Oriental Unicorn Agricultural Group Limited

東麟農業集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code : 8120

Annual Report 2014

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

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

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

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors (the "Directors") of Oriental Unicorn Agricultural Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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

EXECUTIVE DIRECTORS

Mr. Zhou Jing *(Chairman & Chief Executive Officer)*
Mr. Lam Chun Kei

NON-EXECUTIVE DIRECTOR

Mr. Lin Chuen Chow Andy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kin Fai
Ms. Cheng Lo Yee
Mr. Hung Kenneth

COMPLIANCE OFFICER

Mr. Zhou Jing

AUTHORISED REPRESENTATIVES

Mr. Lam Chun Kei
Mr. Ho Yui Pang

AUDIT COMMITTEE

Mr. Lee Kin Fai *(Chairman)*
Ms. Cheng Lo Yee
Mr. Hung Kenneth

REMUNERATION COMMITTEE

Mr. Lee Kin Fai *(Chairman)*
Mr. Lin Chuen Chow Andy
Ms. Cheng Lo Yee

NOMINATION COMMITTEE

Ms. Cheng Lo Yee *(Chairlady)*
Mr. Lin Chuen Chow Andy
Mr. Hung Kenneth

COMPANY SECRETARY

Mr. Ho Yui Pang, CPA

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL BANKER

Dah Sing Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited

REGISTERED OFFICE

Clarenden House,
2 Church Street,
Hamilton HM11,
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 15/F, Nathan Tower,
518-520 Nathan Road, Yau Ma Tei,
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

8120

WEBSITE

http://www.irasia.com/listco/hk/orientalunicorn/index.htm

Chairman's Statement

Dear Shareholders,

On behalf of Oriental Unicorn Agricultural Group Limited (the "Company", together with its subsidiaries, the "Group"), it gives me great pleasure to present to you the annual report for the year ended 31 December 2014.

RESULTS PERFORMANCE

For the year ended 31 December 2014, the Group recorded a revenue of approximately HK$28,739,000 (2013: approximately HK$24,765,000). Loss attributable to owners of the Company amounted to approximately HK$15,289,000 (2013: loss of approximately HK$40,053,000).

The net loss attributable to owners of the Company for the year ended 31 December 2014 was mainly attributable to the change in fair value of financial asset through profit or loss of HK$23,382,000 and impairment loss of property, plant and equipment of HK$6,214,000, which were offset by the loan interest income from the new money lending business of HK$10,160,000, reversal of impairment loss of investing loan of HK$16,795,000 and reversal of impairment loss on trade receivables of HK$6,075,000.

BUSINESS PERFORMANCE

In December 2014, the Group completed the acquisition of 55% of the enlarged issued share capital of Zhao Hui Holdings Limited（兆輝控股有限公司）("Zhao Hui"). The acquisition allows the Group to indirectly hold the equity interest in Viplus Diary Pty Ltd, (in Chinese, for identification only, 維愛佳乳業有限公司) ("Viplus") which is principally engaged in milk formula processing, production and related business and an operator of a dairy manufacturing plant in Victoria, Australia. It is one of the few Australian enterprises that have been registered by the Certification and Accreditation Administration of the PRC（中華人民共和國國家認證認可監督管理局）as an approved processing enterprise for infant formula milk powder products. The Group plans to expand its business to the PRC market.

During the year, the Group enters into the money lending business via its wholly-owned subsidiary, Way Union Finance Limited. The new money lending business allows the Group to utilize its surplus cash efficiently. This new segment is still at development stage with great potential. During the year, Way Union Finance Limited provided loans to various borrowers. Loan interest income under this business segment amounted to approximately HK$10,160,000.

As for the feeding and breeding business, the turnover of the feeding and breeding business dropped by HK$17,079,000 during the year from HK$24,607,000 in 2013 to HK$7,528,000 in 2014. The decrease was mainly due to the fact that the feed plant for production of feedstock products was suspended from operation in the first half of the year to fine-tune the production line in order to improve the production process and quality of products. Also, since swine price remained at low level and the breeding areas operated by farmers around the plants continued to decline, the sales of feedstock products and husbandry products were still weak. It is expected that the introduction Bo Da Dong Fong Agricultural Development Co., Ltd.（博大東方農業發展有限公司）("Bo Da Dong Fong") as a new strategic partner in the Group's feedstock products and animal husbandry businesses could bring resources and expertise in agricultural biotechnology to benefit the operations and business of the Group.

Besides, the new business segments of IT business and securities investments will diversify the income stream of the Group and enhance the value of the Group and bring higher returns to shareholders. During the year, the Company purchased 19% of Blue Farm Limited, whose non-wholly owned Hong Kong subsidiary is a fast growing Hong Kong-style chain restaurant operator principally engaged in the business of operating restaurants, cafes and take-away outlets in Hong Kong with a strong brand image and a captive customer base.

Chairman's Statement

In May 2014, the Company completed the rights issue on the basis of 13 rights issue for every two existing shares held on the record date, whereby 1,127,441,250 new shares of HK$0.16 each were issued for HK$180,390,600. The net proceeds raised were approximately HK$172,000,000.

In October 2014, the Company and China Culiangwang Beverages Holdings Limited (Stock Code: 904) (the "Subscriber") entered into the two subscription agreements, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 260,000,000 shares at the subscription price of HK$0.175 per share under the general mandate ("GM Subscription") and 83,000,000 shares at the subscription price of HK$0.175 per share under the specific mandate ("SM Subscription").

Following the completions of GM Subscription in November 2014 and SM Subscription in February 2015, 260,000,000 and 83,000,000 new shares were issued for HK$45,500,000 and HK$14,525,000 respectively. The net proceeds raised from GM Subscription and SM Subscription were approximately HK$45,300,000 and HK$14,000,000 respectively.

Given that the Company and the Subscriber are both involved in the agricultural industry, there is potential cooperation opportunity between the parties in the future. Considering that the Subscriber has successful experience in growing, processing and distributing the agricultural products other than feedstock related, the cooperation between the Company and the Subscriber will be beneficial to the improvement of the Company's current production technology and distribution strategy, and its future expansion to other fields of the agricultural industry.

BUSINESS PROSPECTS

Looking ahead, the Group will actively expand the milk formula business in Mainland China through its non-wholly-owned subsidiary, Viplus Dairy Pty Ltd.

The Group will continue to expand the scope of our businesses and bring in new dynamics for the Group's revenue growth. The Group will also strive to focus on money lending business, feedstock and animal husbandry business, information technology business, securities investments and processing and sales of food products.

I would like to take this opportunity to express my sincere gratitude to the Directors, management and our staff for their contributions made to the development of the Group. At the same time, I would like to express my appreciation to our shareholders for their continued support. In return for your support, we are fully committed to do our best to bring better returns to our shareholders in the future.

Zhou Jing
Chairman and Chief Executive Officer

27 March 2015

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

With uncertainties brought by the volatile international market and the slowing China's economic growth, the global financial market remained overshadowed in 2014. The Group recorded a loss attributable to owners of the Company of HK$15,289,000 for the year ended 31 December 2014, representing a decrease in loss of approximately HK$24,764,000 as compared with HK$40,053,000 in 2013. The net loss attributable to owners of the Company in 2013 was mainly attributable to the impairment losses of property, plant and equipment of HK$26,867,000, impairment loss of investing loan of HK$16,795,000 and impairment loss of trade receivables of HK$6,028,000.

The net loss attributable to owners of the Company for the year ended 31 December 2014 was mainly attributable to the change in fair value of financial asset through profit or loss of HK$23,382,000 and impairment loss of property, plant and equipment of HK$6,214,000, which were offset by the loan interest income from the new money lending business of HK$10,160,000, reversal of impairment loss of investing loan of HK$16,795,000 and reversal of impairment loss of trade receivables of HK$6,075,000.

The turnover of the Group for the year was approximately HK$28,739,000, representing a increase of approximately HK$3,974,000 as compared to HK$24,765,000 last year; while gross profit was approximately HK$18,999,000 (2013: gross loss of HK$1,603,000). It was mainly due to the unsatisfactory performance of the feeding and breeding business. The feed plant for production of feedstock products was suspended from operation in the first half of the year to fine-tune the production line in order to improve the production process and quality of products. Also, since swine price remained at low level and the breeding areas operated by farmers around the plants continued to decline, the sales of feedstock products and husbandry products were still weak. However, during the year, the new businesses of professional IT contract and maintenance services contributed turnover of HK$10,676,000 while loan interest income contributed turnover of HK$10,160,000 to the Group.

General and administrative expenses for the year were approximately HK$29,209,000, an increase of approximately HK$9,477,000 as compared with HK$19,732,000 last year. In 2014, the Group recognized equity-settled share based expense of share options amounting to HK$4,730,000 at grant date and the new business of professional IT contract and maintenance services also contributed to the rise in general and administrative expenses.

MILK POWDER BUSINESS

In December 2014, the Group entered into the subscription agreement with Zhao Hui Holdings Limited（兆輝控股有限公司）("Zhao Hui"), to subscribe 55% of the enlarged issued share capital of Zhao Hui at AUD2,227,500 in cash (equivalent to approximately HK$14,700,000). Pursuant to the subscription agreement, the Company, via its equity interest in Zhao Hui, indirectly holds the equity interest in Viplus Diary Pty Limited (in Chinese, for identification only, 維愛佳乳業有限公司) ("Viplus"). Viplus is principally engaged in milk formula processing, production and related business and an operator of a dairy manufacturing plant in Victoria, Australia. It is one of the few Australian enterprises that have been registered by the Certification and Accreditation Administration of the PRC（中華人民共和國國家認證認可監督管理局）as an approved processing enterprise for infant formula milk powder products. It is the business plan of the Group to expand its business to the PRC market by establishing a specialised sales team to develop a nation-wide distribution network of infant formula milk powder products in the PRC and also through the establishment of an e-commerce sales platform to increase its market penetration and coverage.

The diary manufacturing plant of the Group is situated in the Toora area of South Gippsland, a region in Victoria, Australia whose main industry is dairy farming, and the site of the manufacturing plant has been engaging in dairy farming and production for over 120 years. The diary manufacturing plant of Viplus is certified by AQIS (Australian Quarantine and Inspection Services), Dairy Food Safety Victoria, ISO 9001:2008, ISO 14001:2004, ISO 22000:2005 and complies with the Halal Australia Halal Quality Assurance requirements. The acquisition is expected to diversify the Group's business and revenue sources into processing and distribution of milk formula products. The acquisition was completed before the end of the financial year.

MONEY LENDING BUSINESS

During the year, the Group used its surplus cash to fund its money lending business through its wholly-owned subsidiary, Way Union Finance Limited. Loan interest income under this business segment amounted to approximately HK$10,160,000 during the year. The outstanding principal amount of loan and interest receivables as at 31 December 2014 was HK$182,858,000. Loan receivables were interest-bearing at rates mutually agreed with contracting parties, ranging from 7% to 15% per annum.

AGRICULTURE

The turnover of the feeding and breeding business for the year was approximately HK$7,528,000, representing a decrease of approximately HK$17,079,000 as compared to HK$24,607,000 in 2013. The decrease was mainly due to the fact that the feed plant for production of feedstock products was suspended from operation in the first half of the year to fine-tune the production line in order to improve the production process and quality of products. Also, since swine price remained at low level and the breeding areas operated by farmers around the plants continued to decline, the sales of feedstock products and husbandry products were still weak.

