HAO WEN HOLDINGS LIMITED
皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

Characteristics of the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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

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

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CORPORATE INFORMATION

Directors

Executive Directors

Mr. Chow Yik
Mr. Lok Wing Fu *(appointed on 17 February 2014)*
Mr. Leung King Fai *(resigned on 16 March 2015)*
Mr. Lee Cheuk Yue, Ryan
(resigned on 1 September 2014)

Independent Non-Executive Directors

Mr. Kwok Pak Yu, Steven *(appointed on 1 July 2014)*
Mr. Ho Kei Wing, Nelson
(appointed on 1 September 2014)
Ms. Ma Sijing *(appointed on 24 November 2014)*
Mr. Lam Kai Tai *(resigned on 24 November 2014)*
Mr. Wong Ting Kon *(resigned on1 September 2014)*
Ms. Yeung Mo Sheung, Ann *(resigned on 1 July 2014)*

Chief Executive Officer

Mr. Chan Yin Tsung *(appointed on 17 February 2014)*

Company Secretary

Ms. Wong Man Yi *(appointed on 16 March 2015)*
Mr. Leung King Fai *(resigned on 16 March 2015)*

Assistant Company Secretary

Codan Trust Company (Cayman) Limited

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Level 20, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Auditors

HLB Hodgson Impey Cheng Limited
31st Floor, The Landmark
11 Pedder Street
Central
Hong Kong

Compliance Officer

Mr. Chan Yin Tsung *(appointed on 17 February 2014)*
Mr. Chow Yik *(appointed on 31 May 2013 and resigned on 17 February 2014)*

Authorised Representatives

Mr. Chow Yik
Ms. Wong Man Yi *(appointed on 16 March 2015)*
Mr. Leung King Fai *(resigned on 16 March 2015)*

Legal Advisor on Cayman Laws

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

in Hong Kong
The Hongkong and Shanghai Banking
Corporation Limited
OCBC Wing Hang Bank Limited

GEM Stock Code

8019

CHAIRMAN'S STATEMENT

For and on behalf of the board of directors (the "Board") of Hao Wen Holdings Limited (the "Company") together with its subsidiaries (the "Group"), I am pleased to present to all shareholders the annual report of the Group for the year ended 31 December 2014.

Turnover for the year was approximately RMB34,685,000, which represented a decrease of approximately 38.4% as compared with that of 2013. The Group recorded a loss of approximately RMB13,016,000 for the year mainly due to the impairment loss on intangible assets.

In order to improve the operation results, the Group will continue to improve the quality of existing products. In addition, the Group will continue to look for other new investment and cooperation opportunities so as to broaden the income base and to strengthen the profitability, as well as minimising the performance risk of the Group.

On behalf of the Board, I would like to extend my appreciation to shareholders of the Company for their continued support and to our staff for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customer, suppliers, bankers, lawyers and auditors for their trust and support to the Group.

Chow Yik
Chairman

Hong Kong, 27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

During the year under review, the Group continues to engage in trading of biodegradable containers in Hong Kong. Further the Group had expanded the money lending business in 2014 and started to the manufacture and sale of biomass fuel in PRC through the acquisition of Double Win International Investments Ltd. ("Double Win") in January 2014.

The biodegradable containers and disposable industrial packaging products are traded under the brand name "Earth Buddy". The materials used to produce such products are mainly agricultural waste, such as sugar cane dregs (a side-product of sugar refinery), straw, wheat stalk, reed and bamboo. Our biodegradable products are 100% biodegradable to avoid environmental and aesthetic pollution. In this sense, our biodegradable products are truly environmental friendly as they are produced by recycling waste materials into useful products, unlike some of our competitors, who make their disposable containers of papers, which results in major global deforestation, or edible materials, such as corn starch.

The rises in raw material costs and sub-contracting charges as a result of the escalating raw material prices and labour costs have weakened the competitiveness of our biodegradable containers and disposable industrial packaging products. In addition, the strong appreciation of Renminbi and the economic downturn in Europe also have adverse impact on the results of our biodegradable containers and disposable industrial packaging products. In view of the persistent unsatisfactory results, the Board need to further made a provision of an asset impairment loss of approximately RMB12,737,000 (2013: RMB59,798,000) in respect of the intangible assets in relation to our biodegradable containers and disposable industrial packaging products on 31 December 2014.

In accordance to the "Pearl River Delta Regional Air Quality Management Plan", most "city-level" municipalities in the region will complete the ban on the combustion of high-polluting fuel in designated areas. Existing facilities that are required to be modified to lower carbon emission and those fail to adjust will be forced to shut down its operations. The ban will include the burning of traditional fuels such as washed coal, coal briquettes, coke, charcoal, industrial oil and the direct burning of non-processed raw biomass waste/materials such as crop, straw and other agriculture residues.

As the Directors are actively exploring new opportunities to improve the performance of the Group. The above business environment provides a good opportunity to acquire Double Win to participate in the manufacturing and sale of biomass fuel which allowing the Group to expand its business and offer a wider diversity of products and services.

However, the Group's expectation on the performance of the newly acquired business of manufacturing and sale of biomass fuel will be challenging. During the year, the production lines in under testing phrase and the Group is fine tuning the production process which resulted to the delay of mass production as scheduled ahead. The management is targeting to manufacture the higher quality wood pellet and biomass fuel for soliciting power plant contracts. The business environment is unfavourable to the Group's expansion, the overall price of the energy market in the global market in the last quarter of 2014 was plummeted which constrained the Group's development of biomass fuel in PRC. The crude oil price performance in 2014 decreased from US$97.3 in September 2014 (source: International Monetary Fund: Monthly Commodity Report) to US$62.2 in December 2014.

The Group has been proactively expanding our money lending business in Hong Kong to our customers especially the property mortgage loans. The loan portfolio continues to grow, due to the persisting high demand for loan products in the market, recording approximately RMB64,441,000 as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the year under review, the Group recorded an audited consolidated turnover of approximately RMB34,685,000 (2013: RMB56,351,000), which represented a decrease of approximately 38.4% as compared with that of 2013.

The decrease of turnover was mainly due to the increase of consolidated income in manufacturing and sale of biomass fuel and the money lending business which cannot offset the decrease of trading in biodegrabable containers in Hong Kong. For the year under review, interest income from money lending business and revenue from manufacture and sale of biomass fuel had recorded approximately RMB2,977,000 and RMB30,897,000, respectively. In 2014, the revenue trading in biodegrabable containers in Hong Kong had decreased by RMB55,540,000 or 98.6% to approximately RMB811,000 from approximately RMB56,351,000 for the corresponding year.

The Group has derived net interest income from our loan portfolio of approximately RMB2,977,000 for the year ended 31 December 2014. During the year ended 31 December 2014, the Group had no bad and doubtful debts from its loans receivable.

The Group's audited consolidated loss for the year was approximately RMB13,016,000 (2013: RMB118,501,000). The decrease of the net loss incurred was mainly attributed to impairment loss of intangible assets of RMB12,737,000 and no share-based payments was recorded in 2014 as compared to the impairment loss of intangible assets of RMB59,798,000 and share-based payment of RMB28,923,000 in 2013.

The increase of other revenue was mainly attributed to the unrealised gain of approximately RMB11,224,000 were recorded for the securities portfolio held by the Group in 2014.

The general and administrative expenses decreased by RMB39,638,000 or 68.8% as compared to last year. The decrease was mainly attributed to no share-based payments was recorded in the current year as compared to RMB28,923,000 in last year.

Net finance costs for the year under review decreased by approximately RMB6,118,000 or 93.4% as compared to corresponding year. It was mainly attributed to convertible notes was exercised and settled by its holders during the corresponding year which resulted to interest expense ceased to incur.

Liquidity and Financial Resources

The Group generally finances its operations through internally-generated cash flows. As at 31 December 2014, the balance of cash and cash equivalents amounted to approximately RMB29,406,000 (2013: RMB9,024,000). With the limited available resources and due to the fair operating results during the year, the Directors expected that the Group might depend on further financing from its shareholders and bankers to finance its business operations and to achieve its business objectives.

Saved as the finance lease entered by the Group, the Group had no bank and other borrowing as at 31 December 2014 and 2013.

The Group's gearing ratio as at 31 December 2014 is 10.0% (2013: 10.3%), which is calculated by dividing total liabilities of RMB43,262,000 over total assets of the Group of RMB433,800,000.

As at 31 December 2014, the net current assets of the Group is RMB86,323,000 (2013: RMB26,395,000) and the current ratio of the Group was approximately 3.1 times (2013: 5.9 times).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Raising

The Company raised approximately HK$1,824,000 (before expenses) by way of unlisted warrants on 30 April 2014. The issuance of unlisted warrants was completed on 20 May 2014.

The Company raised approximately HK$200 million (before expenses) by way of issuance of 2 tranches of convertible bonds. The issuance of 2 tranches of convertible bonds was completed on 1 August 2014 and 25 August 2014, respectively.

On 3 September 2014, the Company received HK$9 million through a holder of unlisted warrants exercised his rights to covert the unlisted warrants into 50 million conversion shares at the subscription price of HK$0.18 per conversion share.

On 3 September 2014, the Company received approximately HK$2.1 million through a holder of bonus warrants exercised his rights to convert the bonus warrants into 21 million conversion shares at the subscription price of HK$0.10 per conversion share.

Charges on Group Assets

Saved as the note 28 disclosed, at 31 December 2014 and 2013, none of the assets of the Group has been pledged to secure any loan granted to the Group.

Foreign Exchange Exposure

Since almost all transactions of the Group are denominated in Hong Kong dollars and most of the bank deposits are being kept Hong Kong dollars to minimise exposure to foreign exchange risk, the Directors consider that the Group's risk exposure to currency fluctuations to be minimal. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

Major Events During the Year Under Review

Increase in authorised share capital

On 24 February 2014, the authorised share capital of the Company was increased from HK$200,000,000 to HK$1,000,000,000 by the creation of an additional 8,000,000,000 shares.

Convertible notes

On 3 January 2014, the Company has issued convertible notes in the principal amount of HK$116,480,000 with interest at a rate of 2% per annum. On 16 January 2014, the Company received notices from the noteholders for the request of conversion of the above mentioned convertible notes at the conversion price of HK$0.32 per conversion share. Accordingly, the Company issued 364,000,000 new shares to the noteholders and the conversion of convertible notes was completed on 10 March 2014.

On 23 May 2014, a placing agent and the Company entered into a placing agreement pursuant to which the placing agent agreed to procure not less than six placees to subscribe, in up to 3 tranches, for up to HK$200 million of the convertible bonds with the entitlement to the bonus warrants at nil consideration on the basis of 1 bonus warrant for every 5 conversion shares issued upon exercise of the convertible bonds. Placing of the tranche 1 of convertible bonds in an aggregate principal amount of HK$80 million completed on 1 August 2014 and the proceeds from issuance tranche 1 of convertible bonds, net of expense of approximately RMB61,721,000. Placing of the tranche 2 of convertible bonds in an aggregate principal amount of HK$120 million completed on 13 August 2014 and the proceeds from issuance tranche 2 convertible bonds, net of expense of approximately RMB92,382,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Placement of unlisted warrants

On 30 April 2014, the Company and a placing agent entered into a placing agreement, pursuant to which the Company appointed the placing agent as its agent to place warrants conferring the right to subscribe for up to 364,800,000 shares in aggregate at an issue price of HK$0.005 per warrant.

Each warrant carries the right to subscribe for one share at an initial subscription price of HK$0.18 per share, subject to adjustment. The subscription right is exercisable during a period of three years from the date of issue of the warrants. The proceeds from issuance of unlisted warrant, net of expense of approximately RMB1,349,000.

The transaction was completed on 20 May 2014.

Conversion of convertible notes and issuance of bonus warrants

During the year, the Company received notices from the bondholders to request the conversion of the convertible bonds in total principal amount of HK$200,000,000 at the conversion price of HK$0.10 per conversion share. All convertible bonds issued on 1 August 2014 and 13 August 2014 were fully converted into conversion shares on 4 August 2014 and 25 August 2014. The Group has no outstanding convertible bonds at the date of this report.

In addition, 400,000,000 bonus warrants were issued to bondholders on the basis of one bonus warrant for every five conversion shares, entitling them to subscribe for 400,000,000 warrant shares at the initial subscription price per warrant share.

Exercise of unlisted warrants

On 3 September 2014, a holder of the unlisted warrants in the principal amount of HK$9 million, has exercised his rights to convert the unlisted warrants into 50 million conversion shares at the subscription price of HK$0.18 per conversion share. The proceeds from issuance of unlisted warrants, net of expense of approximately RMB7,127,000. As at the date of this report, 314,800,000 unlisted warrants remained outstanding.

Exercise of bonus warrants

On 3 September 2014, a holder on the bonus warrants in the principal amount of HK$2.1 million, has exercised his rights to convert the bonus warrants into 21 million conversion shares at the subscription price of HK$0.10 per conversion share. The proceeds from exercise bonus warrants, net of expense of approximately RMB1,700,000. As at the date of this report, 379,000,000 bonus warrants remained outstanding.

Significant Investments

On 26 November 2013, the Company entered into a sale and purchase agreement with 2 independent third parties, pursuant to which the Company agreed to acquire the entire share capital of Double Win International Investments Limited at the consideration of HK$130 million. The transaction was completed on 3 January 2014. Upon completion, the Company has issued the convertible notes of approximately HK$116,480,000 to the vendors as part of the consideration for the acquisition and paid the balance of consideration by way of cash.

On 1 September 2014, Starry Regent Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which Starry Regent Limited agreed to acquire 22.5% equity interest in Sincere Smart International Limited at the consideration of HK$69 million. The transaction was completed on 8 October 2014.

Saved as disclosed above, the Group had no significant investments during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Major Events After the Year Under Review

On 6 February 2015, Starry Regent Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with and independent third party, pursuant to which Starry Regent Limited agreed to acquire 5.4% equity interest in Peak Zone Group Limited at the consideration of HK$19.2 million. The transaction was completed on 16 February 2015.

Capital Structure

On 26 November 2013, the Company entered into a sale and purchase agreement with two independent third parties, pursuant to which the Company agreed to acquire the entire share capital of Double Win International Investments Limited at the consideration of HK$130 million. The transaction was completed on 3 January 2014. Upon completion, the Company was issued the convertibles notes of approximately HK$116,480,000 to the vendors as part of the consideration for the acquisition and paid the balance of the consideration by way of cash. On 16 January 2014, the Company received notices from the noteholders for the request of conversion of the above mentioned convertibles at the conversion price of HK$0.32 per conversion share. Accordingly, the Company issued 364,000,000 new shares to the noteholders and the conversion of convertible notes was completed on 10 March 2014.

On 24 February 2014, the authorised share capital of the Company was increased from HK$200,000,000 to HK$1,000,000,000 by the creation of additional 8,000,000,000 shares.

