of the financial assets and liabilities as recognised at the reporting date are categorised as follows. See notes 2.8 and 2.11 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables:				
Trade receivables	**5,907**	4,616	**–**	–
Deposits and other receivables	**9,433**	13,567	**–**	1,483
Amounts due from subsidiaries	**–**	–	**329,799**	314,394
Pledged bank deposits	**11,745**	27,777	**–**	–
Bank and cash balances	**97,938**	13,560	**55,967**	246
	125,023	59,520	**385,766**	316,123
Financial liabilities				
Financial liabilities measured at amortised cost:				
Trade payables	**8,898**	15,629	**–**	–
Other payables and accruals	**7,906**	11,435	**1,306**	728
Borrowings	**–**	81,940	**–**	–
Convertible notes	**–**	75,839	**–**	75,839
Amount due to subsidiaries	**–**	–	**39,190**	13,665
	16,804	184,843	**40,496**	90,232

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.2 Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in HK$, US$ and SGD. Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions. Exposures to currency exchange rates mainly arise from a subsidiary of the Group operating in Singapore.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. During the year, management of the Group used certain foreign currency forward contracts to hedge the exposure to foreign exchange risk.

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rate, is as follows:

	US$** ***HK$'000*
As at 31 December 2014	
Pledged bank deposits	**7,745**
Trade payables	**(7,238)**
Gross exposure arising from financial assets and liabilities	**507**

	US$ *HK$'000*
As at 31 December 2013	
Pledged bank deposits	7,730
Trade payables	(8,178)
Gross exposure arising from financial assets and liabilities	(448)

The following table illustrates the sensitivity of the Group's loss after income tax and accumulated losses in regards to 5% for US$ for the year appreciation in the Group entities' functional currencies against the respective foreign currencies. The above percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency rates taking place at the beginning of the year and held constant throughout the year.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.2 Market risk (Continued)

(i) **Foreign currency risk** (Continued)

	**US$** *HK$'000*
As at 31 December 2014	
Loss for the year and accumulated losses	**25**
As at 31 December 2013	
Loss for the year and accumulated losses	(22)

A same percentage change in the Group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's loss for the year and accumulated losses but of opposite effect.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

(ii) **Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from borrowings and interest bearing bank balances.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Cash at banks earn interest at floating rates of 0.01% per annum based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HIBOR and SIBOR.

The Group continually assesses and monitors the exposure to interest rate risk. During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the directors. Payment record of customers is closely monitored. Monthly reports of customer payment history are produced and reviewed by the directors. When overdue balances and significant trade receivables are highlighted, the directors determine the appropriate recovery actions. It is not the Group's policy to request collateral from its customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally non-retail customers are granted credit terms ranging from 0 to 90 days (2013: 0 to 90 days). Ageing analysis of trade receivables that are not impaired is set out in note 22. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

All the Group's bank and cash balances and bank time deposits are held in the banks and other financial institutions in Hong Kong, Singapore, the PRC and Macau. The credit risk on liquid funds is limited because the counterparties are the banks with good credit-rating.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

35.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The liquidity risk of the Group is managed by the cash and cash equivalents generated from operating cash flow and short term loans when necessary. The Group has net current assets of HK$291,011,000 (2013: HK$148,478,000) and has bank and cash balances of HK$97,938,000 (2013: HK$13,560,000) as at 31 December 2014. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.4 Liquidity risk (Continued)

The following table details the remaining contractual maturities at each of the reporting dates of the financial liabilities, which are based on the earliest date the Group may be required to pay:

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within one year or on demand *HK$'000*	More than 1 year *HK$'000*
Group				
As at 31 December 2014				
Trade payables	**8,898**	**8,898**	**8,898**	**–**
Other payables and accruals	**7,906**	**7,906**	**7,906**	**–**
	16,804	**16,804**	**16,804**	**–**
Group				
As at 31 December 2013				
Trade payables	15,629	15,629	15,629	–
Other payables and accruals	11,435	11,435	11,435	–
Borrowings	81,940	82,652	74,285	8,367
Convertible notes	75,839	79,113	79,113	–
	184,843	188,829	180,462	8,367

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within one year or on demand *HK$'000*	More than 1 year *HK$'000*
Company				
As at 31 December 2014				
Other payables and accruals	**1,306**	**1,306**	**1,306**	**–**
Amount due to subsidiaries	**39,190**	**39,190**	**39,190**	**–**
	40,496	**40,496**	**40,496**	**–**
Company				
As at 31 December 2013				
Other payables and accruals	728	728	728	–
Convertible notes	75,839	79,113	79,113	–
Amount due to subsidiaries	13,665	13,665	13,665	–
	90,232	93,506	93,506	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.4 Liquidity risk (Continued)

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table that follows summarises the maturity analysis of bank loan with a repayment on demand clause based on agreed scheduled repayment set out in the loan agreement. The amount includes interest payments computed using contractual rate. As a result, this amount was greater than the amount disclosed in the "on demand" time band in the maturity analysis contained in page 95.

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within one year or on demand *HK$'000*	More than 1 year but less than 5 years *HK$'000*	More than 2 year but less than 5 years *HK$'000*
Group					
As at 31 December 2014					
Bank loans	–	–	–	–	–
Group					
As at 31 December 2013					
Bank loans	29,956	30,668	22,301	8,367	–

36. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for equity holders;

(b) to support the Group's sustainable growth; and

(c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of the dividends paid to equity holders, return capital to equity holders or issue new shares. Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2014 amounted to HK$354,113,000 (2013: HK$227,658,000), which management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities. The Group's overall capital management strategy remains unchanged during the year.