In June 2014, the Company and Bo Da Dong Fong Agricultural Development Co., Ltd（博大東方農業發展有限公司）(“Bo Da Dong Fong”) entered into a sales and purchase agreement, pursuant to which Bo Da Dong Fong conditionally agreed to buy, and the Company conditionally agreed to sell, 49% of the issued share capital of Tony China Limited, then a wholly-owned subsidiary of the Company. It represents an opportunity for the Group to realize its investment while allowing the Group to maintain a majority stake in Tony China Limited, and to introduce Bo Da Dong Fong Agricultural Development Co., Ltd. as a strategic partner in the Group’s feedstock products and animal husbandry businesses. It is expected that the purchaser could bring resources and expertise in agricultural biotechnology to benefit the operations and business of the Group. The transaction was completed in August 2014.

Lapse of memorandum of understanding

On 31 December 2014, the memorandum of understanding (“MOU”) in relation to the formation of the Proposed JV Company lapsed and the Company shelved the plan in the development of the new business of nurture, processing and sale of the organic Wannan Black Hair Pigs and its related products.

IT BUSINESS

In May 2014, the Group acquired all of the issued shares of 易寶電腦系統（北京）有限公司 (in English, for identification purpose only, EPRO Computer Systems (Beijing) Company Limited), a limited company incorporated in the PRC and a wholly foreign-owned enterprise, at the total consideration of HK$3,000,000. It is principally engaged in the provision of professional IT contract and maintenance services. During the year, EPRO Computer Systems (Beijing) Company Limited contributed a turnover of approximately HK$10,676,000 to the Group since the date of acquisition to the end of the financial year.

SECURITIES INVESTMENT

During the year, the Group has investments in securities of listed and non-listed companies in order to diversify its investment portfolios and increase returns to shareholders.

In June 2014, the Group entered into a sale and purchase agreement, pursuant to which the Group has agreed to acquire 19% stake in Blue Farm Limited from Cassia Investments Limited Partnership I at an aggregate consideration of US$902,500 (equivalent to approximately HK$7,007,000). Blue Farms Limited holds a non-wholly owned Hong Kong subsidiary, which is a fast growing Hong Kong-style chain restaurant operator principally engaged in the business of operating restaurants, cafes and take-away outlets in Hong Kong with a strong brand image and a captive customer base.

In July 2014, the Group disposed of a total of 15,000,000 shares of New Ray Medicine International Holding Limited (Stock Code: 8180), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM, in the open market for an aggregate cash consideration of approximately HK$8,400,000.

RIGHTS ISSUE

In May 2014, the Company completed the rights issue on the basis of 13 rights issue for every two existing shares held on the record date, whereby 1,127,441,250 new shares of HK$0.16 each were issued for HK$180,390,600. The net proceeds raised were approximately HK$172,000,000.

ISSUE OF NEW SHARES TO CHINA CULIANGWANG BEVERAGES HOLDINGS LIMITED

In October 2014, the Company and China Culiangwang Beverages Holdings Limited (Stock Code: 904) (the "Subscriber") entered into the two subscription agreements, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 260,000,000 shares at the subscription price of HK$0.175 per share under the general mandate ("GM Subscription") and 83,000,000 shares at the subscription price of HK$0.175 per share under the specific mandate ("SM Subscription").

The GM Subscription was completed in November 2014 and 260,000,000 new shares were issued for HK$45,500,000. The net proceeds raised were approximately HK$45,300,000.

After the year end, the ordinary resolution in relation to the allotment and issue of the shares under the SM Subscription was duly passed by shareholders. The SM Subscription was completed in February 2015 and 83,000,000 new shares were issued for HK$14,525,000. The net proceeds raised were approximately HK$14,000,000.

Given that the Company and the Subscriber are both involved in the agricultural industry, there is potential cooperation opportunity between the parties in the future. Considering that the Subscriber has successful experience in growing, processing and distributing the agricultural products other than feedstock related, the cooperation between the Company and the Subscriber will be beneficial to the improvement of the Company's current production technology and distribution strategy, and its future expansion to other fields of the agricultural industry.

CHANGE OF DOMICILE

During the year, the Company has been de-registered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The change of domicile became effective on 8 May 2014 (Bermuda Time).

PROSPECT

Looking ahead, the Group will actively expand the milk formula business in Mainland China through its non-wholly-owned subsidiary, Viplus, which is one of the few Australian enterprises that have been registered by the Certification and Accreditation Administration of the PRC（中華人民共和國國家認證認可監督管理局）as an approved processing enterprise for infant formula milk powder products. With strong demand for safe and high quality milk products, the growth of China's dairy marketplace surged over the past decade. The Group believes the new business has a great potential and will bring a promising return to the Group.

With the bright outlook in the money lending sector in Hong Kong, the Group will strive to diversify the revenue stream by putting more efforts into the money lending business. In addition, the Group will put more resources into other financial areas including investments in securities of listed and non-listed companies in order to earn higher returns. Also, the Group will continue the development of its new segment of the IT industry of professional IT contract and maintenance services.

The Group will also continue to strengthen the existing feed business and breeding business by uplifting its service standards to farmers and increase its competitiveness in the market through optimizing product qualities, strengthening business operation and improving marketing management.

In 2015, the Company is set to build a brighter future on its past success. The Group will remain dedicated to exploring new business opportunities and bringing in new dynamics for the Group's revenue growth, and continue to entrench its predominance and market position. The Board believes its solid foundation and professional management team will be able to boost the sales performance and maximize the interests of the shareholders.

MATERIAL ACQUISITION AND DISPOSAL

In July 2013, Keen Profit Development Limited ("Keen Profit"), an indirect wholly-owned subsidiary of the Company, entered into a deed of novation ("Novation Deed") with Successful Treasure Investments Limited ("Successful Treasure") and ENRICH MARINE SDN. BHD. ("EMSB"), pursuant to which, in consideration of the payment of HK$16,740,000 paid by Keen Profit to Successful Treasure, Keen Profit shall be entitled to all rights, title and interest and assume all liabilities and obligations of Successful Treasure under the investment agreement dated 25 April 2012 ("Investment Agreement") entered into between Successful Treasure and EMSB in relation to the operation of a fish farm owned and operated by EMSB in Sabah, Malaysia.

In January 2014, Keen Profit and EMSB entered into an extension agreement ("Extension Agreement") to the Investment Agreement on 3 January 2014 pursuant to which the parties have agreed to extend the investment period under the Investment Agreement to 26 calendar months from the date of the commencement of the investment under the Investment Agreement, and the original minimum guaranteed amount of HK$1,550,000 under the Investment Agreement has been revised upward to HK$2,015,000 to reflect the Keen Profit's shared profit pursuant to the extension of the Investment Period. Save for the above changes to the Investment Agreement under the Extension Agreement, all other terms and conditions of the Investment Agreement remain the same. The full amount of the investment and the interests accrued was duly repaid during the year.

In May 2014, the Group completed the acquisition of 100% of the issued shares of 易寶電腦系統（北京）有限公司, a limited company incorporated in the PRC and a wholly foreign-owned enterprise, at the total consideration of HK$3,000,000. It is principally engaged in the provision of professional IT contract and maintenance services.

In June 2014, the Group completed the acquisition of 19% of the issued share capital of Blue Farm Limited, a company incorporated in the Cayman Islands with limited liability; and the related shareholder's loan owed by Blue Farm Limited to the vendor, at an aggregate consideration of US$902,500 (equivalent to approximately HK$7,007,000). Blue Farm Limited holds a non-wholly owned Hong Kong subsidiary, which is an operator of a chain of Hong Kong-style restaurants.

In June 2014, the Company and Bo Da Dong Fong, entered into a sales and purchase agreement, pursuant to which Bo Da Dong Fong conditionally agreed to buy, and the Company conditionally agreed to sell, 49% of the issued share capital of Tony China Limited, then a wholly-owned subsidiary of the Company, at a consideration of HK$6,000,000. Tony China Limited and its subsidiaries are principally engaged in the manufacturing and distribution of feedstock products, animal husbandry and related activities. The transaction was completed in August 2014.

In July 2014, the Company disposed of a total of 15,000,000 shares of New Ray Medicine International Holding Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (Stock Code: 8180), on the open market for an aggregate cash consideration of approximately HK$8,400,000.

In December 2014, the Group completed the subscription of 55% of the enlarged issued share capital of Zhao Hui at AUD2,227,500 in cash (equivalent to approximately HK$14,700,000). After the subscription, the Company, via its equity interest in Zhao Hui, indirectly holds the equity interest in Viplus. Viplus is principally engaged in milk formula processing, production and related business and an operator of a dairy manufacturing plant in Victoria, Australia. With effect from the completion of the subscription, the financial results of Zhao Hui and its non-wholly owned subsidiaries will be consolidated into the consolidated financial statements of the Company.

Saved as disclosed above, the Company does not have any significant acquisition and disposal during the twelve months ended 31 December 2014.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2014, the Group had cash and bank balances of approximately HK$119,860,000 (2013: HK$37,773,000) and net current assets of approximately HK$259,478,000 (2013: HK$68,095,000). Current ratio (defined as total current assets divided by total current liabilities) was 5.83 times (2013: 5.49 times).

As at 31 December 2014, the Group had bank borrowings of approximately HK$5,905,000 (2013: HK$3,805,000). The Group's bank balances and borrowings were denominated in Hong Kong dollars, United States dollars, Renminbi and Australian dollars. The bank borrowings bore interest at prevailing market rates and repayable in accordance with the relevant loan agreements.

The Group's gearing ratio, which is calculated on the basis of the Group's total liabilities to the total assets, as at 31 December 2014 was 14% (2013: 15%).

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 31 December 2014, the Group had equity attributable to owners of the Company of approximately HK$290,558,000 (31 December 2013: HK$87,111,000).

Share consolidation

Pursuant to an extraordinary general meeting of the Company held on 13 January 2014, every four ordinary shares of the Company of a nominal or par value of HK$0.04 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of a nominal or par value of HK$0.16 such that the authorised share capital of the Company was HK$200,000,000 divided into 1,250,000,000 ordinary shares of a par value of HK$0.16 each, such consolidated shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company. The share consolidation took effect on 14 January 2014.

Increase in authorised share

Pursuant to an extraordinary general meeting ("EGM") of the Company held on 24 April 2014, the ordinary resolution in relation to the increase in authorised shares was duly passed by way of poll. Following the passing of the resolution, the authorised share capital of the Company increased from HK$200,000,000 divided into 1,250,000,000 shares of a par value of HK$0.16 each to HK$1,000,000,000 divided into 6,250,000,000 Shares by the creation of additional 5,000,000,000 Shares. The increase in authorized share capital took effect on the same date.

Capital reorganization

Also, pursuant to the EGM, the special resolution in relation to the capital reorganization comprising the share reduction and the share subdivision was duly passed by way of poll and took effect on 5 June 2014. After the capital reorganization,

(1) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.15 on each of the issued Existing Shares such that the nominal value of each issued Existing Share will be reduced from HK$0.16 to HK$0.01;

(2) immediately following the Capital Reduction, each of the authorised but unissued Existing Share of HK$0.16 will be sub-divided into 16 New Shares of HK$0.01 each; and

(3) the credits arising in the books of the Company from the reduction of the paid-up capital of the Company will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

Also, the Company has carried out the following fund-raising activities during the year:

(i) Rights issue

Pursuant to the EGM, the special resolution in relation to the underwriting agreement and rights issue ("Rights Issue") on the basis of 13 rights issue for every two existing shares held on the record date was duly passed by way of poll. Following completion of the Rights Issue which took place on 28 May 2014, 1,127,441,250 new shares of HK$0.16 each were issued for HK$180,390,600. The net proceeds raised were approximately HK$172,000,000.