On 30 April 2014, the Company and a placing agent entered into a placing agreement, pursuant to which the Company appointed the placing agent as its agent to place warrants conferring the right to subscribe for up to 364,800,000 shares in aggregate at an issue price of HK$0.005 per warrant.

Each warrant carries the right to subscribe for one share at an initial subscription price of HK$0.18 per share, subject to adjustment. The subscription right is exercisable during a period of three years from the date of issue of the warrants.

The transaction was completed on 20 May 2014.

On 3 September 2014, a holder of the unlisted warrants in the principal amount of HK$9 million, has exercised his rights to convert the unlisted warrants into 50 million conversion shares at the subscription price of HK$0.18 per conversion share. The proceeds from issuance of unlisted warrants, net of expense of approximately RMB7,127,000. As at the date of this report, 314,800,000 unlisted warrants remained outstanding.

On 23 May 2014, a placing agent and the Company entered into a placing agreement pursuant to which the placing agent agreed to procure not less than six places to subscribe, in up to 3 tranches, for up to HK$200 million of the convertible bonds with the entitlement to the bonus warrants at nil consideration on the basis of 1 bonus warrant for every 5 conversion shares issued upon the exercise of the convertible bonds. Placing of the tranche 1 of the convertible bonds in an aggregate principal amount of HK$80 million completed on 1 August 2014. Placing of the tranche 2 of convertible bonds in an aggregate principal amount of HK$120 million completed on 13 August 2014.

During the year, the Company received notices from the bondholders to request the conversion of the convertible bonds in total principal amount of HK$200,000,000 at the conversion price of HK$0.10 per conversion share. All convertible bonds issued on 1 August 2014 and 13 August 2014 were fully converted into conversion shares on 4 August 2014 and 25 August 2014. The Group has no outstanding convertible bonds at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition 400,000,000 bonus warrants were issued to bondholders on the basis of one bonus warrant for every five conversion shares, entitling them to subscribe for 400,000,000 warrant shares at the initial subscription price per warrant share. On 3 September 2014, a holder of the bonus warrants in the principal amount of HK$2.1 million has exercised his rights to convert bonus warrants into 21 million shares at the subscription price of HK$0.10 per conversion share. As at the date of this report, 379,000,000 bonus warrants remained outstanding.

Use of Proceeds

		Original intended use of proceeds stated in announcement dated 30 April 2014	Actual usage of proceeds as at the date of this report
		HK$	*HK$*
Issue of unlisted warrants	Working capital	1,778,400	1,778,400
Exercise in full of the subscription rights attached to unlisted warrants	Working capital	65,664,000	9,000,000
		67,442,400	10,778,400

		Original intended use of proceeds stated in prospectus dated 25 June 2014	Actual usage of proceeds as at the date of this report
		HK$	*HK$*
Placement of convertible bonds	Operational expenses	4,000,000	2,186,000
	Renovation of factory	12,000,000	–
	Acquisition of machinery	34,000,000	–
	Property money lending business	10,000,000	10,000,000
	Listed equity financing business	10,000,000	–
	Professional personal lending business	10,000,000	10,000,000
	Future acquisition	70,000,000	70,000,000
	Working capital for future 2 years	45,000,000	45,000,000
		195,000,000	137,186,000
Exercise in full of bonus warrants upon the exercise rights attached to convertible bonds	Future working capital	20,000,000	2,100,000
	Future investment opportunities	20,000,000	–
		40,000,000	2,100,000

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Information

Currently, the Group has about 37 full-time employees (2013: 20 full-time employees) working in Hong Kong and in Mainland China. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The staff costs, including directors' emoluments, were approximately RMB2,982,000 for the year under review (2013: RMB31,181,000).

Contingent Liabilities

As at 31 December 2014, the Group had no contingent liabilities (2013: Nil).

Business Outlook and Prospects

The Directors intend to focus on the biodegradable products business by penetrating and developing the European market that has a population which, on average, has a higher level of awareness of environmental issues. The Group has intention to develop the worldwide market for its biodegradable products. The Group is actively seeking strategic partners in different geographical regions to expand its business through business cooperation in various forms including technology transfer and business joint ventures. The goal of the Group is to build a sustainable and profitable global business while help protect and enhance the global environment. At present, the Group's biodegradable products are manufactured by subcontracting factories. In the event that the Group has adequate financial resources, the Group has intention to acquire or set up its own factory for the manufacturing of the biodegradable products.

In long run, the Directors believed that the ban in Pearl River Delta Region will create abundant market opportunities for the Group's wood pellet and biomass energy solution businesses and the Group will execute the development plan in the alignment with the market trend of the energy to capitalize on the above opportunities.

The Group will continuously dedicated its effort in research and development through updating its technology and products development in order to enlarge the biomass energy solution businesses. Looking forward, the Group will continue to look for appropriate investment opportunities in the clean energy sector with reasonable and potential returns.

The Directors of the view that despite the keen and intense market competition, and in addition to the recent political event of occupy central in Hong Kong, crack down parallel traders and the Hong Kong property market was recently impacted by the tight control on Hong Kong's authorised financial institutions and the Hong Kong Government's stringent policy on the property market, the market demand for property mortgage loan products in Hong Kong remains strong. Being the best alternative to banks' mortgage loan, leveraging on well experience management in carrying property mortgage loan business, diversified products and services and the Group's prudent, lasting and effective approach in implementing loan policy, the Directors believe the Group remain highly competitive in the property mortgage loan market in Hong Kong and we are confident about the future performance of our property mortgage loan portfolio, interest income and profit which will generate promising returns to our shareholders in the foreseeable future.

Furthermore, the Group will review regularly and closely monitor the market trend of the industry and the performance of our biodegradable products and the volatile market trend on global commodity and PRC biomass fuel and the business environment which will affect property mortgage loan market in Hong Kong and this setting the Group business strategy on those business units.

The Directors believed that the above-mentioned measures will improve the market share of the Group's products and thus the returns to shareholders of the Company.

DIRECTORS PROFILES

Executive Directors

Mr. Chow Yik, aged 33, is the Chairman of the board of Director and was appointed to our Board on 11 January 2011. Mr. Chow obtained the degree of Bachelor of Engineering, majoring in Electronic and Communication Engineering, from the City University of Hong Kong. He is highly experienced in commercial businesses. He founded the Vision Century Company in 2003. Moreover, since 2005, Mr. Chow has been the sales director and executive director of the British electronic company, Air Audio Distribution (HK) Ltd.

Mr. Lok Wing Fu, aged 57, and was appointed to our Board on 17 February 2014. He received education in Hong Kong. He has over 20 years' working experience in marketing and wholesales, staff training and sales management. Before joining the Company, Mr. Lok worked for San Miguel Brewery Hong Kong Limited as a wholesales manager responsible for business development, promotions execution and logistics over 10 years. Currently, Mr. Lok is also a director of Foreverup Company Limited responsible for trading operations to and from United States, Mainland China and Hong Kong.

Independent Non-Executive Directors

Mr. Kwok Pak Yu, Steven, aged 44, and was appointed to our Board on 1 July 2014. He was educated at the University of Toronto, majoring in economics. Mr. Kwok is member of the Chartered Institute of Management Accountants, the Chartered Professional Accountants of Canada and the American Institute of Certified Public Accountants. He is a partner and principal consultant at S. P. Kwok & Co., a management accounting and consulting firm in Vancouver, Canada since 2000. Mr. Kwok has extensive experience in accounting, finance, corporate governance, strategic planning, as well as merger and acquisition.

Mr. Ho Kei Wing, Nelson, aged 46, was appointed to our Board on 1 September 2014. He holds a master's degree in applied science in electrical engineering from the University of British Columbia (U.B.C.), Canada. Mr. Ho is member of the Association of Professional Engineer (Ontario) of Canada. Before joining the Company, Mr. Ho worked for International Business Machines Corporation, Canada as an Information Technology Architect over 17 years.

Ms. Ma Sijing, aged 43, was appointed to our Board on 24 November 2014. She graduated from 中央廣播電視大學 (China Central Radio and TV University*) specializing in social work and obtained the certificate of accounting professional issued by 深圳龍崗財政局 (Shenzhen Longgang Municipal Finance Bureau*) in the PRC in May 2005. Ms. Ma is currently the financial controller of a non-governmental organization primarily responsible for the financial and accounting matters in the PRC. Ms. Ma has over 13 years' experience in financial and accounting in different sectors, such as biotech industries and social services in the PRC.

* for identification purpose only

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions.

The corporate governance principles of the Company emphasize a quality board, sound internal controls, and transparency and accountability to all shareholders.

Throughout the financial year ended 31 December 2014, except for deviations from code provisions A.4.1 and A.6.7 which is explained in paragraphs A.4 and F.1 below, the Group has complied with all code provisions.

A Directors

A.1 The Board

We are governed by the Board which assumes the responsibility for leadership and control of the Company. Our Directors are collectively responsible for promoting the success of the Company by developing the strategic direction of the Group and directing and supervising the affairs of the Company.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in its annual and interim reports, other price sensitive announcements, other financial disclosures as required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements. The Board is also required to approve acquisitions or disposals and connected transactions within the meaning of Chapter 20 of the GEM Listing Rules that require notification or approval under the GEM Listing Rules.

The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders. Other responsibilities and matters reserved to the Board are set out in paragraph D.1 below.

CORPORATE GOVERNANCE REPORT

The Board meets regularly, normally four times each year with a meeting scheduled at approximately three month intervals and additional meetings would be arranged if and when necessary. The dates of regular Board meetings for each year are normally made available to all Directors at the beginning of the year to provide sufficient notice to give all Directors an opportunity to attend. Regular meetings are for reviewing and approving the financial and operating performances of the Group as well as considering and approving the overall strategies and policies of the Group. Special Board meetings will be held when necessary. Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where independent non-executive Directors who have no interests should be present at the meeting. Directors having a conflict of interest or material interests in a transaction before the meeting of the Board will declare his interest therein in accordance with the articles of association of the Company ("Articles of Association"), shall abstain from voting on the resolution and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

Notices are given to all the Directors for attending regular Board meetings approximately fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. Board papers, together with all appropriate information are sent to all Directors at least three (3) days before each Board meetings to the extent practicable.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the Directors. The Company Secretary assists in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted to suggest matters to be included in the agenda for all regular meetings of the Board.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all Directors for their review and comments before being approved by the Board. All the minutes of the meetings are properly kept by the Company Secretary and are available for inspection by the Directors during normal office hours.

CORPORATE GOVERNANCE REPORT

Participation of individual Directors at Board meetings in 2014 is as follows:

Number of meetings	28
Executive directors:	
Mr. Chow Yik	28/28
Mr. Lok Wing Fu (Note 1)	22/22
Mr. Leung King Fai (Note 2)	28/28
Mr. Lee Cheuk Yue, Ryan (Note 3)	10/18
Independent non-executive directors:	
Mr. Kwok Pak Yu, Steven (Note 4)	17/17
Mr. Ho Kei Wing, Nelson (Note 5)	9/9
Ms. Ma Sijing (Note 6)	0/1
Mr. Lam Kai Tai (Note 7)	13/26
Mr. Wong Ting Kon (Note 8)	13/18
Ms. Yeung Mo Sheung, Ann (Note 9)	10/11

Notes:

1. Mr. Lok Wing Fu was appointed as an executive Director on 17 February 2014.
2. Mr. Leung King Fai resigned as an executive Director on 16 March 2015.
3. Mr. Lee Cheuk Yue, Ryan resigned as an executive Director on 1 September 2014.
4. Mr. Kwok Pak Yu, Steven was appointed as an independent non-executive Director on 1 July 2014.
5. Mr. Ho Kei Wing, Nelson was appointed as an independent non-executive Director on 1 September 2014.
6. Ms. Ma Sijing was appointed as an independent non-executive Director on 24 November 2014.
7. Mr. Lam Kai Tai resigned as an independent non-executive Director on 24 November 2014.
8. Mr. Wong Ting Kon resigned as an independent non-executive Director on 1 September 2014.
9. Ms. Yeung Mo Sheung, Ann resigned as an independent non-executive Director on 1 July 2014.

A.2 Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Chow Yik and Mr. Chan Yin Tsung respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

CORPORATE GOVERNANCE REPORT

A.3 Board composition

As at the date of this report, the Board comprises five Directors: two executive Directors and three independent non-executive Directors. The current composition of the Board is as follows:

Membership of Board Committee(s):

Executive Directors:	
Mr. Chow Yik	Member of the Remuneration Committee
Mr. Lok Wing Fu	—
Independent non-executive Directors:	
Mr. Kwok Pak Yu, Steven	Chairman of the Audit Committee Chairman of the Remuneration Committee Chairman of the Nomination Committee
Mr. Ho Kei Wing, Nelson	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Ms. Ma Sijing	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee

The GEM Listing Rules require every listed issuer to have at least three independent non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. Kwok Pak Yu, Steven is a member of the Chartered Institute of Management Accountants, the Chartered Professional Accountants of Canada and the American Institute of Certified Public Accountants. He is currently a partner and principal consultant at S. P. Kwok & Co., a management accounting and consulting firm in Vancouver, Canada.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed the independence of all the independent non-executive Directors and is satisfied of their independence. None of the independent non-executive Directors of the Company has served the Company for 9 years or more.

The Board members do not have any family, financial or business relations with each other. The biographies of our Directors are set out on page 12 of this annual report.

The list of Directors is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

CORPORATE GOVERNANCE REPORT

A.4 Appointment, re-election and removal of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the independent non-executive Directors of the Company was appointed for a term from the date of their respective appointment up to the date of the annual general meeting of the Company for the year ended 31 December 2014. Independent non-executive Directors of the Company do not have a specific term of appointment. As the appointment of independent non-executive Directors are subject to the retirement by rotation provisions in the Articles of Association, the Board considers that it is not necessary to appoint the non-executive Directors for a specific term. At every annual general meeting, one-third of the Directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation according to article 87 of the Articles of Association. All Directors, including those appointed for a fixed term, are subject to the retirement by rotation provision in the Articles of Association.

Pursuant to article 86(3) of the Articles of Association, a Director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting. A Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting.

The Board has established a Nomination Committee on 18 November 2009 with written terms of reference. Currently, the Nomination Committee comprised of Mr. Kwok Pak Yu, Steven, Mr. Ho Kei Wing, Nelson and Ms. Ma Sijing, all are independent non-executive Directors.

Mr. Kwok Pak Yu, Steven is the chairman of the Nomination Committee. The Nomination Committee has held 2 meetings during the year which were attended by all its members.

The Company has adopted board diversity policy.