The proposed use of the net proceeds of the Right Issue was (i) approximately HK$100 million for investment in agricultural and related business (including but not limited to the Wannan Black Pig JV as defined in the Rights Issue Announcement. In light of the progress of such proposed investment, as announced by the Company on 30 June 2014, such proceeds would be used as short-term bank deposits or short-term loans for the Group's money lending business to the extent that the aforementioned intended use has not yet been implemented and until such proceeds is to be utilised); (ii) approximately HK$10 million for operating the Group's PRC IT Company (as defined in the Rights Issue Announcement); (iii) approximately HK$40 million for operating the Group's money lender business; and (iv) approximately HK$22 million as general working capital.

As as 31 December 2014, the actual use of the net proceeds was as to (i) approximately HK$3.0 million for operating the Group's PRC IT Company; (ii) approximately HK$118 million (including the reallocated planned proceeds) for operating the Group's money lender business; (iii) approximately HK$7.4 million as general working capital.

The remaining net proceeds of approximately HK$43.6 million which remained in the bank account of the Company is intended to be used as planned, as to (i) approximately HK$7.0 million for operating the Group's PRC Company; (ii) approximately HK$14.6 million as general working capital; and (iii) approximately HK$22 million for investment in agricultural and related business that such proceeds will be used for short-term bank deposits or as short-term loans for the Group's money lending business to the extent that the aforementioned intended use has not yet been implemented and until such proceeds is to be utilised as intended

(ii) Issue of shares under the general mandate and specific mandate

On 28 October 2014, the Company and China Culiangwang Beverages Holdings Limited (Stock Code: 904) (the "Subscriber") entered into two subscription agreements (together, the "Subscription Agreements"), pursuant to which:

(1) the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 260,000,000 Shares ("GM Subscription Shares") at the subscription price of HK$0.175 per GM Subscription Share to be issued under general mandate ("GM Subscription"); and

(2) the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 83,000,000 Shares ("SM Subscription Shares") at the subscription price of HK$0.175 per SM Subscription Share to be issued under specific mandate ("SM Subscription").

The subscription price of HK$0.175 per each of the GM Subscription Share and the SM Subscription Share represents (i) a premium of approximately 80.41% over the closing price of HK$0.097 per Share as quoted on the Stock Exchange on 28 October 2014, being the date of the Subscription Agreements; and (ii) a premium of approximately 78.94% over the average closing price of HK$0.0978 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements.

Completion of the GM Subscription took place on 10 November 2014, whereby 260,000,000 new Shares were issued for HK$45,500,000 and the net proceeds (after deduction of related expenses) were approximately HK$45,300,000, representing a net issue price of approximately HK$0.174 per GM Subscription Share. The aggregate nominal value of the GM Subscription Shares was HK$2,600,000.

Completion of the SM Subscription took place after the reporting period on 11 February 2015, whereby 83,000,000 new Shares were issued for HK$14,525,000 and the net proceeds (after deduction of related expenses) were approximately HK$14,000,000, representing a net issue price of approximately HK$0.169 per SM Subscription Share. The aggregate nominal value of the SM Subscription Shares was HK$830,000.

The reasons and benefits of the subscriptions are that given that the Company and the Subscriber are both involved in the agricultural industry, there is potential cooperation opportunity between the parties in the future. Considering that the Subscriber has successful experience in growing, processing and distributing the agricultural products other than feedstock related, the cooperation between the Company and the Subscriber will be beneficial to the improvement of the Company's current production technology and distribution strategy, and its future expansion to other fields of the agricultural industry.

The proposed use of the net proceeds of the GM Subscription was as to (i) approximately HK$41.3 million for investment of certain new business projects including food and beverage business and/or processing and sales of food products; and (ii) approximately HK$4.0 million for general working capital.

As at 31 December 2014, the actual use of the net proceeds was as to approximately HK$14.7 million for the acquisition of 55% equity interest in a target company, the details of which are set out in the announcement of the Company dated 3 December 2014 ("Acquisition Announcement") and as to approximately HK$1.2 million has been used for investment in Globe Year (as defined in and details of which are set out in the Acquisition Announcement). The remaining net proceeds of approximately HK$29.4 million which remained in the bank account of the Company has remained unused and is intended to be used as planned, as to approximately (i) HK$25.4 million for investment of certain new business projects including food and beverage business and/or processing and sales of food products and (ii) HK$4.0 million for general working capital.

It is intended that the net proceeds from the SM Subscription will be used by the Company (i) as to approximately HK$12.7 million for investment of certain new business projects including food and beverage business and/or processing and sales food products and (ii) as to approximately HK$1.3 million for general working capital.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 December 2014, most of the Group's business transactions, assets and liabilities were principally denominated in Renminbi ("RMB"), Hong Kong dollars ("HK$"), Australian dollars ("AU$"), United States dollars ("US$") and HK$ is the Group's presentation currency. The Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB, AU$ and US$ against HK$. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including swaps and forwards will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any contingent liabilities (2013: Nil).

CHARGES OF GROUP ASSETS

As at 31 December 2014, the bank loans amounting to HK$5,905,000 were secured by the Group's property, plant and equipment with carrying amount of approximately HK$35,848,000 and a guarantee provided by a non-controlling shareholder of a subsidiary and personal guarantee of directors of a subsidiary (2013: Bank loans of $3,805,000 secured by prepaid lease payment with carrying amount of approximately HK$1,077,000).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 113 employees excluding directors in Hong Kong, the PRC and Australia (2013: 47 in Hong Kong and the PRC). The Group's remuneration policy is to provide competitive level of remuneration to employees and directors based on their performance, qualification, experience and the prevailing industry practice.

Apart from regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

Pursuant to the share option scheme adopted by the Company on 30 September 2013 (the "Share Option Scheme"), the Board may grant options to eligible persons, including employees and Directors, to subscribe for shares of the Company. During the year, the Company had granted 122,200,000 share options.

BIOLOGICAL ASSETS IN PRC

As at 31 December 2014, the Group's biological assets amounted to HK$1,039,000 (2013: HK$1,088,000). The change in the value of biological assets during the year ended 31 December 2014 was mainly attributable to (i) increase due to purchases/raising of biological assets of HK$3,550,000; and (ii) decrease due to sales of biological assets of HK$3,597,000.

During the year ended 31 December 2014, the Group recorded gain arising from net changes in fair value less costs to sell of biological assets of HK$5,000 (2013: loss of HK$974,000). The selling price of swines was still at low level during the year.

The fair value of biological assets of the Group as at 31 December 2014 has been arrived at on the basis of a valuation carried out at that date by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited ("Valuer"). The professional valuer in charge of this valuation is a mechanical engineer and a senior accredited appraiser (ASA designation) of the American Society of Appraisers in Machinery and Technical Specialties/Machinery and Equipment. He has over 20 years plant and machinery valuation experience of which over 15 years were spent in Hong Kong and mainland China.

He has extensive experience in conducting valuation of biological assets and agricultural assets since 2006 to various companies listed on the Hong Kong Stock Exchange and other exchanges. He has provided quarterly and annual valuations of the breeding and consumption hogs of a company listed in another exchange since 2009.

In conducting this valuation, he was assisted by its team member, who is a Doctor of Veterinary Science and Medicine with experience in animal husbandry and is presently a professor of veterinary science.

Based on the above qualification and various experiences of the Valuer and/or its members in providing biological asset valuation services to various companies listed on the Hong Kong Stock Exchange and other stock exchanges, which engage in the business of husbandry and agriculture industry, the Directors are of the view that the Valuer is competent to determine the fair value of our Group's biological assets.

The Valuer has conducted an inspection on the biological assets of the Group as at 31 December 2014.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhou Jing ("Mr. Zhou"), aged 56, is also the chairman of the Board and the chief executive officer of the Company. Mr. Zhou Jing joined the Group in May 2013 as the general manager of the Company and is also a director of subsidiaries of the Company. Mr. Zhou obtained a Bachelor of Engineering from Wuhan Institute of Building Materials (武漢建築材料工業學院, now known as Wuhan University of Technology) in December 1982 and subsequently obtained a Master of Technology degree from Wuhan University of Technology in July 1987. Thereafter Mr. Zhou had worked in various departments in the Central People's Government, the People's Republic of China ("PRC") between 1987 to 1994. Mr. Zhou had served as a factory manager, vice general manager and general manager in various state-owned enterprises in the PRC from May 1994 to August 2004. Between August 2004 to April 2013 Mr. Zhou held various positions in 北京中恒泰投資有限公司 (China Zhong Heng Tai Investment Company Limited), a company established with the approval of the National Development and Reform Commission of the PRC（中華人民共和國國家發展改革委員會）and from February 2006 to April 2013, Mr. Zhou held a concurrent post of general manager of China Zhong Heng Tai Investment (Suriname) N.V.（中國中恒泰投資（蘇里南）有限公司）, a company established by China Zhong Heng Tai Investment Company Limited, in Suriname. Mr. Zhou has more than 10 years' experience in cultivation, processing technology research and investment management in the field of agriculture and forestry.

Mr. Lam Chun Kei ("Mr. Lam"), aged 39, was appointed as an executive Director with effect from 20 February 2014. He is also the authorised representative and process agent of the Company. He is also a director of the subsidiaries of the Company. Mr. Lam holds a bachelor degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 17 years of experience in accounting, auditing and financial management and previously worked in an international accounting firm and listed groups.

NON-EXECUTIVE DIRECTOR

Mr. Lin Chuen Chow Andy ("Mr. Lin"), aged 40, was appointed as an independent non-executive Director on 4 December 2013 and re-designated as non-executive director with effect from 20 February 2014. He is also a member of the nomination committee and the remuneration committee of the Company. Mr. Lin is an affiliate member of Hong Kong Securities and Investment Institute ("HKSI") and has obtained the HKSI Specialist Certificates in Securities and Asset Management. Mr. Lin is now studying for a degree course in Bachelor of Arts (Hons) Business Management in the University of Wales. Mr. Lin is an executive director and general manager of Neptune Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 70). Mr. Lin had worked in the Administration Department of the Hong Kong Exchanges and Clearing Limited for a period more than thirteen years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kin Fai ("Mr. Lee"), aged 42, is also the chairman of the remuneration committee and the audit committee. Mr. Lee obtained a master degree in business administration from the Manchester Business School of University of Manchester in United Kingdom. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee is currently an independent non-executive Director of First Credit Finance Group Limited (Stock Code: 8215), a company listed on the GEM Board of the Stock Exchange. He was also an independent non-executive director of China Smartpay Group Holdings Limited (formerly know as Oriental City Group Holdings Limited) (Stock Code: 8325), a company listed on the GEM Board of the Stock Exchange from March 2011 to May 2014.