The Nomination Committee is responsible for reviewing Board composition structure, size and diversity (including but not limited to gender, age, culture and educational background), identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, making recommendations to the Board regarding any proposed appointment or re-appointment. The Nomination Committee follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is the collective decision of the Board, taking into consideration the recommendation of the Nomination Committee and the relevant candidate’s qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as a Director must be able to meet the standards set out in Rules 5.01 and 5.02 of the GEM Listing Rules. A candidate who is to be appointed as an independent non-executive Director must also meet the independence criteria set out in Rule 5.09 of the GEM Listing Rules. Further appointment of independent non-executive Director who has serves more than 9 years should be subject to a separate relationship to be approved by shareholders and the Board would consider and set the reason why such independent non-executive Director continues to be independent and should be elected.

CORPORATE GOVERNANCE REPORT

To comply with code provision A.4.2 and pursuant to article 86(3) of the Articles of Association, Mr. Kwok Pak Yu, Steven, Mr. Ho Kei Wing, Nelson and Ms. Ma Sijing, all are independent non-executive Directors, appointed during the year, shall retire from office upon the conclusion of the forthcoming annual general meeting of the Company and be eligible to offer themselves for re-election.

Pursuant to article 87 of the Articles of Association, at each annual general meeting, one-third of the Directors shall retire from office by rotation. Any Director who retires under article 86(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are retire by rotation at such meeting pursuant to article 87 of the Articles of Association. In this regard, Mr. Lok Wing Fu, an executive Director, shall retire from office by rotation upon the conclusion of the forthcoming AGM and be eligible to offer themselves for re-election.

A.5 Responsibilities of Directors

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of Directors under the GEM Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a Director's duties and obligations under the GEM Listing Rules and relevant legislations will be arranged for all newly appointed Directors.

Newly appointed Directors will also receive an introduction on the Company's operation and business. Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our Directors will also be updated from time to time on the business development and operation plans of the Company. All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, Listing Rules and corporate governance practices.

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listing company in compliance with the Revised CG Code on continuous professional development during the Year.

CORPORATE GOVERNANCE REPORT

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Mr. Chow Yik		✔
Mr. Lok Wing Fu (Note 1)	✔	✔
Independent Non-executive Directors		
Mr. Kwok Pak Yu, Steven (Note 2)	✔	✔
Mr. Ho Kei Wing, Nelson (Note 3)		✔
Ms. Ma Sijing (Note 4)		✔

Notes:

1. Mr. Lok Wing Fu was appointed as an executive Director on 17 February 2014.

2. Mr. Kwok Pak Yu, Steven was appointed as an independent non-executive Director on 1 July 2014.

3. Mr. Ho Kei Wing, Nelson was appointed as an independent non-executive Director on 1 September 2014.

4. Ms. Ma Sijing was appointed as an independent non-executive Director on 24 November 2014.

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company.

The Company has adopted the standard set out in Rules 5.48 to 5.67 (the "Model Code") of the GEM Listing Rules, in relation to the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director of the Company has confirmed that he has complied with the standards set out in the Model Code during the year ended 31 December 2014.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Code for Securities Transactions by Employees") for securities transactions by employees of the Company, its subsidiaries and its holding company (including Directors of the Company's holding company and its subsidiaries), who because of such office or employment, are likely to be in possession of unpublished price sensitive information of the Company or its securities.

CORPORATE GOVERNANCE REPORT

A.6 Supply of and access to information

With respect to regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner as permitted under the circumstances. Notices are given to all the Directors for attending regular Board meetings fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all Directors three (3) days in advance of the relevant meetings or any reasonable time before such meetings where it is not practicable to send out the information three (3) days in advance.

Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each Director have separate and independent access to the Group's senior management for information on the latest developments and financial position of the Company and other information and materials necessary to enable the Directors to make informed decisions of the matters to be considered at the Board meetings. The Compliance Officer, the Qualified Accountant and the Company Secretary attend all regular Board meetings and when necessary other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. Mr. Chan Yin Tsung is currently the Compliance Officer. Mr. Leung King Fai was an executive Director, and the Company Secretary throughout year 2014, and resigned as an executive Director and the Company Secretary with effect from 16 March 2015.

All Directors are entitled to have access to Board papers, minutes and related materials.

B Remuneration of Directors and Senior Management

B.1 The level of remuneration and disclosure

The Remuneration Committee was established on 8 August 2006 in accordance with the CG Code.

The existing members of the Remuneration Committee are Mr. Kwok Pak Yu, Steven, Mr. Ho Kei Wing, Nelson and Ms. Ma Sijing, all are independent non-executive Directors, and Mr. Chow Yik, an executive Director. Mr. Kwok Pak Yu, Steven is the chairman of the Remuneration Committee. The Terms of Reference of the Remuneration Committee are adopted with reference to the CG Code, including the specific duties set out in code provision B.1.2(a) to (h) of the CG Code.

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for all remuneration of Directors and senior management. The Remuneration Committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive Directors and other persons to attend its meetings.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary.

The work performed by the Remuneration Committee during 2014 included reviewing and approving the remuneration package of the Directors (including the three independent non-executive Directors) and the senior management of the Company.

During the process of consideration, no individual Director will be involved in decisions relating to his own remuneration.

Full minutes of the Remuneration Committee meeting are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

The Remuneration Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on both of the website of the Company and the website of the Stock Exchange.

During 2014, the Remuneration Committee has met 2 times.

Participation of individual. Director at Committee meetings in 2014 is as follows:

Number of meetings	2
Executive directors:	
Mr. Chow Yik	2/2
Mr. Leung King Fai (Note 1)	1/2
Independent non-executive directors:	
Mr. Kwok Pak Yu, Steven (Note 2)	2/2
Mr. Ho Kei Wing, Nelson (Note 3)	2/2
Ms. Ma Sijing (Note 4)	1/2
Mr. Lam Kai Tai (Note 5)	0/0
Mr. Wong Ting Kon (Note 6)	0/0

Notes:

1. Mr. Leung King Fai resigned as a member of Remuneration Committee on 16 March 2015.
2. Mr. Kwok Pak Yu, Steven was appointed as a member of Remuneration Committee on 1 July 2014.
3. Mr. Ho Kei Wing, Nelson was appointed as a member of Remuneration Committee on 1 September 2014.
4. Ms. Ma Sijing was appointed as a member of Remuneration Committee on 24 November 2014.
5. Mr. Lam Kai Tai resigned as a member of Remuneration Committee on 24 November 2014.
6. Mr. Wong Ting Kon resigned as a member of Remuneration Committee on 1 September 2014.

CORPORATE GOVERNANCE REPORT

C Accountability and Audit

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2014, the Directors have:

— approved the adoption of all applicable International Financial Reporting Standards which are issued by the International Accounting Standards Board;

— selected and applied consistently appropriate accounting policies;

— Made judgments and estimates that are prudent and reasonable; and

— prepared the accounts on a going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements.

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the board of directors that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

For the year ended 31 December 2014, the audit service fees paid or payable by the Company in relation to statutory audit amounted to approximately RMB905,000.

The statement of the Auditors about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 37 to 38 of this annual report.

C.2 Internal control

The Board is entrusted with the overall responsibility of devising the Company's system of internal controls and conducting an annual review of its effectiveness. This ensures that the Board oversees and monitors the Group's overall financial position so that the interests of the shareholders are well protected and covered. The system of internal controls covers the areas of financial, operational, compliance and risk management of the Group's business.

For the year ended 31 December 2014, the Board have reviewed the effectiveness of the internal control system and they consider them effective and adequate.

CORPORATE GOVERNANCE REPORT

C.3 Audit Committee

The Audit Committee was established on 5 July 2001 and a terms of reference was adopted. The Terms of Reference of the Audit Committee have included the duties set out in code provision C.3.3(a) to (n) of the CG Code. The existing members of the Audit Committee comprise Mr. Kwok Pak Yu, Steven, Mr. Ho Kei Wing, Nelson and Ms. Ma Sijing, all of whom are independent non-executive Directors. Mr. Kwok Pak Yu, Steven is the chairman of the Audit Committee. The Audit Committee does not have as a member a former partner of the Group's existing audit firm.

During 2014, the Audit Committee met on 4 occasions and discharged its responsibilities.

Attendance of individual members at Audit Committee meetings in 2014 is as follows:

Number of meetings	4
Mr. Kwok Pak Yu, Steven (Note 1)	2/2
Mr. Ho Kei Wing, Nelson (Note 2)	1/1
Ms. Ma Sijing (Note 3)	0/0
Mr. Lam Kai Tai (Note 4)	4/4
Mr. Wong Ting Kon (Note 5)	3/3
Ms. Yeung Mo Sheung, Ann (Note 6)	2/2

Notes:

1. Mr. Kwok Pak Yu, Steven was appointed as a member of Audit Committee on 1 July 2014 and re-designated as chairman of Audit Committee on 24 November 2014.

2. Mr. Ho Kei Wing, Nelson was appointed as a member of Audit Committee on 1 September 2014.

3. Ms. Ma Sijing was appointed as a member of Audit Committee on 24 November 2014.

4. Mr. Lam Kai Tai resigned as the chairman of Audit Committee on 24 November 2014.

5. Mr. Wong Ting Kon resigned as a member of Audit Committee on 1 September 2014.

6. Ms. Yeung Mo Sheung, Ann resigned as a member of Audit Committee on 1 July 2014.

The principal duties of the Audit Committee included reviewing the Company's financial controls, internal control and risk management system, annual report, accounts and quarterly and half yearly report.

The following is a summary of the work performed by the Audit Committee during 2014:

— reviewing the auditor's management letter and management's response;

— reviewing and considering the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;

— reviewing the audited financial statements and final results announcement for the year ended 31 December 2013;

— reviewing the interim report and the interim results announcement for the six months ended 30 June 2014;

— reviewing the quarterly reports and the quarterly results announcement for the three months ended 31 March 2014 and 30 September 2014, respectively;

— meeting with the auditors to go through any significant audit issues or key findings noted during the audit of the Group's 2013 final results;

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Audit Committee have been reported to the Board. During 2014, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

The Audit Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on the website of the Company.

This annual report has been reviewed by the Audit Committee.

D Company Secretary

Ms. Wong Man Yi ("Ms. Wong") is the company secretary of the Company. Ms. Wong was appointed as the new company secretary of the Company on 16 March 2015. Her primary corporate contact person at the Company is Mr. Chow Yik, chairman of the Company. Ms. Wong has taken no less than 15 hours of relevant professional training during the year.

E Delegation by the Board

E.1 Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

E.2 Board committees

Apart from the Audit Committee (as described under paragraph C.3), the Remuneration Committee (as described under paragraph B.1) and the Nomination Committee (as described under paragraph A.4), the Board has not established any other committee of the Board.

CORPORATE GOVERNANCE REPORT

F Communication with Shareholders

F.1 Effective communication

The Company attaches great importance to communications with shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

In line with the practice of the Company, in respect of each issue to be considered at the annual general meetings ("AGM") and extraordinary general meetings ("EGM"), including the re-election of Directors, a separate resolution will be proposed by the Chairman of the meeting.

In accordance with the code provision E.1.2 as set out in the CG Code, chairman of the Board have attended the annual general meeting and all extraordinary general meetings held in 2014.

The independent non-executive Directors, for the time when the general meetings were held in year 2014, had other business engagements and thus, were not able to attend most general meetings held in year 2014. In this regard, the compliance officer of the Company had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future, for compliance of code provisions A.6.7 as set out in the CG Code.

Participation of individual Directors at general meetings in 2014 is as follows:

	AGM	EGM
Number of meetings	1	2
Executive directors:		
Mr. Chow Yik	1/1	2/2
Mr. Lok Wing Fu (Note 1)	0/1	2/2
Mr. Leung King Fai (Note 2)	1/1	2/2
Mr. Lee Cheuk Yue, Ryan (Note 3)	0/1	0/2
Independent non-executive directors:		
Mr. Kwok Pak Yu, Steven (Note 4)	0/0	0
Mr. Ho Kei Wing, Nelson (Note 5)	0/0	0/0
Ms. Ma Sijing (Note 6)	0/0	0/0
Mr. Lam Kai Tai (Note 7)	0/1	1/1
Mr. Wong Ting Kon (Note 8)	0/1	0/0
Ms. Yeung Mo Sheung, Ann (Note 9)	0/1	0/0

CORPORATE GOVERNANCE REPORT

Notes:

1. Mr. Lok Wing Fu was appointed as an executive Director on 17 February 2014.

2. Mr. Leung King Fai resigned as an executive Director on 16 March 2015.

3. Mr. Lee Cheuk Yue, Ryan resigned as an executive Director on 1 September 2014.

4. Mr. Kwok Pak Yu, Steven was appointed as an independent non-executive Director on 1 July 2014.

5. Mr. Ho Kei Wing, Nelson was appointed as an independent non-executive Director on 1 September 2014.

6. Ms. Ma Sijing was appointed as an independent non-executive Director on 24 November 2014.

7. Mr. Lam Kai Tai resigned as an independent non-executive Director on 24 November 2014.

8. Mr. Wong Ting Kon resigned as an independent non-executive Director on 1 September 2014.

9. Ms. Yeung Mo Sheung, Ann resigned as an independent non-executive Director on 1 July 2014.

Notices of general meetings were sent to shareholders at least 20 clear business days before the annual general meeting and at least 10 clear business days for all other general meetings. The Company's auditors have also attended the annual general meeting in 2014.

Designated executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any queries.

F.2 Voting by poll

At all general meetings held in 2014, the Chairman had provided an explanation of the procedures for conducting a poll at the commencement of each of the meetings. Poll results were posted on the website of the Stock Exchange (as well as on the website of the Company) on the day of the holding of each of the shareholders' meetings.

Separate resolutions are proposed at shareholders' meeting on each substantial issue, including the election of individual Directors.

CORPORATE GOVERNANCE REPORT

G Shareholders' Rights

G.1 Convening an extraordinary general meeting and Procedures for putting forward proposals at shareholders' meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision). However, shareholders are requested to follow article 58 of the Articles of Association, general meetings shall be convened on the written requisition of any one or more members 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 secretary of the Company, to require an extraordinary 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 two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

G.2 Procedures for nominating a new Director

Pursuant to the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting.

The Board always welcome Shareholders' and other stakerholder's questions and concerns relating to the Group's management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post. The address is Level 20, Infinitus Plaza, 199 Dex Voeux Road Central, Sheung Wan, Hong Kong.

H Investor Relations

The Company has disclosed all necessary information to the shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with GEM Listing Rules. During the year under review, there is no change in the Company's constitutional documents.

I Articles of Association

There was no change to the Articles of Association during the year ended 31 December 2014.

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2014.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are detailed in note 19 to the financial statements.

Major Customers and Suppliers

For the year ended 31 December 2014, the five largest customers accounted for approximately 91.4% of the Group's total turnover. The five largest suppliers accounted for approximately 96.9% of the Group's total purchases. In addition, the largest customer accounted for approximately 46.1% of the Group's total turnover while the largest supplier accounted for approximately 96.9% of the Group's total purchases.