Ms. Cheng Lo Yee ("Ms. Cheng"), aged 59, was appointed as an independent non-executive Director with effect from 20 February 2014. She is also the chairlady of the nomination committee of the Company and a member of the audit committee and the remuneration committee. Ms. Cheng was employed by the Hong Kong Government as an Executive Officer from 1978 to 1992 and worked in various government departments including the Home Affairs Department, Social Welfare Department, Government Secretariat, and Office of Members of the Executive and Legislative Council (now called Legislative Council of the HKSAR). Her last rank was Senior Executive Officer. Ms. Cheng obtained a Bachelor of Arts in Business and Finance with Honours from the University of Portsmouth of England in 2003.

Mr. Hung Kenneth ("Mr. Hung"), aged 44, was appointed as an independent non-executive Director with effect from 27 October 2014. He is a member of the audit committee and nomination committee. He holds a degree of bachelor of science awarded by Woodbury University in June 1995. Mr. Hung has extensive experience in the entertainment industry. From March 2008 to September 2010, Mr. Hung was the China business development director for Golden Sun Films Distribution Ltd. From October 2010 to June 2012, Mr. Hung was the chief operation officer for Top Action Culture Development Co. Ltd. From July 2012 to October 2013, Mr. Hung was the business development director for Star Alliance Movies (Beijing) Co., Ltd. Mr. Hung is an executive director of China Mobile Games and Cultural Investment Limited, a company whose shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 8081) and an independent non-executive director of DX.com Holdings Limited, a company whose shares are listed on the GEM Board of the Stock Exchange (Stock Code: 8086).

SENIOR MANAGEMENT

Mr. Ho Yui Pang ("Mr. Ho"), age 29, joined the Group as Accounting Manager in March 2014 and became the Company Secretary with effect from 26 September 2014. Mr. Ho holds a Bachelor of Business Administration (Honours) in Accountancy degree from the City University of Hong Kong. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has around six years of experience in accounting, auditing and financial management and previously worked in international accounting firms and a listed company before joining the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in information of Directors are set out below:

Name of Director	Details of changes
Mr. Zhou Jing	– the total emoluments for the year ended 31 December 2014 was approximately HK$1,579,000
Mr. Lam Chun Kei	– the total emoluments for the year ended 31 December 2014 was approximately HK$1,252,000
Mr. Lin Chuen Chow Andy	– the total emoluments for the year ended 31 December 2014 was approximately HK$178,000
Mr. Lee Kin Fai	– the total emoluments for the year ended 31 December 2014 was approximately HK$178,000
	– resigned as an independent non-executive Director of China Smartpay Group Holdings Limited (formerly known as Oriental City Group Holdings Limited) (Stock Code: 8325), the shares of which are listed on the GEM Board of the Stock Exchange, with effect from 19 May 2014
Mr. Cheng Lo Yee	– the total emoluments for the year ended 31 December 2014 was approximately HK$161,000
Mr. Hung Kenneth	– the total emoluments for the year ended 31 December 2014 was approximately HK$22,000
	– appointed as an independent non-executive Director of DX.com Holdings Limited (Stock Code: 8086), the shares of which are listed on the GEM Board of the Stock Exchange, with effect from 15 January 2015.

Oriental Unicorn Agricultural Group Limited (the "Company") is committed to maintaining good corporate governance and to instituting procedures to ensure integrity, transparency and quality of information disclosed thereby enhancing the value of the Company for its shareholders.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2014, the Company has adopted and complied with the code provision (the "Code Provision") as set out in the "Corporate Governance Code" contained in Appendix 15 (the "Code") of the GEM Listing Rules except for Code Provision A.2.1 in respect of the role separation of chairman and chief executive officer.

The deviation from the Code Provisions will be explained below. The Company aims to comply with all the Code Provision and will review and update the current practices of the corporate governance regularly in order to achieve the aims.

The Code Provisions A.2.1 requires the position of the chairman and the chief executive officer be held separately by two individuals to ensure their independence, separate accountability and responsibilities. The chairman of the Company is responsible for the overall leadership of the Company and for strategies and planning of the Group. The chief executive officer is responsible for the day-to-day management of the Group's business and operations.

Mr. Zhou Jing assumes the role of both the chairman of the Board and the chief executive officer of the Company. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the year ended 31 December 2014.

BOARD OF DIRECTORS (THE "BOARD")

The Board is responsible for the leadership and control of the Company and for overseeing the business of the Group. The Board has delegated authority and responsibility to the senior management for the day-to-day operations of the Group. Key matters will remain as the responsibility of the Board whose approval will be required. In addition, the Board has also delegated responsibilities to various management committees. Details of those committees are set out in this corporate governance report.

The Directors during the year ended 31 December 2014 and up to the date of this report were:

Executive Directors:

Mr. Zhou Jing
Mr. Lam Chun Kei (appointed on 20 February 2014)
Ms. Tam Wai Chi (resigned with effect from 20 February 2014)
Mr. Zhang Xiaobin (resigned with effect from 5 February 2014)

Non-executive Directors:

Mr. Lin Chuen Chow Andy (re-designated as non-executive director on 20 February 2014)

Independent non-executive Directors:

Mr. Siu Kam Chau (resigned with effect from 27 October 2014)
Mr. Lee Kin Fai
Ms. Cheng Lo Yee (appointed on 20 February 2014)
Mr. Hung Kenneth (appointed on 27 October 2014)
Mr. Lin Chuen Chow Andy (ceased on 20 February 2014)

Details of the members of the Board are provided under the "Profiles of Directors and Senior Management" on pages 18 to 20 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2014, all Directors participated in the continuous professional development in relation to update, the duties and responsibility of the Directors and the business of the Group by reading journals and relevant updates.

During the year, the Company has arranged a training course conducted by the professional firm in December 2014 relating to the Listing Rules. Mr. Lam Chun Kei, Mr. Lin Chuen Chow Andy, Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth attended this seminar. In addition, Mr. Lam Chun Kei also attended relevant seminars arranged by a number of professional firms.

INDEPENDENCE

Independent non-executive Directors are required to give an annual confirmation of their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. This practice is being observed and the Company considers the independent non-executive directors to be independent.

BOARD MEETINGS AND BOARD COMMITTEES MEETINGS

61 board meetings were held during the year ended 31 December 2014. The Directors use their best endeavour to ensure that for all board meetings to be held, board minutes are kept by the secretary of the Company (the "Secretary"), and be open for inspection by the Directors. Every Director is entitled to have access to the board papers and related materials and have unrestricted access to the advice and services of the Secretary, and have the liberty to seek external professional advice if so required.

The Board has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee.

The attendance of the Directors at the board meetings and the meetings of full Board Committees are as follows:

	No. of meetings attended/eligible to attend		
Names of Directors	**Board Meeting**	**Annual General Meeting**	**Extra-ordinary General Meeting**
Executive Directors:			
Mr. Zhou Jing	58/58	1/1	3/3
Mr. Lam Chun Kei (appointed on 20 February 2014)	54/54	1/1	2/2
Ms. Tam Wai Chi (resigned with effect from 20 February 2014)	7/7	0/0	1/1
Mr. Zhang Xiaobin (resigned with effect from 5 February 2014)	4/4	0/0	1/1
Non-executive Directors:			
Mr. Lin Chuen Chow, Andy (re-designated as non-executive director on 20 February 2014)	48/48	1/1	2/2
Independent non-executive Directors:			
Mr. Siu Kam Chau (resigned with effect from 27 October 2014)	36/36	1/1	2/3
Mr. Lee Kin Fai	53/53	1/1	3/3
Ms. Cheng Lo Yee (appointed on 20 February 2014)	46/46	1/1	2/2
Mr. Hung Kenneth (appointed on 27 October 2014)	17/17	0/0	0/0
Mr. Lin Chuen Chow, Andy (ceased on 20 February 2014)	7/7	0/0	1/1

AUDIT COMMITTEE

Audit Committee of the board of Directors was established on 26 October 2011, written terms of reference were adopted in compliance with the GEM Listing Rules. The main functions of the Audit Committee of the Company is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting and internal control procedures.

The Audit Committee of the Company consists of three independent non–executive Directors, namely, Mr. Lee Kin Fai (chairman of the Committee), Ms. Cheng Lo Yee and Mr. Hung Kenneth with written terms of reference in compliance with the Rule 5.28 to 5.33 to the GEM Listing Rules.

The Audit Committee held 5 meetings during the year. The Audit Committee has reviewed the final results for the year ended 31 December 2014 and also the quarterly and interim results during the year ended 31 December 2014.

The members and attendance of the Audit Committee for the year ended 31 December 2014 are as follows (the date of change mentioned below related to the change of Audit Committee members):

Name of Audit Committee member	**Number of meetings attended/eligible to attend**
Mr. Siu Kam Chau (resigned with effect from 27 October 2014)	3/3
Mr. Lee Kin Fai	5/5
Ms. Cheng Lo Yee (appointed on 20 February 2014)	5/5
Mr. Lin Chuen Chow, Andy (ceased on 20 February 2014)	0/0
Mr. Hung Kenneth (appointed on 27 October 2014)	2/2

REMUNERATION COMMITTEE

Remuneration Committee of the board of Directors was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The Remuneration Committee of the Company, with the majority of its members being independent non-executive Directors, is mainly responsible for making recommendations to the Board on the remuneration policy of the Company. The Remuneration Committee has to consult the chairman and/or the chief executive officer of the Company on their proposals relating to the remuneration of other executive Directors. The Remuneration Committee may seek independent professional advice as it considers necessary in respect of its function.

The Remuneration Committee of the Company consists of two independent non-executive Directors, namely Mr. Lee Kin Fai (chairman of the Committee), Ms. Cheng Lo Yee and a non-executive Director, Mr. Lin Chuen Chow Andy.

During the year ended 31 December 2014, the Remuneration Committee held 2 meetings. It reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board with reference to the level of responsibilities of the individual director, the scope of operation of the Group as well as the prevailing market conditions.

The members and attendance of the Remuneration Committee for the year ended 31 December 2014 are as follows (the date of change mentioned below related to the change of Remuneration Committee members):

Name of Remuneration Committee member	Number of meetings attended/eligible to attend
Mr. Zhou Jing (ceased on 20 February 2014)	1/1
Mr. Lee Kin Fai	2/2
Ms. Cheng Lo Yee (appointed on 20 February 2014)	1/1
Mr. Lin Chuen Chow, Andy	2/2

NOMINATION COMMITTEE

Nomination Committee of the board of Directors was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The Nomination Committee of the Company is responsible for reviewing the structure, size and composition of the Board, identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, and making recommendations to the Board regarding any proposed appointment and re-appointment.

The Nomination Committee recognises the importance and the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It will identify the suitability of candidates on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The nomination committee consists of two independent non-executive Directors, namely Ms. Cheng Lo Yee (chairlady of the Committee), Mr. Hung Kenneth and a non-executive Director, Mr. Lin Chuen Chow Andy.

During the year ended 31 December 2014, the Nomination Committee of the Company held 2 meetings and has reviewed the structure, size and composition of the Board.

The members and attendance of the Nomination Committee for the year ended 31 December 2014 are as follows (the date of change mentioned below related to the change of Nomination Committee members):

Name of Nomination Committee member	**Number of meetings attended/eligible to attend**
Mr. Zhou Jing (ceased on 20 February 2014)	1/1
Mr. Siu Kam Chau (resigned from 27 October 2014)	2/2
Ms. Cheng Lo Yee (appointed on 20 February 2014)	1/1
Mr. Lin Chuen Chow, Andy	2/2
Mr. Hung Kenneth (appointed on 27 October 2014)	0/0

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code Provision B.1.5, the remuneration of the members of senior management (comprising Executive Directors and Senior Management) of the Company for the year ended 31 December 2014 by band is as follows:

	Number of individuals
Nil to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	2

Further particulars in relation to Directors' remuneration and the five highest paid individuals are set out in notes 10 and 11 to the consolidated financial statements respectively.

CORPORATE GOVERNANCE FUNCTIONS

The Directors are responsible for performing the corporate governance duties as to develop and review the Company's policies and practices on corporate governance, make recommendations to the Board, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. Also, the Directors are responsible for reviewing the Company's compliance with the Code and its disclosure requirements in the Corporate Governance Report and develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and to review and monitor the training and continuous professional development of directors.

The Board has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the Code for the year ended 31 December 2014.

INTERNAL CONTROL

The Directors have the overall responsibility for devising the Company's system for internal control and for conducting an annual review of the effectiveness of its operations. This will ensure that the Directors will oversee and monitor the Group's overall financial position so that the interests of the shareholders are well protected and covered. The internal control system covers the financial, operational, compliance and risk management areas of the Group's business. During the year ended 31 December 2014, the Board has carried out evaluation and assessment of the effectiveness of the Group's internal control system.

COMMUNICATIONS WITH SHAREHOLDERS

The Company provides information in relation to the Group to the shareholders in a timely manner through a number of formal channels, including quarterly, interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website (http://www.irasia.com/listco/hk/orientalunicorn/index.htm).

The shareholders' meeting provides a useful channel for shareholders to communicate directly with the Board which the directors are available to answer questions related to the Company's affairs.

The procedures to elect directors were uploaded to the Company's website (http://www.irasia.com/listco/hk/orientalunicorn/index.htm).

The latest version of the Company's bye-laws can be downloaded from the website of the Company or the Stock Exchange website.

The Company will continue to improve the communication with investors and to provide them more opportunities to understand the business of the Company.

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the amount of fees in respect of audit services and non-audit services paid/payable to the Group's auditor, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, and the resigned auditor, Cheng & Cheng Limited, Certified Public Accountants, was set out below:

	2014	2013
	HK$'000	HK$'000
Services rendered		
Cheng & Cheng Limited		
– Audit services	**–**	320
– Non-audit services (in the forms of preparation of reports on working capital sufficiency of the Group for the purpose of the issue of circulars)	**120**	–
HLB Hodgson Impey Cheng Limited		
– Audit services	**550**	–
– Non-audit services	**325**	–

COMPANY SECRETARY

The Company Secretary is an employee of the Group and has day-to-day knowledge of the Group's affairs. Mr. Leung Kin Lung resigned as the Company Secretary with effect from 26 September 2014 and Mr. Ho Yui Pang was appointed as the Company Secretary on the same date. During the year, the Company Secretary complied with the qualification and training requirements under the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene a special general meeting ("SGM")

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Article 58 of the bye-laws of the Company, shareholders holding not less than one-tenth of the paid-up capital of the Company can convene a SGM by depositing a requisition in writing to the Directors or the Company Secretary of the Company for the purpose of requiring the convening of the SGM. The written requisition shall be deposited to the Company's office at Unit A, 15/F, Nathan Tower, 518-520 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong.

Procedures for Shareholders to send enquiries to the Board

The Company is committed to regular and proactive communication with its shareholders. It has adopted a policy of disclosing clear, adequate and relevant information to Shareholders in a timely manner through various channels. The Company has complied with the GEM Listing Rules by posting announcements, notices, quarterly, interim and annual reports as well as shareholders' circulars on the respective websites of the Stock Exchange and the Company (http://www.irasia.com/listco/hk/orientalunicorn/index.htm).

Shareholders are encouraged to communicate with the Company for any enquiries in relation to the Group, or for putting forward any proposals at a shareholders' meeting:

Address:	Unit A, 15/F, Nathan Tower, 518-520 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong
Telephone no.:	(852) 2116 1218
Fax no.:	(852) 2151 1872
Attention:	The Board of Directors/The Company Secretary

Procedures for Shareholders to propose a person for election as a Director

The following procedures are subject to the Company's bye-laws and applicable legislation and regulations.

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s), wishes to propose a person (other than the member himself/herself) for election as a Director at that meeting, he/she/it can deposit a written notice to the following address:

Head office and principal place of business of the Company in Hong Kong

Unit A, 15/F, Nathan Tower,
518-520 Nathan Road, Yau Ma Tei,
Kowloon, Hong Kong

In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by Rule 17.50(2) of the GEM Listing Rules, and be signed by the Shareholder concerned together with a written notice of the person proposed for election as a Director indicating his/her willingness to be elected.

Procedures for Shareholders to put forward proposals

Pursuant to Article 58 of the bye-laws of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition.

Save as the procedures for shareholders of the Company to convene a general meeting as set out above, there are no other provisions allowing shareholders of the Company to put forward proposals at the general meeting under the bye-laws of the Company or under the Companies Act 1981 of Bermuda. Shareholders of the Company may follow the procedures set out above to convene a special general meeting for any business specified in such written requisition. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned. The written requisition shall be deposited at Unit A, 15/F, Nathan Tower, 518-520 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong, the head office of the Company, for the attention of the Board or the Company Secretary.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in the preparation of the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to shareholders, the Directors aim at presenting a balanced, cleared and comprehensive assessment of the Company's performance, its current position and future prospects. The respective responsibilities of the Directors and auditors of the Company in respect of the preparation of the consolidated financial statements are set out in the independent auditor's report on pages 39 and 40 of this annual report.

Directors' Report

The directors (the "Directors") of Oriental Unicorn Agricultural Group Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in note 15 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by principal activities and geographical locations of operations for the year ended 31 December 2014 is set out in note 6 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group as at the year end date are set out in the consolidated financial statements on pages 41 to 152 of this annual report.

DIVIDEND

The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: Nil).

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2014 are set out in note 15 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results of the Group for the last five financial years is set out on pages 153 and 154 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 31 to the consolidated financial statements.

SHARE OPTION SCHEMES

Particulars of the Company's share option scheme are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES OR ITS SUBSIDIARIES' SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities or the securities of the Company's subsidiaries.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 32 to the consolidated financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 45.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company had no reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda. The contributed surplus may only be distributable in certain circumstances.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2014, sales amount to the Group's five largest customers accounted for 44% of the total sales amount of the Group, whilst the largest customer of the Group accounted for approximately 14% of the total sales amount of the Group. Purchases from the Group's five largest suppliers accounted for 67% of the total purchases amount of the Group, whilst the largest supplier of the Group accounted for approximately 21% of the total purchases amount of the Group.

As far as the Directors are aware, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the five largest customers and suppliers of the Group.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in note 28 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Zhou Jing
Mr. Lam Chun Kei (appointed on 20 February 2014)
Ms. Tam Wai Chi (resigned with effect from 20 February 2014)
Mr. Zhang Xiaobin (resigned with effect from 5 February 2014)

Non-executive Directors:

Mr. Lin Chuen Chow Andy (re-designated as non-executive director on 20 February 2014)

Independent non-executive Directors:

Mr. Siu Kam Chau (resigned with effect from 27 October 2014)
Mr. Lee Kin Fai
Ms. Cheng Lo Yee (appointed on 20 February 2014)
Mr. Hung Kenneth (appointed on 27 October 2014)
Mr. Lin Chuen Chow Andy (ceased on 20 February 2014)

In accordance with the bye-laws of the Company and compliance with the requirements of the GEM Listing Rules, Mr. Lam Chun Kei and Ms. Cheng Lo Yee will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Zhou Jing has entered into a service contract with the Company for a fixed term of two years until 30 April 2015. The contract will be terminable by either party upon giving three month's notice in writing.

Mr. Lam Chun Kei has entered into a service contract with the Company commencing from 20 February 2014. The contract will be terminable by either party giving one month's notice in writing.

Mr. Lin Chuen Chow Andy has entered into a letter of appointment with the Company for a fixed term of one year commencing from 20 February 2015. The appointment will be terminable by one month's prior written notice given by either side.

Mr. Lee Kin Fai has entered into a letter of appointment with the Company for a fixed term of one year commencing from 24 May 2014. The appointment will be terminable by one month's prior written notice given by either side.

Ms. Cheng Lo Yee has entered into a letter of appointment with the Company for a fixed term of one year commencing from 20 February 2015. The appointment will be terminable by one month's prior written notice given by either side.

Mr. Hung Kenneth has entered into a letter of appointment with the Company for a fixed term of one year commencing from 27 October 2014. The appointment will be terminable by one month's prior written notice given by either side.

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

Profiles details of the Directors and the senior management as at the date of this annual report are set out on pages 18 to 20 of this annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of Directors and the five highest paid individuals of the Group are set out in notes 10 and 11 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from independent non-executive Directors, an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers them to be independent.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES OF THE COMPANY

As at 31 December 2014, the Directors and chief executive of the Company had the following interests or short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or 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 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in underlying shares of the Company

Name of Directors	Nature of interest	Number of underlying ordinary shares of the Company held (Note 1)	Approximate % of shareholding of the Company
Mr. Zhou Jing	Beneficial owner	13,000,000	0.83%
Mr. Lam Chun Kei	Beneficial owner	13,000,000	0.83%
Mr. Lin Chuen Chow Andy	Beneficial owner	1,300,000	0.08%
Mr. Lee Kin Fai	Beneficial owner	1,300,000	0.08%
Ms. Cheng Lo Yee	Beneficial owner	1,300,000	0.08%

Note:

1. These represented the interests in underlying shares in respect of the share options granted by the Company on 12 August 2014, the details of which are set out in note 33 to the consolidated financial statements.

As at 31 December 2014, none of the Directors had short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executives' Interests in Securities of the Company" above, at no time during the year was the Company or any of its holding companies or subsidiaries a party to any arrangements which enabled the Company's Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2014, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of Interest	Number of shares and underlying shares	Approximate percentage of interest
Mr. Lin Cheuk Fung	Beneficial owner	149,678,750 (L)	9.59%
China Culiangwang Beverages Holdings Limited	Beneficial owner	343,000,000 (L)	21.97%

Note:

1. The letter (L) above denotes long position.

2. Mr. Lin Cheuk Fung is a cousin of Mr. Lin Chuen Chow Andy, a non-executive Director.

Save as disclosed above, as at 31 December 2014, so far as is known to the Directors, there was no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

RELATED PARTY TRANSACTIONS

During the year, the Group carried out the related party transactions as shown in note 41 to the consolidated financial statements, which were also connected transactions under the GEM Listing Rules.

During the year, the Company paid commission of approximately HK$1,121,000 to Mr. Lin Cheuk Fung in respect of the underwritten shares underwritten by him as one of the underwriters pursuant to an underwriting agreement entered into between the Company, Mr. Lin Cheuk Fung and Astrum Capital Management Limited dated 3 March 2014 in respect of the rights issue ("Rights Issue") of the Company at the subscription price of HK$0.16 on the basis of 13 rights shares for every 2 then existing shares of the Company held on the relevant record date, details of which are disclosed in the prospectus of the Company dated 7 May 2014 and was completed on 28 May 2014.