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

Results and Dividends

Details of the Group's results for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 39 to 40 of this annual report.

Directors did not recommend the payment of final dividend in respect of the year.

REPORT OF THE DIRECTORS

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial year is set out below.

Consolidated results

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(restated)	(restated)	
Turnover	**34,685**	56,351	78,127	41,165	89,226
(Loss)/profit before taxation	**(12,040)**	(118,127)	18,674	(47,543)	(37,703)
Income tax expense	**(976)**	(374)	(1,068)	–	(331)
Net (loss)/profit from ordinary activities for the year	**(13,016)**	(118,501)	17,606	(47,543)	(38,034)
Attributable to:					
Owners of the Company	**(12,625)**	(118,501)	17,606	(47,543)	(38,034)
Non-controlling interests	**(391)**	–	–	–	–
	(13,016)	(118,501)	17,606	(47,543)	(38,034)

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**306,085**	20,863	111,314	177,927	28,873
Current assets	**127,715**	31,835	15,880	43,503	102,896
Current liabilities	**(41,392)**	(5,440)	(130,923)	(103,846)	(93,950)
Net current assets/(liabilities)	**86,323**	26,395	(115,043)	(60,343)	8,946
Non-current liabilities	**(1,970)**	–	(37)	(115,245)	–
Net assets/(liabilities)	**390,438**	47,258	(3,766)	2,339	37,819

REPORT OF THE DIRECTORS

Share Capital and Share Option Scheme

Details of movements in the Company's issued share capital, together with the details of the Company's share option scheme are set out in the notes 3 and 30 to the financial statements.

Purchase, Sale or Redemption of Shares

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

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and the laws in the Cayman Islands in relation to the issue of new shares by the Company.

Reserves

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

Distributable Reserves

As at 31 December 2014 and 2013, the Company has no reserves available for distribution to its shareholders.

Property, Plant and Equipment

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

Bank and Other Borrowings

The Company has no bank and other borrowings as at 31 December 2014.

Connected Transactions

There were no significant connected party transactions entered into by the Group for the year ended 31 December 2014.

REPORT OF THE DIRECTORS

Directors

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

Executive Directors

Mr. Chow Yik	
Mr. Lok Wing Fu	appointed on 17 February 2014
Mr. Leung King Fai	resigned on 16 March 2015
Mr. Lee Cheuk Yue, Ryan	resigned on 1 September 2014

Independent Non-executive Directors

Mr. Kwok Pak Yu, Steven	appointed on 1 July 2014
Mr. Ho Kei Wing, Nelson	appointed on 1 September 2014
Ms. Ma Sijing	appointed on 24 November 2014
Mr. Lam Kai Tai	resigned on 24 November 2014
Mr. Wong Ting Kon	resigned on 1 September 2014
Ms. Yeung Mo Sheung, Ann	resigned on 1 July 2014

Mr. Lok Wing Fu, Mr. Kwok Pak Yu, Steven, Mr. Ho Kei Wing, Nelson and Ms. Ma Sijing will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rule and the Company considers the independent non-executive Directors remained independent.

Biographical Details of Directors

Biographical details of the Directors of the Company of the Group are set out on page 12 of the annual report.

Directors' Service Contracts

All Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the articles of association of the Company.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party-during or at the end of the year.

REPORT OF THE DIRECTORS

Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations

As at 31 December 2014, interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (SFO)), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	No. of shares (Note)	Approximate percentage of interest
Mr. Lok Wing Fu	Beneficial owner	2,000,000 (L)	0.05%

Note: The letter "L" denotes a long position in shares.

Save as disclosed above, none of the Directors or chief executives of the Company had any other interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2014.

REPORT OF THE DIRECTORS

Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of other members of the Group

So far as known to any Director or Chief Executive of the Company, as at 31 December 2014, persons who have interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	No. of shares (Note 1)	Approximate percentage of interest
Avant Capital Management (Hong Kong) Limited	Investment Manager	464,404,000 (L)	10.90%
Mr. Wong Man Keung	Interest in controlled corporation (Note 2)	283,940,000 (L)	
	Beneficial owner	32,540,000 (L)	
	Total	316,480,000 (L)	7.43%
Sonic Phoenix Limited	Beneficial owner (Note 2)	283,940,000 (L)	6.67%

Notes:

1. The Letter "L" denotes a long position in shares of the Company.

2. Mr. Wong Man Keung is deemed or taken to be interested in these shares which are beneficially owned by Sonic Phoenix Limited for the purpose of the SFO.

Save as disclosed above, as at 31 December 2014, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

Options to Subscribe for Shares in the Company

Pursuant to a share option scheme adopted by the Company on 24 September 2009, the Directors may, at their discretion, offer to consultants, advisors, service providers, full-time employees and Executive Directors of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. The options vest immediate from the date of grant and are then exercisable within a period of ten years.

At 31 December 2014, the directors, employees, consultants, advisors and other service providers of the company had the following interests in options to subscribe for shares of the company under the share option scheme of the company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 of the company.

Details of grantees	No. of options outstanding	Date granted	Period during which options are exercisable	Exercise price per share
Chow Yik (Director)	5,000,000	28 November 2013	29 November 2013 to 28 November 2017	HK$0.319
Leung King Fai (Director)#	204,253	11 November 2009	11 November 2009 to 10 November 2019	HK$4.132
	5,000,000	28 November 2013	29 November 2013 to 28 November 2017	HK$0.319
Consultants, Advisers, Service Providers, Employees and Others	2,297,875	11 November 2009	11 November 2009 to 10 November 2019	HK$4.132
	169,800,000	28 November 2013	29 November 2013 to 28 November 2017	HK$0.319

The options granted to the directors are registered under the names of the Directors who are also the beneficial owners.

* being the weighted average closing price of the company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

\# Leung King Fai ("Mr. Leung") resigned as an executive Director on 16 March 2015.

REPORT OF THE DIRECTORS

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 3 and 30 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Directors' and Chief Executives' Rights to Acquire Shares or Debt

Securities

As at 31 December 2014, save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Competing Interest

Up to the date of this report, none of the Directors or the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) of the Company has an interest in any business which directly or indirectly competes with the business of the Group, or has any other conflict of interests with the Group.

Audit Committee

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee include the review and supervision of the financial reporting process and the internal monitoring system of the Group. The audit committee has three members comprising Mr. Kwok Pak Yu, Steven, Mr. Ho Kei Wing, Nelson and Ms. Ma Sijing, the three independent non-executive Directors. The audit committee met 4 times during the year. The Group's audited consolidated results for the year have been reviewed by the audit committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal reporting and monitoring system of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the year, no material matters were identified and reported by the audit committee to the Board.

REPORT OF THE DIRECTORS

Sufficiency of Public Float

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

Corporate Governance Code

In the opinion of the directors, except for deviations from code provisions A.4.1 and A.6.7 which is explained in paragraphs A.4 and F.1 as set out in the section headed "Corporate Governance Report", the Group has complied with all code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the accounting period covered by the annual report.

A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of the annual report.

Events After the Reporting Period

Details of the significant events of the Group after the reporting period are set out in note 39 to the financial statements.

Auditors

A resolution for the reappointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chow Yik
Chairman
Hong Kong, 27 March 2015

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
HAO WEN HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hao Wen Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 124, which comprise the consolidated and Company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	4	**34,685**	56,351
Cost of sales		**(27,054)**	(53,433)
Gross profit		**7,631**	2,918
Other gains	6	**11,273**	5,852
General and administrative expenses		**(17,958)**	(57,596)
Impairment loss on intangible assets		**(12,737)**	(59,798)
Loss from operations		**(11,791)**	(108,624)
Share of results of associates	18	**185**	–
Loss on disposal of subsidiaries		**–**	(3,025)
Finance costs	7(a)	**(434)**	(6,552)
Loss before taxation	7	**(12,040)**	(118,201)
Income tax expense	8(a)	**(976)**	(374)
Loss for the year from continuing operations		**(13,016)**	(118,575)
Discontinued operation			
Profit for the year from discontinued operation		**–**	74
Loss for the year		**(13,016)**	(118,501)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**958**	(1,065)
Total comprehensive loss for the year		**(12,058)**	(119,566)
Loss for the year attributable to:			
Owners of the Company		**(12,625)**	(118,501)
Non-controlling interests		**(391)**	–
		(13,016)	(118,501)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(11,670)**	(119,566)
Non-controlling interests		**(388)**	–
		(12,058)	(119,566)
Loss per share	14		
For continuing and discontinued operations			
Basic and diluted (cents)		**(0.47)**	(19.60)
For continuing operations			
Basic and diluted (cents)		**(0.47)**	(19.62)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Plant and equipments	15	**17,306**	1,263
Intangible assets	16	**3,645**	19,600
Goodwill	17	**213,259**	–
Investments in subsidiaries	19	**–**	–
Interests in associates	18	**54,833**	–
Loans receivable	21	**17,042**	–
		306,085	20,863
Current assets			
Inventories	20	**610**	–
Trade, loan and other receivables, prepayments and deposits	21	**77,243**	22,811
Financial assets at fair value through profit or loss	22	**20,456**	–
Cash and bank balances	23	**29,406**	9,024
		127,715	31,835
Current liabilities			
Trade and other payables	24	**39,882**	5,352
Tax payables	27	**901**	88
Obligations under finance leases	28	**609**	–
		41,392	5,440
Net current assets		**86,323**	26,395
Total assets less current liabilities		**392,408**	47,258
Non-current liabilities			
Obligations under finance leases	28	**1,970**	–
Net assets		**390,438**	47,258
Capital and reserves attributable to owners of the Company			
Share capital	29	**339,771**	146,820
Reserves		**(47,393)**	(99,562)
Equity attributable to owners of the Company		**292,378**	47,258
Non-controlling interests		**98,060**	–
Total equity		**390,438**	47,258

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

Chow Yik
Director

Lok Wing Fu
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Plant and equipments	15	**12**	1
Investments in subsidiaries	19	**102,457**	328
		102,469	329
Current assets			
Trade and other receivables, prepayments and deposits	21	**164,927**	22,113
Cash and bank balances	23	**9,646**	3,572
		174,573	25,685
Current liabilities			
Trade and other payables	24	**5,688**	4,403
Obligations under finance leases	28	**–**	–
		5,688	4,403
Net current assets		**168,885**	21,282
Total assets less current liabilities		**271,354**	21,611
Net assets		**271,354**	21,611
Capital and reserves attributable to owners of the Company			
Share capital	29	**339,771**	146,820
Reserves		**(68,417)**	(125,209)
Total equity		**271,354**	21,611

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

Chow Yik	**Lok Wing Fu**
Director	*Director*

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Warrants reserve RMB'000	Convertible note equity reserve RMB'000	Capital reduction reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	17,122	72,080	–	–	92,489	20,103	(10,277)	(195,283)	(3,766)	–	(3,766)
Loss for the year	–	–	–	–	–	–	–	(118,501)	(118,501)	–	(118,501)
Other comprehensive loss for the year											
Exchange differences on translating foreign operations	–	–	–	–	–	–	(1,065)	–	(1,065)	–	(1,065)
Total comprehensive loss for the year	–	–	–	–	–	–	(1,065)	(118,501)	(119,566)	–	(119,566)
Issue of shares upon conversion of convertible notes	1,564	14,079	–	–	–	–	–	–	15,643	–	15,643
Issue of shares upon open offer of shares	128,134	–	–	–	–	–	–	–	128,134	–	128,134
Transaction costs attributable to issue share of open offer	–	(1,911)	–	–	–	–	–	–	(1,911)	–	(1,911)
Recognition of equity-settled share-based payments	–	–	–	–	–	28,923	–	–	28,923	–	28,923
Release upon lapse of share options	–	–	–	–	–	(12,787)	–	12,787	–	–	–
Release upon disposal of subsidiaries	–	–	–	–	–	–	(199)	–	(199)	–	(199)
At 31 December 2013 and 1 January 2014	**146,820**	**84,248**	**–**	**–**	**92,489**	**36,239**	**(11,541)**	**(300,997)**	**47,258**	**–**	**47,258**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,625)**	**(12,625)**	**(391)**	**(13,016)**
Other comprehensive income for the year											
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**955**	**–**	**955**	**3**	**958**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**955**	**(12,625)**	**(11,670)**	**(388)**	**(12,058)**
Issuance of unlisted warrant, net with transaction costs, net of deferred tax	**–**	**–**	**1,349**	**–**	**–**	**–**	**–**	**–**	**1,349**	**–**	**1,349**
Issuance of convertible notes	**–**	**–**	**–**	**8,965**	**–**	**–**	**–**	**–**	**8,965**	**–**	**8,965**
Issue of shares upon conversion of convertible notes	**158,615**	**–**	**105**	**(8,965)**	**–**	**–**	**–**	**–**	**149,755**	**–**	**149,755**
Transaction costs attributable to issuance of conversion of convertible notes	**–**	**(4,028)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,028)**	**–**	**(4,028)**
Issue of share upon exercise of bonus warrant	**1,700**	**5**	**(5)**	**–**	**–**	**–**	**–**	**–**	**1,700**	**–**	**1,700**
Exercise of unlisted warrant	**3,946**	**3,367**	**(186)**	**–**	**–**	**–**	**–**	**–**	**7,127**	**–**	**7,127**
Issue of share upon conversion of convertible note	**28,690**	**63,232**	**–**	**–**	**–**	**–**	**–**	**–**	**91,922**	**–**	**91,922**
Recognition upon acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**98,448**	**98,448**
At 31 December 2014	**339,771**	**146,824**	**1,263**	**–**	**92,489**	**36,239**	**(10,586)**	**(313,622)**	**292,378**	**98,060**	**390,438**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Operating activities			
Loss before taxation			
From continuing operations		**(12,040)**	(118,201)
From discontinued operation		**–**	74
		(12,040)	(118,127)
Adjustments for:			
Depreciation	7(c)	**877**	729
Fair value loss on investment properties	7(c)	**–**	200
Amortisation of intangible assets	7(c)	**4,096**	16,089
Unrealised gain on financial assets at fair value through profit or loss	6	**(11,224)**	–
Impairment loss of intangible assets	7(c)	**12,737**	59,798
Share of results of associates		**(185)**	–
Fair value gain on convertible notes		**–**	(2,115)
Expenses recognised in respect of equity-settled share based payment		**–**	28,923
Finance costs	7(a)	**434**	6,552
Gain on extension of Promissory Notes	26	**–**	(1,474)
Written off of plant and equipments	7(c)	**–**	253
Loss on early repayment of promissory notes		**–**	1,407
Loss on disposal of subsidiaries		**–**	2,944
Operating loss before working capital changes		**(5,305)**	(4,821)
Decrease in inventories		**524**	–
Increase in trade, loan and other receivables, prepayments and deposits		**(68,834)**	(5,456)
Increase in trade and other payables		**16,242**	736
Cash used in operations		**(57,373)**	(9,541)
Tax paid		**(163)**	(2)
Net cash used in operating activities		**(57,536)**	(9,543)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from investing activities			
Purchase of plant and equipments		**(13,255)**	(1,309)
Purchase of financial assets at fair value through profit or loss		**(9,260)**	–
Payment of deposit for acquisition of subsidiaries		**–**	(10,656)
Net cash inflow from disposal of subsidiaries	36	**–**	8,226
Net cash outflow from acquisition of subsidiaries	35	**(9,560)**	–
Net cash outflow from interests in associates		**(54,648)**	–
Net cash used in investing activities		**(86,723)**	(3,739)
Cash flows from financing activities			
Repayment of other borrowings		**–**	(80,031)
Repayment of promissory notes		**–**	(24,401)
Net proceeds from issuance of unlisted warrants		**1,349**	–
Net proceeds from issuance of convertible notes		**154,692**	–
Proceeds from exercise of unlisted warrants		**7,127**	–
Proceeds from exercise of bonus warrants		**1,700**	–
Net proceeds from shares issued upon open offer, net of share issuance expense		**–**	126,223
Repayment of obligation under finance lease		**(163)**	–
Repayment of interest on obligation under finance lease		**(41)**	–
Interest paid		**(131)**	(3,146)
Net cash generated from financing activities		**164,533**	18,645
Net increase in cash and cash equivalents		**20,274**	5,363
Cash and cash equivalents at the beginning of the year	23	**9,024**	4,569
Effect of exchange rate changes on the balance of cash held in foreign currencies		**108**	(908)
Cash and cash equivalents at the end of the year	23	**29,406**	9,024

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. General Information

Hao Wen Holdings Limited (the "Company") was incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 July 2001. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the sale of biodegradable food containers and disposable industrial packaging for consumer products, trading and manufacturing of biomass fuel and money lending business. During the year ended 31 December 2013, the skin care business was discontinued and disposed.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 78 of Schedule 11 to that Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(e) provides information on any changes in accounting policies resulting from initial application relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair value, as explained in accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

2. Basis of Preparation *(Continued)*

(b) Basis of measurement *(Continued)*

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

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

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

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its operating subsidiary in the People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and report amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are disclosed in note 37.

2. Basis of Preparation *(Continued)*

(e) Application of New and Revised International Financial Reporting Standards

The Group has adopted the following revised IFRSs for the first time for the current year's consolidated financial statements.

IFRS 10, IFRs 12 and IAS 27 (Amendments)	Investment Entities
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount and Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies

The nature of the impending changes in accounting policy on adoption is described below.

Amendments to IFRS 10, IFRS 12 AND IAS 27 Investment Entities

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

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

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

2. Basis of Preparation *(Continued)*

(e) Application of New and Revised International Financial Reporting Standards (Continued)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

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

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

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

2. Basis of Preparation *(Continued)*

(e) Application of New and Revised International Financial Reporting Standards (Continued)

IFRIC – Int 21 Levies

The Group has applied IFRIC – Int 21 Levies for the first time in the current year. IFRIC – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies thatneither economic compulsion nor the going concern basis of financial statements preparation impliesthat an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after1 January 2018, with earlier application permitted.
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions, with earlier application permitted.

The directors of the Company anticipate that the application of other IFRSs will have no material impact on the results and the financial positions of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the 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. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(a) Basis of consolidation *(Continued)*

(iv) Business combinations

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

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

(i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

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

(iii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(a) Basis of consolidation *(Continued)*

(iv) Business combinations *(Continued)*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(b) Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses.

(c) Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(c) Interests in associates *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(d) Goodwill

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(e) Plant and equipments

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed items of assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains or losses arising on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognised net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

–	Machinery and equipment	8 – 10 years
–	Furniture and office equipment	5 – 8 years
–	Motor vehicles	5 – 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(e) Plant and equipments *(Continued)*

(iv) Construction in progress represents buildings and various plant and equipment under construction and pending installation, and is stated at cost less any impairment losses. Cost comprises direct costs of construction incurred during the periods of construction.

Construction in progress is transferred to buildings, and machinery and equipment when the asset is substantially ready for its intended use.

(f) Leased assets

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.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(g) Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible asset;

(iv) how the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vii) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(g) Intangible assets *(Continued)*

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(g) Intangible assets *(Continued)*

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated based on the weighted average costing method (which approximates the average actual cost) and comprises all costs of purchase, costs 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 costs of completion and the estimated costs necessary to make the sale.

(i) Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss”, “held-to-maturity” investments, “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at financial asset at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near future; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income.

Loan and receivables

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

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

Impairment of financial assets

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

(a) significant financial difficulty of the issuer or counterparty; or

(b) breach of contract, such as a default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Financial liabilities

Financial liabilities including trade and other payables, bank and other borrowings, convertible notes, and promissory notes are subsequently measured at amortised cost, using the effective interest rate method. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue cost.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at fair value though profit or loss.

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to convertible notes reserves. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to convertible notes reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Convertible notes *(Continued)*

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in comprehensive income.

For financial liabilities, they are removed from the Group's consolidated statement of financial positions when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognised in the consolidated statement of profit or loss and other comprehensive income.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(k) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable. 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 in profit or loss as follows:

(i) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue excludes value added tax or other sales taxes and is stated after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised and accrued using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted of the original effective, interest rate of the instrument and continues unwinding the discount as interest income.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(n) Employee benefits *(Continued)*

(ii) Share-based payments *(Continued)*

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(o) Finance income and costs

Finance income comprises interest income on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying assets are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(p) Income tax *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(q) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(r) Translation of foreign currencies

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(s) 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 over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

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

(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 which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

3. Significant Accounting Policies *(Continued)*

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various line of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

4. Turnover

Turnover represents the sales value of goods supplied to customers, which excludes value added tax and is stated after deduction of goods returns and trade discounts and interest income earned from the money lending business.

	2014	2013
	RMB'000	RMB'000
Sale of biodegradable products	**811**	56,351
Trading and manufacturing of biomass fuel	**30,897**	–
Interest income on money lending business	**2,977**	–
Total	**34,685**	56,351

5. Segment Reporting

Information reported to the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or provided. The segmentations are based on the information about the operation of the Group that management uses to make decision and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's reportable and operating segment under IFRS 8 are as follows:

(i) Sale of biodegradable food containers and disposable industrial packaging for consumer products;

(ii) Trading and manufacturing of biomass fuel products; and

(iii) Interest income earned from the money lending business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

5. Segment Reporting *(Continued)*

Segment revenues and results

	Continuing operations						Discontinued operation			
	Biodegradable products		Biomass fuel products		Money lending		Skin Care products		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover										
External sales	**811**	56,351	**30,897**	–	**2,977**	–	**–**	–	**34,685**	56,351
Result										
Segment results	**(5,543)**	(13,463)	**2,869**	–	**2,027**	–	**–**	74	**(647)**	(13,389)
Unallocated corporate income									**11,224**	–
Unallocated corporate expenses									**(9,631)**	(35,363)
Impairment loss on intangible assets	**(12,737)**	(59,798)	**–**	–	**–**	–	**–**	–	**(12,737)**	(59,798)
Loss from operations									**(11,791)**	(108,550)
Loss on disposal of subsidiaries									**–**	(3,025)
Share of results of associates									**185**	–
Finance costs									**(434)**	(6,552)
Loss before taxation									**(12,040)**	(118,127)
Income tax expense									**(976)**	(374)
Loss for the year									**(13,016)**	(118,501)

Segment revenues reported above represents revenue generated from external customers. There were no inter-segment sale in the current year (2013: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 of the Company's 2014 annual report. Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share of results of associates, loss on disposal of subsidiaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

5. Segment Reporting *(Continued)*

Segment assets and liabilities

	Biodegradable products		Biomass fuel		Money lending		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets								
Segment assets	**15,730**	33,404	**253,805**	–	**77,117**	–	**346,652**	33,404
Unallocated corporate assets							**87,148**	19,294
							433,800	52,698
Liabilities								
Segment liabilities	**3,790**	2,024	**34,808**	–	**269**	–	**38,867**	2,024
Unallocated corporate liabilities							**4,495**	3,416
							43,362	5,440

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

All assets are allocated to operating segments other than interests in associates, financial assets at fair value through profit or loss and other corporate assets.

All liabilities are allocated to operating segments other than corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

5. Segment Reporting *(Continued)*

Other segment information

The following is an analysis of the Group's other segment information:

	Biodegradable products		Biomass fuel		Money lending		Unallocated		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Capital expenditure	**4,059**	1,309	**11,926**	–	**–**	–	**12**	–	**15,997**	1,309
Depreciation and amortisation	**4,931**	16,120	**41**	–	**–**	–	**1**	698	**4,973**	16,818
Impairment loss on intangible assets	**12,737**	59,798	**–**	–	**–**	–	**–**	–	**12,737**	59,798
Impairment loss on other receivables	**–**	–	**–**	–	**–**	–	**–**	373	**–**	373
Written off of plant and equipments	**–**	–	**–**	–	**–**	–	**–**	253	**–**	253
Fair value loss on investment properties	**–**	–	**–**	–	**–**	–	**–**	200	**–**	200
Loss on early repayment of promissory notes	**–**	–	**–**	–	**–**	–	**–**	1,407	**–**	1,407
Unrealised gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**11,224**	–	**11,224**	–

The Group's revenue from its major products were disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

5. Segment Reporting *(Continued)*

Geographical information

The Group operates in two principal geographical areas, the PRC (excluding Hong Kong) and Hong Kong. The Group's revenue from continuing operations from the external customers by location of operations and information about its non-current assets are detailed below.

	Revenue		Non-current assets	
	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000	**As at 31 December 2014 RMB'000**	As at 31 December 2013 RMB'000
The PRC	**14,810**	42,835	**226,985**	–
Hong Kong	**19,875**	13,516	**79,100**	20,863
	34,685	56,351	**306,085**	20,863

Information about major customers

For the year ended 31 December 2013, included in revenue arising from biodegradable products of approximately RMB42,835,000, was arisen from two single external customers. For the year ended 31 December 2014, included in the revenue arising from biomass fuel of approximately RMB25,493,000 was arisen from two single external customers.

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2014 RMB'000	2013 RMB'000
Customer A (Note)	**–**	36,473
Customer B (Note)	**–**	6,362
Customer C	**15,991**	–
Customer D	**9,502**	–

Note: No information on revenue for the current year is disclosed for these customers since none of them contributed 10% or more to the Group's revenue for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

6. Other Gains

	2014 RMB'000	2013 RMB'000
Sundry income	49	492
Distribution income	–	1,771
Gain on extension of promissory notes	–	1,474
Fair value gain on convertible notes	–	2,115
Unrealised gain on financial assets at fair value through profit or loss	11,224	–
Total	11,273	5,852

7. Loss before Taxation

Loss before taxation is arrived after charging:

(a) Finance costs

	2014 RMB'000	2013 RMB'000
Continuing operations:		
Interest on convertible notes	393	3,472
Interest on promissory notes	–	2,035
Interest on other borrowings	–	1,045
Interest on obligations under finance leases	41	–
	434	6,552
Total interest expenses for financial liabilities that are not designated as at fair value through profit or loss	434	6,522

(b) Staff costs (including directors' emoluments)

	2014 RMB'000	2013 RMB'000
Contributions to defined contribution plans	88	58
Salaries, wages and other benefits	2,894	31,123
Total staff costs	2,982	31,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

7. Loss before Taxation *(Continued)*

(c) Other items

	2014 RMB'000	2013 RMB'000
Continuing operations:		
Amortisation of intangible assets	**4,096**	16,089
Depreciation	**877**	729
Operating lease charges in respect of property rentals:		
minimum lease payments	**1,577**	1,327
Auditors' remuneration		
– audit services	**950**	995
Cost of inventories sold	**27,054**	53,433
Impairment loss on intangible assets	**12,737**	59,798
Share-based payments	**–**	28,923
Written off of plant and equipments	**–**	253
Impairment loss on other receivables	**–**	373
Fair value loss on investment properties	**–**	200
Loss on early repayment of promissory notes	**–**	1,407

8. Income Tax Expense

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2014 RMB'000	2013 RMB'000
Current tax		
Hong Kong	**976**	–
PRC Enterprise Income Tax	**–**	411
	976	411
Deferred tax		
Credit to the consolidated statement of profit or loss and other comprehensive income	**–**	(37)
	976	374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

8. Income Tax Expense *(Continued)*

(i) Hong Kong profits tax

Hong Kong profit tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year ended 31 December 2014.

(ii) Income taxes outside Hong Kong

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and the Company's subsidiaries registered in the BVI are not subject to any income tax in the Cayman Islands and BVI, respectively.

The subsidiary of the Group established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25% in respect of the year ended 31 December 2014 (2013: 25%).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2014		2013	
	RMB'000	**%**	RMB'000	%
Loss before taxation	**(12,040)**		(118,201)	
Notional tax on loss before taxation calculation at the relevant tax rate of 16.5% (2013: 16.5%)	**(1,987)**	**(16.5)**	(19,503)	(16.5)
Tax effect non-taxable income	**(1,852)**	**(15.4)**	(2,186)	(1.9)
Tax effect non-deductible expenses	**4,974**	**41.3**	14,989	12.7
Tax effect of unused tax losses not recognised	**–**	**–**	6,574	5.6
Tax effect of share of results of associates	**(30)**	**(0.2)**	–	–
Tax effect of different tax rates in other jurisdictions	**(129)**	**(1.1)**	500	0.4
Income tax expense for the year	**976**	**8.1**	374	0.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

9. Directors' Remuneration

Details of the directors' remuneration of the Company for the year, disclosed pursuant to Listing Rules and Section 383 of the Hong Kong Companies Ordinance, are as follows:

	Directors' Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Share options RMB'000	2014 Total RMB'000
Executive directors:					
Leung King Fai (resigned on 16 March 2015)	–	501	17	–	518
Lee Cheuk Yue, Ryan (resigned on 1 September 2014)	–	120	–	–	120
Chow Yik	–	358	16	–	374
Lok Wing Fu (appointed on 17 February 2014)	–	237	11	–	248
Independent non-executive directors:					
Yeung Mo Sheung, Ann (resigned on 1 July 2014)	90	–	–	–	90
Lam Kai Tai (resigned on 24 November 2014)	108	–	–	–	108
Wong Ting Kon (resigned on 1 September 2014)	80	–	–	–	80
Ho Kei Wing, Nelson (appointed on 1 September 2014)	43	–	–	–	43
Kwok Pak Yu, Steven (appointed on 1 July 2014)	70	–	–	–	70
Ma Si Jing (appointed on 24 November 2014)	12	–	–	–	12
	403	1,216	44	–	1,663

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Share options RMB'000	2013 Total RMB'000
Executive directors:					
Hu Yangxiong (resigned on 31 May 2013)	–	80	4	–	84
Leung King Fai	–	389	12	812	1,213
Lee Cheuk Yue, Ryan	–	156	–	–	156
Chow Yik	–	278	12	812	1,102
Independent non-executive directors:					
Yeung Mo Sheung, Ann	144	–	–	–	144
Lam Kai Tai	104	–	–	–	104
Wong Ting Kon	96	–	–	–	96
	344	903	28	1,624	2,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

9. Directors' Remuneration *(Continued)*

The details of those benefits in kind, including the principal terms and number of options granted, are disclosed in note 30.