Mr. Lin Cheuk Fung is a cousin of Mr. Lin Chuen Chow Andy, a non-executive Director, and is therefore a connected person of the Company. The payment of the underwriting commission to Mr. Lin constituted a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the underwriting commission to be received by Mr. Lin Cheuk Fung pursuant to the underwriting agreement in respect of the Rights Issue was approximately HK$1,121,000 and the applicable percentage ratios as defined in the GEM Listing Rules were less than 5%, it was therefore subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Chapter 20 of GEM Listing Rules.

In addition, during the year, the Company paid consultancy fee of approximately HK$1,200,000 to a substantial shareholder for the provision of consultancy service to the Company.

The transaction of the provision of consulting service was conducted on normal commercial terms and fell within the de minimis provision under Chapter 20 of the GEM Listing Rules because the applicable percentage ratios are less than 5% and the total consideration was less than $3,000,000. Accordingly, it was exempted from the reporting, announcement and independent shareholders' approval under the Chapter 20 of the GEM Listing Rules.

Save as disclosed above, the Group had no other transactions which were required to be disclosed as connected transactions pursuant to the GEM Listing Rules. The Directors confirm that the Company has, where applicable, complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors or their respective associates had any interest in any business, which competes with or may compete with the business of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the corporate governance report on pages 21 to 30 of this annual report.

SIGNIFICANT SUBSEQUENT EVENTS

Significant subsequents events are set out in note 43 to the consolidated financial statements.

AUDITOR

Cheng & Cheng Limited, who acted as auditor for the last financial year, resigned as auditor of the Company on 8 December 2014. HLB Hodgson Impey Cheng Limited was appointed on that date to fill the casual vacancy.

The consolidated financial statements for the period ended 31 December 2012 and for the year ended 31 December 2013 were audited by Cheng & Cheng Limited. The consolidated financial statements for the year ended 31 December 2014 were audited by HLB Hodgson Impey Cheng Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Zhou Jing
Chairman and Chief Executive Officer

Hong Kong, 27 March 2015

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENTAL UNICORN AGRICULTURAL GROUP LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Oriental Unicorn Agricultural Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 152, 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, in accordance with section 90 of the Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

HLB HODGSON IMPEY CHENG LIMITED
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Revenue	5	**28,739**	24,765
Cost of sales and services		**(9,740)**	(26,368)
Gross profit/(loss)		**18,999**	(1,603)
Other income, gains and losses	5	**7,643**	87
Selling and distribution costs		**(2,388)**	(660)
General and administrative expenses		**(29,209)**	(19,732)
Change in fair value of biological assets less costs to sell	19	**5**	(974)
Change in fair value of financial asset through profit or loss		**(23,382)**	27,862
Impairment loss of goodwill		**–**	(891)
Impairment loss of property, plant and equipment	14	**(6,214)**	(26,867)
Reversal/(recognition) of impairment loss on investing loan	23	**16,795**	(16,795)
Finance costs	7	**(101)**	(310)
Loss before tax		**(17,852)**	(39,883)
Income tax expense	8	**(24)**	(170)
Loss for the year	9	**(17,876)**	(40,053)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**57**	1,769
Change in fair value of available-for-sale investment		**(284)**	–
Other comprehensive (expense)/income for the year		**(227)**	1,769
Total comprehensive expense for the year		**(18,103)**	(38,284)
Loss attributable to:			
Owners of the Company		**(15,289)**	(40,053)
Non-controlling interests		**(2,587)**	–
		(17,876)	(40,053)
Total comprehensive expense attributable to:			
Owners of the Company		**(15,531)**	(38,284)
Non-controlling interests		**(2,572)**	–
		(18,103)	(38,284)
Loss per share			
Basic (HK cents per share)	12	**(1.27)**	(23.89)
Diluted (HK cents per share)	12	**(1.27)**	(23.89)

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	14	**46,181**	17,752
Prepaid lease payments	16	**1,024**	1,054
Loan and interest receivables	23	**26,250**	–
Goodwill	17	**5,615**	–
Biological assets	19	**176**	210
Available-for-sale investment	20	**6,723**	–
		85,969	19,016
Current assets			
Biological assets	19	**863**	878
Inventories	21	**7,621**	43
Trade receivables	22	**5,556**	6,140
Loan and interest receivables	23	**156,608**	4,658
Deposits, prepayments and other receivables	24	**22,192**	2,127
Amount due from a non-controlling interest	29	**3**	–
Financial assets at fair value through profit or loss	25	**524**	31,650
Cash and bank balances	26	**119,860**	37,773
		313,227	83,269
Current liabilities			
Trade and other payables	27	**32,464**	11,356
Amounts due to non-controlling interests	29	**15,367**	–
Bank borrowings	28	**5,905**	3,805
Current tax liabilities		**13**	13
		53,749	15,174
Net current assets		**259,478**	68,095
Total assets less current liabilities		**345,447**	87,111

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Non-current liabilities			
Deferred tax liabilities	30	**349**	–
		349	–
Net assets		**345,098**	87,111
Capital and reserves			
Share capital	31	**15,609**	27,752
Reserves		**274,949**	59,359
Equity attributable to owners of the Company		**290,558**	87,111
Non-controlling interests		**54,540**	–
Total equity		**345,098**	87,111

The consolidated financial statements on pages 41 to 152 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

Director	*Director*
Mr. Zhou Jing	**Mr. Lam Chun Kei**

Company's Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	15	**21,899**	10
Current assets			
Deposits, prepayments and other receivables	24	**608**	187
Amounts due from subsidiaries	15	**302,035**	69,010
Cash and bank balances	26	**1,205**	35,013
		303,848	104,210
Current liabilities			
Amounts due to subsidiaries	15	**18,515**	–
Other payables and accruals	27	**1,992**	865
		20,507	865
Net current assets		**283,341**	103,345
Net assets		**305,240**	103,355
Capital and reserves			
Share capital	31	**15,609**	27,752
Reserves	32	**289,631**	75,603
Total equity		**305,240**	103,355

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Director
Mr. Zhou Jing

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Director
Mr. Lam Chun Kei

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Convertible notes equity reserve HK$'000	PRC statutory reserve HK$'000	Share options reserve HK$'000	Foreign currency translation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2013	14,264	91,968	–	61,545	4,885	873	–	1,123	–	(127,760)	46,898	–	46,898
Loss for the year	–	–	–	–	–	–	–	–	–	(40,053)	(40,053)	–	(40,053)
Other comprehensive income for the year	–	–	–	–	–	–	–	1,769	–	–	1,769	–	1,769
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	–	1,769	–	(40,053)	(38,284)	–	(38,284)
Issue of placing shares (Note 31(vii))	11,120	58,115	–	–	–	–	–	–	–	–	69,235	–	69,235
Conversion of convertible notes	2,368	9,472	–	–	(3,087)	–	–	–	–	–	8,753	–	8,753
Deferred tax arising from conversion of convertible notes	–	–	–	–	509	–	–	–	–	–	509	–	509
Transfer upon exercise of all embedded options	–	2,307	–	–	(2,307)	–	–	–	–	–	–	–	–
Balance at 31 December 2013 and 1 January 2014	27,752	161,862	–	61,545	–	873	–	2,892	–	(167,813)	87,111	–	87,111
Loss for the year	–	–	–	–	–	–	–	–	–	(15,289)	(15,289)	(2,587)	(17,876)
Other comprehensive income/(expense) for the year	–	–	–	–	–	–	–	42	(284)	–	(242)	15	(227)
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	–	42	(284)	(15,289)	(15,531)	(2,572)	(18,103)
Non-controlling interests arising on acquisition of subsidiaries (Note 37(b))	–	–	–	–	–	–	–	–	–	–	–	47,780	47,780
Additional non-controlling interests arising on partial disposal of subsidiaries (Note 38)	–	–	–	–	–	–	–	–	–	(3,332)	(3,332)	9,332	6,000
Recognition of equity-settled share-based payments (Note 33)	–	–	–	–	–	–	4,730	–	–	–	4,730	–	4,730
Lapse of share options	–	–	–	–	–	–	(58)	–	–	58	–	–	–
Issue of subscription shares (Note 31(v))	2,600	42,900	–	–	–	–	–	–	–	–	45,500	–	45,500
Right issue of shares (Note 31(iii))	180,391	–	–	–	–	–	–	–	–	–	180,391	–	180,391
Capital Reorganisation (Note 31(iv))	(195,134)	–	195,134	–	–	–	–	–	–	–	–	–	–
Transaction costs attributable to issue of shares	–	(8,311)	–	–	–	–	–	–	–	–	(8,311)	–	(8,311)
Cancellation of share premium (Note 32)	–	(153,551)	153,551	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2014	**15,609**	**42,900**	**348,685**	**61,545**	**–**	**873**	**4,672**	**2,934**	**(284)**	**(186,376)**	**290,558**	**54,540**	**345,098**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Loss before tax	**(17,852)**	(39,883)
Adjustments for:		
Finance costs	**101**	310
Interest income	**(23)**	(165)
Other income	**(720)**	–
Depreciation of property, plant and equipment	**2,039**	2,812
Amortisation of prepaid lease payments	**23**	23
Loss on disposal of property, plant and equipment	**211**	50
Impairment loss of goodwill	**–**	891
Impairment loss of trade receivables	**686**	6,028
Impairment loss of property, plant and equipment	**6,214**	26,867
(Reversal)/recognition of impairment loss of investing loan	**(16,795)**	16,795
Gain on bargain purchase of a subsidiary	**(819)**	–
Reversal of impairment loss of trade receivables	**(6,075)**	–
Change in fair value of biological assets less costs to sell	**(5)**	974
Change in fair value of financial assets through profit or loss	**23,382**	(27,862)
Expense recognised in respect of equity-settled share-based payments	**4,730**	–
	(4,903)	(13,160)
Movements in working capital		
Decrease/(increase) in biological assets	**48**	(1,501)
(Increase)/decrease in inventories	**(1,386)**	720
Decrease in trade receivables	**10,564**	4,227
Increase in deposits, prepayments and other receivables	**(1,226)**	(21,957)
Decrease in financial asset at fair value through profit or loss	**7,744**	–
Increase in loan and interest receivables	**(178,200)**	–
(Decrease)/increase in trade and other payables	**(3,287)**	4,560
Cash used in operations	**(170,646)**	(27,111)
Interest received	**23**	165
Interest paid	**(101)**	(310)
Income taxes paid	**(24)**	(410)
Net cash used in operating activities	**(170,748)**	(27,666)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,277)**	(2,019)
Purchase of financial assets		**–**	(3,788)
Purchase of available-for-sale investment		**(7,007)**	–
Proceeds from investing loan		**17,515**	–
Proceeds from disposal of property, plant and equipment		**49**	–
Net cash outflow on acquisition of a subsidiary	37	**(943)**	–
Net cash inflow on acquisition of subsidiaries	37	**24,410**	–
Net cash generated from/(used in) investing activities		**32,747**	(5,807)
Cash flows from financing activities			
Proceeds from placing shares		**45,500**	72,000
Payment for transaction cost attributable to issue of ordinary shares		**(8,311)**	(2,765)
Proceeds from issue of ordinary shares in relation to right issue		**180,391**	–
Proceeds on disposal of partial interests in subsidiaries		**6,000**	–
Repayment of bank borrowing		**(3,805)**	–
Net cash generated from financing activities		**219,775**	69,235
Net increase in cash and cash equivalents		**81,774**	35,762
Cash and cash equivalents at the beginning of year		**37,773**	1,598
Effect of foreign exchange rate changes, net		**313**	413
Cash and cash equivalents at the end of year		**119,860**	37,773
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	26	**119,860**	37,773

1. GENERAL INFORMATION

Oriental Unicorn Agricultural Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 22 September 2000 under the Companies Laws of the Cayman Islands.