For the years ended 31 December 2014 and 2013, no emolument was paid to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2014 and 2013.

10. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, three (2013: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two individuals (2013: two) are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries and other emoluments	**627**	445
Retirement scheme contributions	**28**	19
	655	464

The emoluments of the other two individuals (2013: two individuals) with the highest emoluments are within the following bands:

	Number of individuals	
	2014	2013
Nil – HK$1,000,000	**2**	2

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

For the year ended 31 December 2014 and 2013, no emoluments of senior management (excluding directors) was paid by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

11. Discontinued Operation

On 16 May 2013, the Company entered into the conditional sale and purchase agreement that the skin care products business were discontinued following the disposal of Merry Sky Holdings Limited, a directly wholly-owned subsidiary of the Company, which carried out all of the Group's skin care products operation. The disposal of the skin care products business is consistent with the Group's long-term policy to focus its activities in remaining business and the Directors believe that inputs of further managerial, operational and financial and sales resources to these businesses will enhance the performance of the remaining group. The disposal was completed on 15 June 2013. Details of the assets and liabilities disposed of, and the calculation of the profit on disposal, are disclosed in note 36.

Analysis of profit for the year from discontinued operation

The comparative loss and cash flows from discontinued operation have been re-presented to include those operations classified as discontinued in the current year.

	2014 **RMB'000**	2013 RMB'000
Profit for the year from discontinued operation:		
Turnover	–	–
Cost of sales	–	–
Gross profit	–	–
Other gains and losses	–	–
Selling and distribution expenses	–	–
General and administrative expenses	–	(7)
Impairment loss on intangible assets	–	–
Loss from operation	–	(7)
Finance costs	–	–
Loss before taxation	–	(7)
Income tax expense	–	–
	–	(7)
Gain on disposal of operation (note 36)	–	81
Profit for the year from discontinued operation	–	74

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

11. Discontinued Operation *(Continued)*

Profit for the year from discontinued operation include the following:

	2014 RMB'000	2013 RMB'000
Cash flow from discontinued operation		
Net cash inflow from operating activities	–	–
Net cash outflow from investing activities	–	–
Net cash inflow from financing activities	–	–
Net cash inflow	–	–

12. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company includes a loss of approximately RMB6,933,000 (2013: RMB140,239,000) which has been dealt with in the financial statements of the Company.

13. Dividend

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

14. Loss Per Share

(a) Basic loss per share

The calculation of the basic and diluted (loss)/profit per share for the year is based on the following data:

	2014 **RMB'000**	2013 RMB'000
(Loss)/profit		
(Loss)/profit for the purposes of basic and diluted loss per share, (loss)/profit for the year attributable to the owners of the Company:		
– For continuing and discontinued operations	**(12,625)**	(118,501)
– For continuing operations	**(12,625)**	(118,575)
– For discontinued operation	**–**	74

	2014 **'000**	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,677,224**	604,486

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2014 and 2013 were same as the basic loss per share. The Company's outstanding share options and warrants were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share option and warrants were anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

15. Plant and Equipments

Movements in plant and equipments are as follows:

	The Group					The Company
	Construction in progress RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Total RMB'000	Furniture and office equipment RMB'000
Cost						
At 1 January 2013	–	1,636	2,078	–	3,714	157
Exchange adjustments	–	(41)	(8)	–	(49)	(4)
Additions	–	698	611	–	1,309	–
Written off	–	(1,469)	–	–	(1,469)	(101)
Disposal of subsidiaries	–	(83)	(2,080)	–	(2,163)	–
At 31 December 2013 and 1 January 2014	–	741	601	–	1,342	52
Exchange adjustments	–	1	–	–	1	–
Additions	11,111	1,058	3,360	468	15,997	12
Addition through acquisition of subsidiaries (note 35)	–	4	–	919	923	–
At 31 December 2014	**11,111**	**1,804**	**3,961**	**1,387**	**18,263**	**64**
Accumulated depreciation and impairment						
At January 2013	–	840	836	–	1,676	112
Exchange adjustments	–	(17)	(2)	–	(19)	(3)
Charge for the year	–	490	239	–	729	31
Written off	–	(1,216)	–	–	(1,216)	(89)
Disposal of subsidiaries	–	(46)	(1,045)	–	(1,091)	–
At 31 December 2013 and 1 January 2014	–	51	28	–	79	51
Exchange adjustments	–	1	–	–	1	–
Charge for the year	–	457	379	41	877	1
At 31 December 2014	**–**	**509**	**407**	**41**	**957**	**52**
Carrying amounts						
At 31 December 2014	**11,111**	**1,295**	**3,554**	**1,346**	**17,306**	**12**
At 31 December 2013	–	690	573	–	1,263	1

Note: As at 31 December 2014, the carrying amount of the Group's motor vehicles of approximately RMB2,978,000 of assets held under finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

16. Intangible Assets

Movements in intangible assets of the Group are as follows:

	Intellectual properties RMB'000 (note b)	Exclusive skin care products distribution license RMB'000 (note a)	Total RMB'000
Cost			
At 1 January 2013	131,356	7,193	138,549
Disposal of subsidiaries	–	(7,193)	(7,193)
Exchange adjustments	(4,319)	–	(4,319)
At 31 December 2013 and 1 January 2014	127,037	–	127,037
Exchange adjustments	935	–	935
At 31 December 2014	**127,972**	**–**	**127,972**
Accumulated amortisation and impairment			
At 1 January 2013	32,839	7,193	40,032
Amortisation expenses	16,089	–	16,089
Impairment loss	59,798	–	59,798
Disposal of subsidiaries	–	(7,193)	(7,193)
Exchange adjustments	(1,289)	–	(1,289)
At 31 December 2013 and 1 January 2014	107,437	–	107,437
Amortisation expenses	4,096	–	4,096
Impairment loss	12,737	–	12,737
Exchange adjustments	57	–	57
At 31 December 2014	**124,327**	**–**	**124,327**
Carrying amounts			
At 31 December 2014	**3,645**	**–**	**3,645**
At 31 December 2013	19,600	–	19,600

(a) The exclusive skin care products were disposed upon the disposal of subsidiaries during the year ended 31 December 2013.

(b) The intellectual property's useful life used in the calculation of amortisation is 8 years.

During the year ended 31 December 2014, as the result of the unexpected poor performance of the biodegradable products, the impairment review of the intellectual properties to be lower than the carrying amount of the biodegradable products and accordingly an impairment of approximately RMB12,737,000 (2013: RMB 59,798,000) was recognised during the year ended 31 December 2014.

The recoverable amount of biodegradable products for the year ended 31 December 2014 was determined based on value-in-use calculations. The impairment review of the biodegradable products is based on the expected future cash flows and based on the financial budgets approved by management covering a 5-year period. Discount rate of 13.05% was applied on the value-in-use calculations.

(c) The amortisation charge for the year is included in "general administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

17. Goodwill

	The Group	
	2014	2013
	RMB'000	RMB'000
Cost:		
At 1 January	**–**	6,821
Acquisition of subsidiaries (note 35)	**213,259**	–
Disposal of a subsidiary (note 36(c))	**–**	(6,821)
At 31 December	**213,259**	–
Accumulated impairment loss:		
At 1 January and 31 December	**–**	–
Carrying amounts:		
At 31 December	**213,259**	–

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

– Biomass fuel products business

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2014	2013
	RMB'000	RMB'000
Biomass fuel products business	**213,259**	–

For the year ended 31 December 2014, the recoverable amount of this cash-generating units has been determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors covering a five year period, and discount rate of 12.0% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3.00% growth rate. This growth rate does not exceed the long-term average growth rate for the market. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

The key assumptions used in the value-in-use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect post experience
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects the past experience

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

18. Interests in Associates

	The Group	
	2014	2013
	RMB'000	RMB'000
Unlisted share, at cost	**289**	–
Goodwill on acquisition	**54,359**	–
Share of post-acquisition profits and other comprehensive income, net of dividend received.	**185**	–
At 31 December	**54,833**	–

On 1 September 2014, the Group entered into sale and purchase agreement to acquire of 22.5% equity interest in Sincere Smart International Limited for cash consideration of HK$69,000,000 (equivalent to approximately RMB54,648,000). The acquisition was completed on 8 October 2014. For details, please refer to the announcement date 1 September 2014 and 8 October 2014.

During the year ended 31 December 2014, the Group had interests in the following associates:

Name of entity	Form of entity, place of incorporation/ registration and operations	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Group	Percentage of voting power hold	Principal activities
Sincere Smart International Limited	Incorporated in BVI	50,000 ordinary shares of US$1 each	22.5%	22.5%	Investment holding
Ideal Surplus Inc Limited	Incorporated in Hong Kong	10,000 ordinary shares of HK$ 1 each	22.5%	22.5%	Development and sales of POS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

18. Interests in Associates *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	The Group	
	2014	2013
	RMB'000	RMB'000
Total assets	**5,443**	–
Total liabilities	**(3,336)**	–
Net assets	**2,107**	–
Net asset attributable to the Group	**474**	–
Goodwill on acquisition	**54,359**	–
Carrying amount	**54,833**	–
Turnover	**1,238**	–
Profit for the year	**822**	–
Group's share of profit of associates	**185**	–
Group's share of other comprehensive expenses	**–**	–

19. Investments in Subsidiaries

In the Company's statement of financial position, investments in subsidiaries consist of:

	The Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**102,798**	669
Less: Impairment loss recognised	**(341)**	(341)
	102,457	328

Note:

In prior years, the subsidiaries incurred losses continuously and the directors of the Company carried out a review on the recoverable amounts of the investments in subsidiaries. The carrying amounts of the investments in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

During the year ended 31 December 2013, the Group disposed of 100% of its interest in Jin Hao Limited and Merry Sky Limited and the proceeds on disposal of approximately RMB1,746,000 (Equivalent to approximately HK$2,200,000) and RMB159,360 (Equivalent to approximately HK$200,000) were received in cash on completion date respectively. Detail please refer to (note 36(a) and (b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

19. Investments in Subsidiaries *(Continued)*

During the year ended 31 December 2014, the Group acquired 100% of its interest in Double Win and its subsidiaries at the consideration of HK$130,000,000(equivalent to approximately RMB102,457,000). The acquisition was completed on 3 January 2014. Detail please refer to note 35.

The particulars of material subsidiaries of the Company at 31 December 2014 were as follows:

Name of company	Place of incorporation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company Directly	Indirectly	Principal activities
Premium Stars Investments Limited	BVI	50,000 ordinary of US$1 each	100%	–	Investment holding
Smart Courage Limited	BVI	1 ordinary of US$1 each	–	100%	Investment holding
Earth Buddy (Intellectual property) Limited	Hong Kong	10,000 ordinary shares of HK$ 1 each	–	100%	Sale of biodegradable products
Earth Buddy Environmental Limited	Hong Kong	10,000 ordinary shares of HK$ 1 each	–	100%	Sale of biodegradable products
Earth Buddy Materials Limited	Hong Kong	10,000 ordinary shares of HK$ 1 each	–	100%	Sale of biodegradable products
Famous Reliance Limited	BVI	50,000 ordinary of US$1 each	100%	–	Investment holding
Create Profit Enterprises Limited	Hong Kong	10,000 ordinary shares of HK$ 1 each	–	100%	Finance and Money lending
Huge Lucky Limited	Hong Kong	10,000 ordinary shares of HK$ 1 each	–	100%	Trading and Manufacturing biomass fuel products
佛山市寶地創新科技有限公司	the PRC	500,000 ordinary shares of RMB1 each	–	100%	Trading and Manufacturing biomass fuel products
德慶縣炬林環保新能源開發有限公司(「炬林環保」)	the PRC	2,000,000 ordinary shares of RMB1 each	–	51%	Trading and Manufacturing biomass fuel products

The above table lists the subsidiaries of the Group, which, in the opinion of the directors, principally affected the results or assets of the Group. The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

20. Inventories

	The Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**218**	–
Work in progress	**168**	–
Finished goods	**224**	–
	610	–

21. Trade, Loan and Other Receivables, Prepayment and Deposits

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade debtors	**1,499**	2,734	**–**	–
Less: allowance for doubtful debts (note 21(c))	**–**	–	**–**	–
	1,499	2,734	**–**	–
Loans receivable (note 21(a))	**64,907**	–	**–**	–
Other receivables	**1,350**	2,207	**539**	38
Trade deposit	**22,103**	5,518	**–**	–
Deposit for acquistion of subsidiaries	**–**	10,656	**–**	10,656
Rental and other deposits	**548**	1,539	**3**	385
Prepayments	**3,878**	157	**120**	157
Amounts due from subsidiaries (note b)	**–**	–	**164,265**	10,877
	94,285	22,811	**164,927**	22,113
Less: Non-current portion – Loans receivable	**(17,042)**	–	**–**	–
	77,243	22,811	**164,927**	22,113

Note:

(a) The Group's loans receivable, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollar. Loans receivable are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

21. Trade, Loan and Other Receivables, Prepayment and Deposits *(Continued)*

Note: *(Continued)*

(b) The amounts due from subsidiaries are non-trade nature, unsecured, interest free and repayable on demand. Due to the prolonged poor financial performance of the subsidiaries, the carrying amounts due from subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows reference to be generated from the respective subsidiaries.

(a) Ageing analysis of trade debtors and loans receivable

Included in trade and other receivables are trade debtors and loans recoverable with the following ageing analysis as of the end of the reporting period:

	The Group	
	2014	2013
	RMB'000	RMB'000
0 to 30 days	**17,093**	–
31 to 60 days	**6,721**	256
61 to 90 days	**11,901**	–
91 to 180 days	**12,383**	539
181 to 365 days	**–**	1,937
Over 365 days	**18,308**	2
	66,406	2,734
Less: allowance for doubtful debts	**–**	–
	66,406	2,734

Customers are generally granted with credit term of 90 days and the loan to customers were repaid in accordance with the terms of the loan agreements. Further details on the Group's policy are set out in note 34.

(b) Impairment of trade debtors and loans receivable

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade receivables and financial difficulties and only a portion of receivable is expected to be recovered. At 31 December 2014 and 2013, none of the Group's trade debtors were individually determined to be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

21. Trade, Loan and Other Receivables, Prepayment and Deposits *(Continued)*

(c) Trade debtors and loans receivables that are not impaired

The ageing analysis of trade debtors and loans receivable that are neither past due nor impaired and that are past due but not impaired are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**64,441**	256
Less than 6 months past due	**1,165**	2,476
More than 6 months past due	**800**	2
	1,965	2,478
Total	**66,406**	2,734

Trade debtors that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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 collaterals from the relevant customers over these balances.

22. Financial Assets at Fair Value through Profit or Loss

	The Group	
	2014	2013
	RMB'000	RMB'000
Listed securities:		
Equity securities listed in Hong Kong	**20,456**	–

Financial assets at fair value through profit or loss are stated at fair values which are determined with reference to quoted market bid prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

23. Cash and Bank Balances

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances, denominated in				
– Hong Kong dollars and United Sates dollars	**29,396**	9,024	**9,646**	3,572
– Renminbi	**10**	–	**–**	–
Cash and cash equivalents in statements of financial position and consolidated statement of cash flows	**29,406**	9,024	**9,646**	3,572

Cash and bank balances of approximately RMB10,000 (2013: Nil) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. Cash at banks earn interest at floating rates based on daily bank deposits rate.

24. Trade and Other Payables

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors	**1,273**	1,571	**–**	–
Accrued expenses and other payables	**38,609**	3,781	**5,396**	3,416
Amount due to subsidiaries*	**–**	–	**292**	987
	39,882	5,352	**5,688**	4,403

* The amounts due to the subsidiaries are unsecured, non-interest bearing and repayable on demand.

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group	
	2014	2013
	RMB'000	RMB'000
0 to 30 days	**–**	1,571
Over 30 days	**1,273**	–

The average credit period on purchases of goods is 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

25. Convertible Notes

The Group and the Company

On 27 May 2011, the Company issued 3% coupon convertible notes the with a principal amount of HK$120,000,000 (equivalent to approximately RMB100,020,000). Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.10 per conversion share. The convertible notes were issued as part of the consideration for acquisition of Smart Courage Limited and its subsidiaries ("Smart Courage Group"). The maturity date of the Convertible Notes is the date immediately preceding the second anniversary of the date of issue of the Convertible Notes, 27 May 2013.

During the year 31 December 2013, the convertible note holder ("Note holder") has convert Convertible Notes of approximately 194,577,640 shares at 5 April 2013. On 27 May 2013, the convertible notes is matured and reallocated as other borrowings.

On 3 January 2014, the Company issued 2% coupon convertible notes with a principal amount of HK$116,480,000 (equivalent to approximately RMB91,809,000). Each note entitled the holder to convert into ordinary share of the Company at a conversion price of HK$0.32 per conversion share. The convertible notes were issued as part of the consideration for acquisition of Double Win Internation Investments Limited. The maturity date of the convertible note is 3 January 2017. The convertible note was fully converted into 364,000,000 ordinary shares of the Company during the year ended 31 December 2014.

On 1 August 2014 and 13 August 2014, the Company issued convertible notes with a principal amount of HK$200,000,000. Each note entitled the holder to convert into ordinary share of the Company at a conversion price of HK$0.1 per conversion share. In addition, the convertible notes were issued with the entitlement to the bonus warrants at net consideration on the basis of 1 bonus warrant for every 5 conversion shares issued upon exercise of the convertible notes. The convertible notes were fully converted into 3,000,000,000 ordinary shares of the Company together with 400,000,000 bonus warrants.

During the year ended 31 December 2014, the aggregate amount 2,364,000,000 of convertible bonds has been converted. For details, please refer to the announcement dated 16 January 2014, 25 August 2014, 30 September 2014, 17 October 2014, 22 October 2014 and 31 October 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

25. Convertible Notes *(Continued)*

The Convertible Notes recognised in the statement of financial position was calculated, as follows:

	2014	2013
	RMB'000	RMB'000
At 1 January	**–**	97,822
Issue of convertible notes	**235,916**	–
Interest charged	**393**	3,472
Interest paid	**(245)**	(1,084)
Fair value changes	**–**	(2,115)
Conversion	**(236,064)**	(15,643)
Matured and reclassified as other borrowings	**–**	(80,031)
Exchange alignments	**–**	(2,421)
At 31 December	**–**	–

During the years ended 31 December 2013 and 2014, interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate on initial recognition of the liability component. The fair values of the convertible notes has been arrived on the basis of a valuation carried out on the date of issue and at the end of the reporting period by independent professional valuers not connected with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

26. Promissory Notes

The Group

On 27 May 2011, Premium Stars Investment Limited, a wholly owned subsidiary of the Company issued promissory notes with a principal amount of HK$30,000,000 for acquiring the entire issued share capital of Smart Courage Group (the "Promissory Notes"). The fair value of Promissory Notes was approximately HK$26,959,000 (equivalent to approximately RMB22,470,000) on 27 May 2011. The promissory note bearing interest at 5% per annum and are repayable in the second anniversary from the date of issue of Promissory Note the effective interest rate is 10.913%. On 25 March 2013, vendor of Promissory Notes agreed to postone the materiality date of the Promissory Notes from 27 May 2013 to 27 May 2015. Other terms and conditions of the Promissory Notes remain unchanged.

The movement of the carrying amount of the Promissory Notes is set out below:

	2014	2013
	RMB'000	RMB'000
At 1 January	–	23,932
Interest charged	–	2,035
Interest paid	–	(1,017)
Gain on extension of Promissory notes	–	(1,474)
Exchange alignments	–	(482)
Repayment	–	(24,401)
Loss on early settlement	–	1,407
At 31 December	–	–

The Promissory Notes were fully repaid during the year ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

27. Tax Payables

(a) Current taxation in the consolidation statement of financial position represents:

	The Group	
	2014	2013
	RMB'000	RMB'000
Provision for PRC enterprise income tax for the year	**–**	–
Provision for Hong Kong profit tax	**901**	88
	901	88

(b) **Deferred taxation recognised**

No deferred tax liabilities have been recognised as the Group does not have significant temporary difference for the year ended 31 December 2014.

At the end of the reporting period, no deferred tax assets has been recognised in relation to the deductible temporary difference and tax losses as it is not probable that taxable profit will be available against which the deductible temporary difference and tax losses can be utilised (2013: Nil). The Group and the Company has tax losses of approximately RMB15,501,000 (2013: RMB17,168,000) and RMB15,501,000 (2013: RMB17,168,000) respectively, which do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

28. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payment	
	2014	2013	**2014**	2013
	RMB	RMB	**RMB**	RMB
Amounts payable under finance leases:				
Within one year	**621**	–	**609**	–
In more than one year and not more than five years	**2,173**	–	**1,970**	–
In the fifth year	**–**	–	**–**	–
	2,794	–	**2,579**	–
Less: Future finance charges	**(215)**	–	**–**	–
Present value of lease obligations	**2,579**	–	**2,579**	–
Less: Amount due within one year shown under current liabilities			**(609)**	–
Amount due after one year			**1,970**	–

The Group has leased the motor vehicles under finance leases. The leave term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranged 2% per annum. Obligations under finance leases are denominated in Hong Kong dollars.

The obligations under finance leases are secured by the lessor's charge over the leased assets and by the corporate guarantees provided by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

29. Capital and Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reduction reserve RMB'000	Convertible note equity reserve RMB'000	Warrants reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	17,122	72,080	56,774	92,489	–	–	20,103	(926)	(263,118)	(5,476)
Loss for the year	–	–	–	–	–	–	–	–	(140,239)	(140,239)
Other comprehensive loss for the year										
Exchange difference translating into presentation currency	–	–	–	–	–	–	–	(3,353)	–	(3,353)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(3,353)	(140,239)	(143,592)
Issue of shares upon conversion of convertible notes	1,564	14,079	–	–	–	–	–	–	–	15,643
Issue of shares upon open offer of shares	128,134	–	–	–	–	–	–	–	–	128,134
Transaction costs attributable to issue shares of open offer	–	(1,911)	–	–	–	–	–	–	–	(1,911)
Recognition of equity-settled shares-based payments	–	–	–	–	–	–	28,923	–	–	28,923
Release upon lapse of share options	–	–	–	–	–	–	(12,787)	–	12,787	–
Release upon disposal of subsidiaries	–	–	–	–	–	–	–	(110)	–	(110)
At 31 December 2013 and 1 January 2014	146,820	84,248	56,774	92,489	–	–	36,239	(4,389)	(390,570)	21,611
Loss for the year	–	–	–	–	–	–	–	–	(6,933)	(6,933)
Other comprehensive loss for the year										
Exchange difference translating into presentation currency	–	–	–	–	–	–	–	(114)	–	(114)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(114)	(6,933)	(7,047)
Issuance of unlisted warrant	–	–	–	–	–	1,349	–	–	–	1,349
Issuance of convertible notes	–	–	–	–	8,965	–	–	–	–	8,965
Issue of shares upon conversion of convertible notes	158,615	–	-	-	(8,965)	105	–	–	–	149,755
Transaction costs attributable to issuance of conversion of convertible notes	–	(4,028)	–	–	–	–	–	–	–	(4,028)
Issue of share upon exercise of bonus warrant	1,700	5	–	–	–	(5)	–	–	–	1,700
Issue of share upon conversion of convertible note	28,690	63,232	–	–	–	–	–	–	–	91,922
Exercise of unlisted warrant	3,946	3,367	–	–	–	(186)	–	–	–	7,127
At 31 December 2014	**339,771**	**146,824**	**56,774**	**92,489**	**–**	**1,263**	**36,239**	**(4,503)**	**(397,503)**	**271,354**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

29. Capital and Reserves *(Continued)*

(b) Share capital

(i) Authorised and issued share capital

	Notes	2014 Number of shares '000	2014 Nominal value HK$'000	2013 Number of shares '000	2013 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.1 each (2013: HK$0.1)	(vii)	**10,000,000**	**1,000,000**	2,000,000	200,000

	Notes	2014 Number of shares '000	2014 Nominal value of ordinary shares HK$'000	2014 Nominal value of ordinary shares RMB'000	2013 Number of shares '000	2013 Nominal value of ordinary shares HK$'000	2013 Nominal value of ordinary shares RMB'000
Ordinary share, issued and fully paid:							
At 1 January		**1,824,002**	**182,398**	**146,820**	1,832,091	18,320	17,122
Issue of shares upon conversion of convertible notes	(i)	**364,000**	**36,400**	**28,690**	194,578	1,945	1,564
Issue of shares upon conversion of convertible notes	(ii)	**2,000,000**	**200,000**	**158,615**	–	–	–
Issue of shares upon exercise of unlisted warrants	(iii)	**50,000**	**5,000**	**3,946**	–	–	–
Issue of shares upon exercise of bonus warrants	(iv)	**21,000**	**2,100**	**1,700**	–	–	–
Share consolidation	(v)	**–**	**–**	**–**	(1,824,001)	–	–
Issue of shares upon open offer	(vi)	**–**	**–**	**–**	1,621,334	162,133	128,134
		4,259,002	**425,898**	**339,771**	1,824,002	182,398	146,820

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) On 22 January 2014 and 10 March 2014, convertible note with the principal amount of HK$116,480,000 issued to the vendors as part of the consideration for the acquisition were converted into 364,000,000 issued shares at the conversion price of HK$0.32 per conversion share.

(ii) On 1 August 2014 and 13 August 2014, convertible notes with the principal amount of HK$200,000,000 were converted into 2,000,000,000 issued shares at the conversion price HK$0.1 per share and related transcation costs attributable to issue share upon convertible note were approximately HK$5,000,000 (equivalent to approximately RMB4,028,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

29. Capital and Reserves *(Continued)*

(b) Share capital *(Continued)*

(iii) On 11 September 2014, unlisted warrants with the principal amount of HK$9,000,000 (equivalent to approximately RMB7,127,000) were exercised and converted into 50,000,000 issued shares at the unlisted warrants price HK$0.18 per share.

(iv) On 11 September 2014, partial bonus warrants with the principal amount of HK$2,100,000 (equivalent to approximately RMB1,700,000) were exercised and converted into 21,000,000 issued shares at the conversion price HK$0.1 per share.

(v) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 17 September 2013 every 10 issued and unissued shares of HK$0.01 each in share capital of the Company be consolidated into one share of HK$0.10 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

29. Capital and Reserves *(Continued)*

(b) Share capital *(Continued)*

(vi) The Company raised approximately HK$162,133,000 (equivalent to approximately RMB128,134,000) (before expenses) by way of an open offer of 1,621,334,832 shares at a subscription price of HK$0.10 per share on the basis of eight shares for every one share. The open offer was completed on 30 October 2013. The proceeds from the open offer has been applied to settle the convertibles notes, promissory notes and accrued interest, the remaining will serve as working capital.

(vii) Pursuant to an ordinary resolution passed by the Shareholders of the Company at a special general meeting on 24 February 2014, the authorised share capital of the Company was increased from HK$200,000,000 to HK$1,000,000,000 by creation of 8,000,000,000 additional shares.

(c) Nature and purpose

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by the Companies Law of the Cayman Islands. Under the Companies Law (2000 revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reduction reserve

Pursuant to a special resolution passed on 20 January 2010, the issued share capital of the Company was be reduced by cancelling paid up capital to the extent of HK$0.09 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Issued Capital Reduction") from HK$0.10 each to HK$0.01 each; and the nominal value of all unissued shares in the authorised share capital of the Company was reduced (the "Authorised Capital Reduction") from HK$0.10 each to HK$0.01 each. Upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, the authorised share capital of the Company was increased to HK$200,000,000, divided into 20,000,000,000 ordinary shares of HK$0.01 each. The Issued Capital Reduction was completed on 2 July 2010.

(iii) Share-based compensation reserve

Share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and other service providers of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(o)(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

29. Capital and Reserves *(Continued)*

(c) Nature and purpose *(Continued)*

(iv) General fund reserve

According to the relevant laws and regulations in the PRC, the subsidiaries established in the PRC, is required to appropriate at least 10% of after-tax profit (after offsetting prior years' losses), based on the PRC statutory financial statements prepared in accordance with the generally accepted accounting principles and financial regulations applicable to the PRC enterprises, to a general fund reserve until the balance of the fund reaches 50% of its registered capital. Thereafter, any further appropriation can be made at the directors' discretion.

The general fund reserve can be utilised to offset the prior years' losses, or be utilised to increase the capital on the condition that the general fund reserve shall be maintained at a minimum of 25% of the registered capital after such increase.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(s).