During the year, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the change of domicile became effective on 8 May 2014 (Bermuda time).

The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Unit A, 15/F, Nathan Tower, 518-520 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiaries (collectively the "Group") was involved in the following principal activities:

– manufacturing, development and distribution of feedstock products, animal husbandry and related activities in the People's Republic of China ("PRC");

– provision of loan financing in Hong Kong;

– investment in listed and unlisted securities;

– provision of professional IT contract and maintenance services in the PRC; and

– processing and sales of food products.

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

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

The Group has applied for the first time in current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 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 HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 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. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 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 HKFRS 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 HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 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.

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

HK(IFRIC) – Int 21 *Levies*

The Group has applied HK(IFRIC) – Int 21 *Levies* for the first time in the current year. HK(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 that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(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.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interest in Joint Operations*[5]
Amendments to HKAS 1	*Disclosure Initiative*[5]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[5]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plant*[5]
Amendments to HKAS 19	*Defined Benefits Plans: Employee Contributions*[4]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[5]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010 – 2012 Cycle*[6]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011 – 2013 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*[5]

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

New and revised HKFRSs in issue but not yet effective *(continued)*

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

[2] Effective for first annual HKFRS 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. Earlier application is permitted.

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 are described below:

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

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

HKFRS 9 *Financial Instruments* *(continued)*

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

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

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

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

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

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

Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its property, plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 16 and HKAS 41 *Agriculture: Bearer Plants*

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities in bearer plants.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments*: *Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements *(continued)*

Annual Improvements to *HKFRSs 2010 – 2012 Cycle, HKFRSs 2011 – 2013 Cycle and HKFRSs 2012 – 2014 Cycle*

The *Annual Improvements to HKFRSs 2010 – 2012 Cycle, the Annual Improvements to HKFRSs 2011 – 2013 Cycle* and the *Annual Improvements to HKFRSs 2012 – 2014 Cycle* sets out amendments to a number of HKFRSs. The directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

Revenue from provision of services is recognised when services are rendered.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

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

Leasing

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land for own use

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the 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; 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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. Hong Kong dollars) 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).

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

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Short-term employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees of the Group.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

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

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

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Current and deferred tax for the year

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

Property, plant and equipment

Property, plant and equipment, including buildings, freehold land and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress and freehold land) less their residual values over their useful lives, using the straight-line method as follows:

Buildings	Over the shorter of term of lease or 5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and office equipment	20 – 33.33%
Motor vehicles	10 – 20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill *(continued)*

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

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

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.

Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Costs to sell are incremental costs directly attributable to the disposal of an asset excluding financial cost, income tax and costs necessary to get the assets to market. The fair value of livestock is determined based on the current market price of livestock of similar age, breed and genetic merit.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate 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 FVTPL.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- 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
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL (continued)

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans 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 receivables, loan and interest receivables, deposits and other receivables, amount due from a non-controlling interest and cash and bank balances) 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 FVTPL, 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 AFS 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:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(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 (see the accounting policy below).

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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 AFS 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Convertible notes

The component parts of compound instruments (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 share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity 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.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- 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
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to non-controlling interests and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

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

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has controls 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;

or

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

(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 members of the family of a person are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical accounting judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimates (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding income taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding income taxes are provided.

Key sources of estimation uncertainty

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

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in provision of services, or from a change in the market demand for the product or service output of an asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period, based on changes in circumstances.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

Key sources of estimation uncertainty *(continued)*

Impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an assessment of their recoverability. Provisions are applied to the trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of the trade receivables requires the use of judgements and estimates. Where the final outcome is different from the original estimates, such differences will impact the carrying values of the trade receivables and loss for the impairment in the years in which such estimates have been changed.

Impairment of loan and interest receivables

The Group regularly reviews its loan and interest receivables to assess impairment. In determining whether a loan or interest receivable or a group of loan and interest receivables is impaired and impairment losses are incurred, the Group considers, inter alia, whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivables. This requires the Group to make estimates about expected future cash flows, and hence they are subject to uncertainty.

Fair value of biological asset

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of reporting period adjusted with reference to the species, age, growing condition, costs incurred to reflect differences in characteristic and/or stages of growth of biological asset; or the present value of expected net cash flows discounted at a current market determined rate, when market-determined prices are unavailable. Any change in the estimates may affect the fair value of the biological assets significantly.

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value. Details of assumptions used are disclosed in note 19.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

5. REVENUE AND OTHER INCOME, GAINS AND LOSSES

An analysis of the Group's revenue and other income, gains and losses for the year is as follows:

	2014	2013
	HK$'000	HK$'000
Revenue		
Sale of feedstock products and animal husbandry products	**7,528**	24,607
Provision of IT contract and maintenance services	**10,676**	–
Dividend income from listed equity investments	**375**	–
Loan interest income	**10,160**	158
	28,739	24,765
Other income, gains and losses		
Bank interest income	**23**	7
Gain on bargain purchase (Note 37)	**819**	–
Loss on disposal of property, plant and equipment	**(211)**	(50)
Reversal of impairment loss of trade receivables (Note 22)	**6,075**	–
Sundry income	**937**	130
	7,643	87
	36,382	24,852

6. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

In previous years, (i) the feedstock products segment comprises the feedstock business; and (ii) the animal husbandry segment comprises animal husbandry business were reported to the CODM as stand-alone business units and constituted separate operating segments. Following a change in the Group's operating and reporting structure, starting from year 2014, such business activities are combined into a single operating segment before being reported to the CODM and accordingly, the CODM now reviews the Group's internal reporting, assesses the performance and allocates the resources of the Group to the agricultural segment comprises the feedstock business and the animal husbandry business in the PRC as a whole. Certain comparative figures has been reclassified to conform with current year's presentation.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

– Agricultural segment comprises the feedstock business and the animal husbandry business in the PRC;

– Money lending segment comprises provision of loan financing in Hong Kong;

– Securities investment segment comprises investment in listed and unlisted securities;

– IT business segment comprises provision of professional IT contract and maintenance services in the PRC; and

– Processing and sales of food products.

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

	Agricultural		Money lending		Securities investment		IT business		Processing and sales of food products		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue:												
Revenue from external customers	**7,528**	24,607	**10,160**	158	**375**	–	**10,676**	–	**–**	–	**28,739**	24,765
Segment (loss)/profit	**(2,442)**	(40,266)	**9,090**	158	**(23,044)**	27,862	**214**	–	**–**	–	**(16,182)**	(12,246)
Bank interest and other income											**960**	137
Reversal/(recognition) of impairment loss of investing loan											**16,795**	(16,795)
Finance costs											**(101)**	(310)
Central administration costs											**(19,324)**	(10,669)
Loss before tax											**(17,852)**	(39,883)

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss incurred)/profit earned by each segment without allocation of bank interest and other income, reversal/(recognition) of impairment loss of investing loan, finance costs and central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	Agricultural		Money lending		Securities investment		IT business		Processing and sales of food products		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000 (Restated)
Segment assets	**18,552**	24,185	**202,921**	4,658	**7,355**	32,650	**9,991**	–	**103,247**	–	**342,066**	61,493
Corporate and unallocated assets											**57,130**	40,792
Consolidated assets											**399,196**	102,285
Segment liabilities	**5,650**	4,057	**–**	–	**–**	–	**6,756**	–	**39,646**	–	**52,052**	4,057
Corporate and unallocated liabilities											**2,046**	11,117
Consolidated liabilities											**54,098**	15,174

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

- all assets are allocated to operating segments other than unallocated head office and corporate assets. Goodwill is allocated to operating segments; and
- all liabilities are allocated to operating segments other than other unallocated head office and corporate liabilities.

6. SEGMENT INFORMATION *(continued)*

Other segment information

	Agricultural		Money lending		Securities investment		IT business		Processing and sales of food products		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Amounts included in the measure of segment profit or loss:												
Depreciation	**1,891**	1,981	**12**	–	**–**	–	**30**	–	**–**	–	**1,933**	1,981
Unallocated depreciation											**106**	831
Total depreciation											**2,039**	2,812
Amortisation	**23**	23	**–**	–	**–**	–	**–**	–	**–**	–	**23**	23
Gain on bargain purchase	**–**	–	**–**	–	**–**	–	**819**	–	**–**	–	**819**	–
Impairment loss of goodwill	**–**	891	**–**	–	**–**	–	**–**	–	**–**	–	**–**	891
Impairment loss of trade receivables	**–**	6,028	**–**	–	**–**	–	**686**	–	**–**	–	**686**	6,028
Impairment loss of property, plant and equipment	**6,214**	26,867	**–**	–	**–**	–	**–**	–	**–**	–	**6,214**	26,867
Addition to non-current assets	**952**	1,502	**185**	–	**–**	–	**163**	–	**35,848**	–	**37,148**	1,502
Unallocated											**37**	517
Total additions to non-current assets											**37,185**	2,019

Geographical information

The Group operates in three principal geographical areas including Australia, the PRC and Hong Kong.

6. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Australia	**–**	–	**41,463**	–
PRC	**18,204**	24,607	**10,928**	19,016
Hong Kong	**10,535**	158	**33,578**	–
	28,739	24,765	**85,969**	19,016

Information about major customers

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

	2014	2013
	HK$'000	HK$'000
Customer A	**N/A** [1]	2,755 [3]
Customer B	**3,491** [3]	N/A [1]
Customer C	**4,032** [2]	N/A [1]
	7,523	2,755

[1] The corresponding customer did not contribute over 10% or more to the Group's revenue in the respective year

[2] Revenue from IT business segment

[3] Revenue from agricultural segment

7. FINANCE COSTS

	2014 **HK$'000**	2013 HK$'000
Interest on bank borrowings wholly repayable within five years	**101**	310

8. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss

	2014 **HK$'000**	2013 HK$'000
Current tax		
PRC Enterprise Income Tax	**24**	121
Under provision in prior year		
PRC Enterprise Income Tax	**–**	49
Deferred tax liabilities	**–**	–
Total income tax expense recognised in profit or loss	**24**	170

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits arising in or derived from Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax rate at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. INCOME TAX EXPENSE *(continued)*

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

	2014 **HK$'000**	2013 HK$'000
Loss before tax	**(17,852)**	(39,883)
Tax at Hong Kong Profits Tax rate of 16.5% (2013: respective applicable tax rate)	**(2,945)**	(10,025)
Tax effect of expenses not deductible for tax purpose	**5,116**	21,036
Tax effect of income not taxable for tax purpose	**(3,142)**	(4,956)
Tax effect of tax-exempted income	**(964)**	(5,934)
Tax effect of tax losses not recognised	**1,399**	–
Under-provision in prior year	**–**	49
Tax effect on different tax rate of group entities operating in other jurisdictions	**560**	–
Income tax expense for the year	**24**	170

Income tax expense recognised directly in equity

	2014 **HK$'000**	2013 HK$'000
Deferred tax liabilities (Note 30)		
Conversion of convertible notes	**–**	509
Total income tax expense recognised directly in equity	**–**	509