(vi) Contributed surplus

The contributed surplus of the Company represents the difference between the aggregate nominal value of the share capital issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares.

Under the Companies Law (2000 Revision) of the Cayman Islands, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued capital account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

29. Capital and Reserves *(Continued)*

(d) Distributability of reserves

In the opinion of the Company's directors, as at 31 December 2014 and 2013, the Company has no reserves available for distribution to its shareholders.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) debt, which includes loans and other borrowings convertible notes and promissory notes; (ii) cash and cash equivalents; and (iii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, raise new debt financing or sell assets to reduce debt.

The Group monitors its capital structure on the basis of gearing ratio. The Group's gearing ratio as at 31 December 2014 is 10% (2013: 10.3%), which is calculated by dividing total liabilities of approximately RMB43,362,000 (2013: RMB5,440,000) over the total assets of approximately RMB433,800,000 (2013: RMB52,698,000).

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

30. Equity Settled Share-based Transactions

On 5 July 2001, the Company had adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible employees for their contribution to the Group. Eligible employees of the Old Scheme include all executive directors, executives, officers and full-time employees of the Group. The Old Scheme was effective for a period of 10 years commencing from 5 July 2001, after which period no further options will be granted but the provisions of the Old Scheme shall in all other respects remain in full force and effect.

On 24 September 2009, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted. As a result, the Company can no longer grant any further share options under the Old Scheme. In addition, no share option was granted prior to the termination of the Old Scheme.

The Company has the New Scheme which was adopted on 24 September 2009 whereby the directors of the Company are authorised, at their discretion, to invite eligible participants of the Group, including the employees and directors of any company in the Group, to take up options at HK$10 consideration to subscribe for shares of the Company. The New Scheme remains in force for a period of 10 years from adoption of such scheme and expires on 23 September 2019. The exercise period of the share options granted is determined by the directors of the Company but not later than 10 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The purpose of New Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the shares in issue from time to time.

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

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors of the Company to each grantee of the option which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant. Unless otherwise determined by the Directors of the Company at their sole discretion, there is no requirement of a minimum period for which a share option must be held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

30. Equity Settled Share-based Transactions *(Continued)*

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January '000	Granted during the year '000	Exercise during the year '000	Lapsed/ cancelled/ forfeited during the year '000	Share consolidation '000	Adjustment during the year '000	Number of share options outstanding at 31 December '000
2014									
Directors	11 November 2009 (Adjusted)	4.1320	204	–	–	–	–	–	204
	28 November 2013	0.3190	10,000	–	–	–	–	–	10,000
			10,204	–	–	–	–	–	10,204
Eligible participants	11 November 2009 (Adjusted)	4.1320	2,298	–	–	–	–	–	2,298
	28 November 2013	0.3190	169,800	–	–	–	–	–	169,800
			172,098	–	–	–	–	–	172,098
			182,302	–	–	–	–	–	182,302
Weighted average Exercise price			0.3713	–	–	–	–	–	0.3713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

30. Equity Settled Share-based Transactions *(Continued)*

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January '000	Granted during the year '000	Exercise during the year '000	Lapsed/ cancelled/ forfeited during the year '000	Share consolidation '000	Adjustment during the year '000	Number of share options outstanding at 31 December '000
2013									
Directors	11 November 2009 (Adjusted)	4.1320	4,000	–	–	–	(3,600)	(196)	204
	22 January 2010	0.2388	86,760	–	–	(86,760)	–	–	–
	28 November 2013	0.3190	–	10,000	–	–	–	–	10,000
			90,760	10,000	–	(86,760)	(3,600)	(196)	10,204
Eligible participants	11 November 2009 (Adjusted)	4.1320	61,000	–	–	(16,000)	(40,500)	(2,202)	2,298
	22 January 2010	0.2388	–	–	–	–	–	–	–
	28 November 2013	0.3190	–	169,800	–	–	–	–	169,800
			61,000	169,800	–	–	(40,500)	(2,202)	172,098
			151,760	179,800	–	(102,760)	(40,500)	(2,398)	182,302
Weighted average Exercise price			1.9120	0.3190	–	0.8534	4.1320	4.1320	0.3713

As at 31 December 2014, the weighted average remaining contractual life of the share option is 3 years (2013: 4 years).

During the year ended 31 December 2014, there were nil (2013: 179,800,000) share options granted and nil (2013: 102,760,000) share options forfeited.

The Group recognised total expenses of approximately 28,923,000 related to equity-settled share-based payment transactions during the year ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

31. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap monthly relevant income of HK$25,000. Contributions to the scheme vest immediately.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

For the year ended 31 December 2014, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately RMB88,000 (2013: RMB58,000) which was included in the staff costs.

32. Material Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note9, is as follows:

	2014	2013
	RMB'000	RMB'000
Short-term employees benefit	**1,619**	2,871
Retirement scheme contributions	**44**	28
Total	**1,663**	2,899

Total remuneration is included in "staff cost" (see note 7(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

33. Commitments

(a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Capital expenditure authorised and contracted for in respect of acquisition of:		
– subsidiaries (note 35)	**–**	91,810
Property, plant and equipment	**13,452**	–
	13,452	91,810

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,722**	1,593	**–**	–
After 1 year but within 5 years	**1,650**	3,186	**–**	–
	3,372	4,779	**–**	–

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

34. Financial Risk Management and Fair Values

Financial risk factors

The Group's financial assets include cash and cash equivalents, trade, loan receivable and other receivable, prepayment and deposits. The Group's financial liabilities include trade and other payables, convertible notes and promissory notes.

The Group does not have nor has issued financial instruments for trading purposes. Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

34. Financial Risk Management and Fair Values *(Continued)*

(i) Credit risk

The Group's credit risk is primarily attributable to trade, loan and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Money lending business

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2014, base on past experience, the directors of the Company are of the opinion that no provision for impairment on individual loans 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 manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group holds collateral against loan receivable and interest receivables in the form of mortgages over property. Majority of the collateral are residential, properties and all of the collaterals are located in Hong Kong. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

Other credit risk

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Normally, the Group requests the customers to pay sales deposits to reduce the credit risk exposures.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 81.20% (2013: approximately 99.9%) of the trade receivable and the largest trade receivable was approximately RMB16,544,000 (2013: RMB795,000) and was approximately 24.91% (2013: approximately 29%) of the Group's total trade receivables. The Group seeks to minimize its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

In relation to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings are changed. As at 31 December 2014 and 2013, the Group has no significant concentration of credit risk in relation to deposit with bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

34. Financial Risk Management and Fair Values *(Continued)*

Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

(ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and other lenders to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

The Group

			2014		
	Carrying Amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade and other payables	39,882	39,882	39,882	–	–
	39,882	39,882	39,882	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

34. Financial Risk Management and Fair Values *(Continued)*

Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

The Group

	2013				
	Carrying Amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade and other payables	5,352	5,352	5,352	–	–
	5,352	5,352	5,352	–	–

The Company

	2014				
	Carrying Amount RMB'000	**Total Contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**
Trade and other payables	**5,688**	**5,688**	**5,688**	**–**	**–**
	5,688	**5,688**	**5,688**	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

34. Financial Risk Management and Fair Values *(Continued)*

Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

			2013		
	Carrying Amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade and other payables	4,403	4,403	4,403	–	–
	4,403	4,403	4,403	–	–

(iii) Interest rate risk

Sensitivity analysis

At 31 December 2014 and 31 December 2013, the Group has no borrowing at variable interest rate and fixed interest rate that expire the Group's cash flow interest rate risk and fair value interest rate risk.

(iv) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

As most of the Group's monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant and the Group does not employ any financial instruments for hedging purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

34. Financial Risk Management and Fair Values *(Continued)*

Financial risk factors *(Continued)*

(v) Fair values of financial instrument

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2014 and 2013.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

34. Financial Risk Management and Fair Values *(Continued)*

Financial risk factors *(Continued)*

(v) Fair values of financial instrument *(Continued)*

At 31 December 2014	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets of fair value through profit or loss	20,456	–	–	20,456

Financial assets	Fair value at	For value hierachy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss	31/12/14: RMB20,456,000	Level 1	Quoted bid prices in active market

There were no transfer between Level 1, 2 and 3 in both years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

35. Acquisition of Subsidiaries

On 26 November 2013, the Group entered into a sale and purchase agreement ("S&P") to acquired 100% equity interest in Double Win International Investments Limited and its subsidiaries ("Double Win Group") from an independent third party (the "Vendor") at a consideration of HK$130,000,000 (equivalent to approximately RMB102,466,000) The total consideration was satisfied by cash consideration HK$13,520,000 (equivalent to approximately RMB10,657,000) and issue of convertible notes of approximately HK$116,480,000 (equivalent to approximately RMB91,809,000). The acquisition was completed on 3 January 2014. Summary of the effects of the acquisition is as follows:

	Acquiree's carrying amount and fair value Total RMB'000
Plant and equipment	923
Inventories,	1,134
Trade and other receivables prepayment and deposit	2,640
Cash and cash balances	1,097
Trade and other payable	(18,139)
	(12,345)
Goodwill	213,259
Non-controlling interests	(98,448)
	102,466

The Group were acquired Double Win Group as to new segment business of the Group's biomass fuel products business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

35. Acquisition of Subsidiaries *(Continued)*

Non-controlling interests

The non-controlling interests of 49% in 炬林環保, a subsidiary of Double Win, recognised at the acquisition date was measured by reference to the fair value was estimated by an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate of 13%, and
- assumed long-term sustainable growth rate of 2%.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	102,466
Add: non-controlling interest (49% in 炬林環保), including goodwill	98,448
Add: fair value of identifiable net liabilities acquired	12,345
	213,259

Goodwill arose in the acquisition of Double Win Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development of Double Win Group. These benefits not recognized separately from goodwill because they do not meet the recognition criteria of identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

Included in the loss for the year of approximately RMB2,869,000 and turnover for the year of approximately RMB30,897,000 attributable to the additional business generated by Double Win Group.

Has these business combinations been effected at 1 January 2014, the loss for the year of approximately RMB2,869,000 and turnover for the year of approximately RMB30,897,000 attributable to the continuing operation of Double Win Group.

Net cash outflow on acquisition of subsidiaries

	RMB'000
Consideration paid in cash	10,657
Less: Cash and cash equivalent balance acquired	(1,097)
	9,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

36. Disposal of Subsidiaries

(a) On 16 May 2013, the Group entered into a sale and purchase agreement to disposal of its 100% equity interest in Merry Sky Holdings Limited to an independent third party (the "Purchaser") for cash consideration of HK$2,200,000 (equivalent to approximately RMB 1,746,000). The disposal was completed on 15 June 2013. Summary of the effects of the disposal is as follows:

	RMB'000
Net assets disposed of:	
Trade and other receivables	1,587
Net assets disposed of	1,587

Gain on disposal of subsidiaries

	RMB'000
Consideration received	1,746
Net assets disposal of	(1,587)
Release of exchange reserve	(78)
Gain on disposal	81

The gain on disposal is included in the loss for the year from discontinued operations in the consolidated statement of comprehensive income.

Net cash inflow from disposal of subsidiaries

	RMB'000
Consideration received in cash and cash equivalents	1,746
Less: cash and cash equivalent balances disposed of	–
Net cash inflow from disposal of subsidiaries	1,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

36. Disposal of Subsidiaries *(Continued)*

(b) On 27 June 2013, the Group entered into a sale and purchase agreement to disposal of its 100% equity interest in Jin Hao Holdings Limited and its subsidiaries to an independent third party (the "Purchaser") for cash consideration of HK$200,000 (equivalent to approximately RMB159,360). The disposal was completed on 30 June 2013. Summary of the effects of the disposal is as follows:

	RMB'000
Net liabilities disposed of:	
Plant and equipments	1,072
Investment properties	1,700
Cash and bank balances	402
Trade and other payables	(3,576)
Net liabilities disposed of	(402)

Gain on disposal of subsidiaries

	RMB'000
Consideration received	159
Net liabilities disposal of	402
Release of exchange reserve	188
Gain on disposal	749

The gain on disposal is included in the profit for the year from continuing operations in the consolidated statement of profit or loss and other comprehensive income.

Net cash inflow from disposal of subsidiaries

	RMB'000
Consideration received in cash and cash equivalents	159
Less: cash and cash equivalent balances disposed of	(402)
Net cash outflow from disposal of subsidiaries	(243)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

36. Disposal of Subsidiaries *(Continued)*

(c) On 22 February 2013, the Group entered into a sale and purchase agreement to disposal of its 100% equity interest in 珠海市奧美斯美容有限公司 to an independent third party (the "Purchaser") for cash consideration of HK$8,500,000 (equivalent to approximately RMB6,787,000). The disposal was completed on 19 March 2013. Summary of the effects of the disposal is as follows:

	RMB'000
Net assets disposed of:	
Cash and bank balances	64
Trade and other receivables	5,063
Tax payables	(1,298)
Net assets disposed of	3,829

Loss on disposal of subsidiaries

	RMB'000
Consideration received	6,787
Release of goodwill	(6,821)
Net assets disposal of	(3,829)
Release of exchange reserve	89
Loss on disposal	(3,774)

The loss on disposal is included in the loss for the year from continuing operations in the consolidated statement of comprehensive income.

Net cash inflow from disposal of subsidiaries

	RMB'000
Consideration received in cash and cash equivalents	6,787
Less: cash and cash equivalent balances disposed of	(64)
Net cash outflow from disposal of subsidiaries	6,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

37. Accounting Estimates and Judgements

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade debtors and loans receivable, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write offs would be higher than estimated.

(b) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation and amortisation

Plant and equipments are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with indefinite lives are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

37. Accounting Estimates and Judgements *(Continued)*

(d) Provision for income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, the management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Impairment for goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

(f) Impairment of intangible assets

Determining whether intangible assets is impaired requires an estimation of the value in use of the cash-generating units. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2014

38. Non-cash Transactions

During the year ended 31 December 2013, the Group has granted share option to certain directors and eligible participants of approximately RMB28,923,000.

On 15 April 2013, partial convertible note with the principal amount of approximately HK$19,458,000 During the year 31 December 2014, the Group acquired the entire share capital of Double Win for a total consideration of approximately HK$130,000,000 (equivalent to approximately RMB102,466,000), the consideration was satisfied by convertible bond of approximately HK$116,480,000 (equivalent to RMB91,810,000)

During the year 31 December 2014, additions to property, plant and equipment of approximately HK$4,241,0000 (equivalent to approximately RMB3,356,000) was made under the finance leases.

39. Events after the Reporting Period

On 6 February 2015, Starry Regent Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which Starry Regent Limited agreed to acquire 5.4% equity interest in Peak Zone Group Limited at the consideration of HK$19,200,000. The transaction was was completed on 16 February 2015.

40. Authorisation for Issue of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2015.