9. LOSS FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expense (excluding directors' emoluments)		
– Salaries and other benefits	5,944	5,005
– Contributions to retirement benefits schemes	548	169
– Equity-settled share-based payments	2,032	–
Directors' emoluments	3,618	2,761
Total staff costs	12,142	7,935
Cost of inventories and services recognised as an expense (included in cost of sales and services)	7,416	24,865
Auditors' remuneration	550	320
Amortisation of prepaid lease payments	23	23
Depreciation of property, plant and equipment	2,039	2,812
Equity-settled share-based payments granted to consultant	1,308	–
Impairment loss of trade receivables	686	6,028
Net exchange loss/(gain)	90	(1,769)
Loss on disposal of property, plant and equipment	211	50
Minimum lease payments paid under operating leases in respect of land and buildings	1,325	944

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2013: 13) directors and the chief executive were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Equity-settled share-based payments HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2014						
Executive directors						
Mr. Zhou Jing (Note (i))	–	1,000	–	579	–	1,579
Mr. Lam Chun Kei (Note (xi))	–	660	13	579	–	1,252
Ms. Tam Wai Chi (Note (ii))	–	89	2	–	–	91
Mr. Zhang Xiaobin (Note (iii))	–	–	–	–	–	–
Non-executive directors						
Mr. Lin Chuen Chow Andy (Note (x))	120	–	–	58	–	178
Independent non-executive directors						
Mr. Siu Kam Chau (Note (vii))	99	–	–	58	–	157
Mr. Lee Kin Fai (Note (xiii))	120	–	–	58	–	178
Ms. Cheng Lo Yee (Note (xi))	103	–	–	58	–	161
Mr. Hung Kenneth (Note (xii))	22	–	–	–	–	22
	464	1,749	15	1,390	–	3,618

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Equity-settled share-based payments HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2013						
Executive directors						
Mr. Zhou Jing (Note (i))	–	544	–	–	–	544
Ms. Tam Wai Chi (Note (ii))	–	237	–	–	–	237
Mr. Zhang Xiaobin (Note (iii))	120	–	–	–	–	120
Mr. Li Wing Chiu (Note (iv))	1,083	38	–	–	–	1,121
Mr. Wang Zhiming (Note (v))	180	–	–	–	–	180
Mr. Wong Sai Wa (Note (vi))	150	–	–	–	–	150
Non-executive director						
Ms. Wong Moon Ha (Note (vi))	30	–	–	–	–	30
Independent non-executive directors						
Mr. Siu Kam Chau (Note (vii))	73	–	–	–	–	73
Mr. Lee Kin Fai (Note (xiii))	73	–	–	–	–	73
Ms. Liao Aimin (Note (viii))	120	–	–	–	–	120
Ms. Wong Yan Ki Angel (Note (ix))	52	–	–	–	–	52
Mr. Li Jingxing (Note (ix))	52	–	–	–	–	52
Mr. Lin Chuen Chow Andy (Note (x))	9	–	–	–	–	9
	1,942	819	–	–	–	2,761

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Notes:

(i) Appointed on 19 June 2013

(ii) Appointed on 27 August 2013 and resigned on 20 February 2014

(iii) Resigned on 5 February 2014

(iv) Resigned on 18 November 2013

(v) Resigned on 21 October 2013

(vi) Resigned on 31 March 2013

(vii) Appointed on 24 May 2013 and resigned on 27 October 2014

(viii) Resigned on 4 December 2013

(ix) Retired on 24 May 2013

(x) Appointed on 4 December 2013 as independent non-executive director and re-designated as non-executive director on 20 February 2014

(xi) Appointed on 20 February 2014

(xii) Appointed on 27 October 2014

(xiii) Appointed on 24 May 2013

Mr. Zhou Jing is the chairman and chief executive officer of the Company.

Neither the chief executive officer nor any of the directors waived any emoluments for the years ended 31 December 2014 and 2013. No inducement payments to join or upon joining the Group or as compensation for loss of office were paid or payable to any of the five highest paid individuals including director and the chief executive office for the years ended 31 December 2014 and 2013.

11. EMPLOYEES' EMOLUMENTS

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors of the Company whose emoluments are included in the disclosure in Note 10 above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**839**	1,893
Contributions to retirement benefits schemes	**28**	40
Equity-settled share-based payments	**1,595**	–
	2,462	1,933

Their emoluments fell within the following band:

	Number of individuals	
	2014	2013
Emolument band		
HK$Nil – HK$1,000,000	**3**	3

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following basis:

Loss

	2014	2013
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(15,289)**	(40,053)

Number of shares

	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,207,657**	167,648

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for the years ended 31 December 2013 and 2014 has been adjusted to reflect the bonus element of the right issue completed during the year ended 31 December 2014 and the effect of consolidation of shares as detailed in note 31.

The computation of diluted loss per share for the years ended 2013 and 2014 did not assume the exercise of the Company's potential ordinary shares granted under the Company's share options scheme and convertible notes since their exercise and conversion would have an anti-dilutive effect.

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss for the year attributable to owners of the Company of approximately HK$15,289,000 (2013: HK$40,053,000), a loss of approximately HK$20,425,000 (2013: HK$5,127,000) has been dealt with in the financial statements of the Company.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress HK$'000	Freehold land HK$'000	Building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost								
Balance at 1 January 2013	26,962	–	9,270	310	8,217	479	660	45,898
Additions	1,502	–	–	–	–	517	–	2,019
Transfer	(28,849)	–	22,352	6,497	–	–	–	–
Disposals	–	–	–	–	(60)	–	–	(60)
Effect of foreign currency exchange differences	536	–	610	87	274	12	22	1,541
Balance at 31 December 2013	151	–	32,232	6,894	8,431	1,008	682	49,398
Additions	–	–	–	120	952	205	–	1,277
Disposals	–	–	–	(296)	(93)	(131)	(104)	(624)
Acquisition of subsidiaries (Note 37)	–	3,539	10,743	–	20,860	458	308	35,908
Effect of foreign currency exchange differences	–	–	(190)	(39)	(54)	1	(4)	(286)
Balance at 31 December 2014	151	3,539	42,785	6,679	30,096	1,541	882	85,673
Accumulated depreciation and impairment								
Balance at 1 January 2013	–	–	(503)	(26)	(1,066)	(128)	(157)	(1,880)
Eliminated on disposals	–	–	–	–	10	–	–	10
Impairment loss recognised in profit or loss	(151)	–	(22,617)	(2,209)	(1,852)	(21)	(17)	(26,867)
Depreciation expense	–	–	(768)	(1,041)	(782)	(109)	(112)	(2,812)
Effect of foreign currency exchange differences	–	–	(27)	(12)	(46)	(4)	(8)	(97)
Balance at 31 December 2013	(151)	–	(23,915)	(3,288)	(3,736)	(262)	(294)	(31,646)
Depreciation expense	–	–	(452)	(625)	(703)	(178)	(81)	(2,039)
Eliminated on disposals	–	–	–	143	70	75	76	364
Impairment loss recognised in profit or loss	–	–	(3,892)	(85)	(2,118)	(66)	(53)	(6,214)
Effect of foreign currency exchange differences	–	–	28	(43)	57	(1)	2	43
Balance at 31 December 2014	(151)	–	(28,231)	(3,898)	(6,430)	(432)	(350)	(39,492)
Carrying amounts								
Balance at 31 December 2014	**–**	**3,539**	**14,554**	**2,781**	**23,666**	**1,109**	**532**	**46,181**
Balance at 31 December 2013	–	–	8,317	3,606	4,695	746	388	17,752

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Impairment losses recognised in the current year

During the year, as the result of the drop in market price of the biological assets, the Group carried out a review of the recoverable amount of that manufacturing plant and the related equipment, including the property, plant and equipment. These assets are used in the Group's agricultural reportable segment. The review led to the recognition of an impairment loss of approximately HK$6,214,000 (2013: HK$26,867,000), which has been recognised in profit or loss during the year ended 31 December 2014.

PRC feedstock products business

The recoverable amount of this CGU is determined based on value in use calculations with reference to an independent professional valuation. The key assumptions for the value in use calculations are those regarding the discount rate and growth in revenue and direct costs during the year. Management estimates the discount rate of 16.0% (2013: 19.21%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past experience and expectations of changes in the market.

The value in use calculations are derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management. Cash flows beyond the 5-year period have been extrapolated using a steady growth rate of 3.0% (2013: 3.0%) per annum which is based on Customer Price Index "CPI" of China.

Based on the value-in-use calculation, the directors considered that the recoverable amount of this CGU was found to be less than its carrying amount. Accordingly, impairment loss on property, plant and equipment allocated to this CGU of approximately HK$4,416,000 has been recognised in the consolidated statement statement of profit or loss and other comprehensive income for the year ended 31 December 2014 (2013: impairment losses of approximately HK$1,622,000 on property, plant and equipment and approximately HK$891,000 on goodwill had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013).

PRC animal husbandry business

The recoverable amount of this CGU is determined based on value in use calculations with reference to an independent professional valuation. The key assumptions for the value in use calculations are those regarding the discount rate and growth in revenue and direct costs during the year. Management estimates the discount rate of 15.0% (2013: 15.4%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past experience and expectations of changes in the market.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

PRC animal husbandry business *(continued)*

The value in use calculations are derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management.

Cash flows beyond the 5-year period have been extrapolated using a steady growth rate of 3.0% (2013: 3.0%) per annum which is based on CPI of China.

Based on value in use calculation at 31 December 2014, the recoverable amount of this CGU was found to be less than its carrying amount. Accordingly, impairment losses on property, plant and equipment allocated to this CGU of approximately HK$1,798,000 (2013: HK$25,245,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

15. INVESTMENTS IN SUBSIDIARIES

Company

	2014 **HK$'000**	2013 HK$'000
Unlisted investments, at cost	**21,899**	10

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand except for an amount due from a subsidiary of approximately HK$180,600,000 as at 31 December 2014 is interest-bearing at 9.5% per annum (2013: Nil) and repayable on demand.

15. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company		Principal activities
			Directly	Indirectly	
East Shine Group Limited	British Virgin Islands ("BVI")	1 ordinary share of 1 United States dollar ("US$")	100%	–	Investment holding
City Ally Holdings Limited	BVI	1 ordinary share of US$1	100%	–	Investment holding
Keen Profit Development Limited	BVI	1 ordinary shares of US$1	–	100%	Investment holding
Way Union Development Limited	BVI	1 ordinary share of US$1	–	100%	Investment holding
Broad Sound Enterprise Limited	BVI	1 ordinary share of US$1	–	100%	Investment holding
Time Smart Development Limited	BVI	1 ordinary share of US$1	–	100%	Investment holding
Tony China Limited	Hong Kong	HK$20,000	51%	–	Investment holding
Tony Ally Investment Company Limited	Hong Kong	HK$10,000	–	100%	Provision of administrative services
Way Union Finance Limited	Hong Kong	HK$100	–	100%	Money lending
Town Ally Enterprise Limited	Hong Kong	HK$1	–	100%	Investments in securities
廈門市東岳貿易有限公司 ("Xiamen Dongyu Trading Company Limited")	PRC	US$6,000,000	–	51%	Investment holding
龍岩市東岳生物飼料有限公司 ("Longyan Dongyu Bio-feedstock Company Limited')*	PRC	RMB18,000,000	–	52.96%	Trading, development and manufacturing of feedstock products
武平建軍生態養殖有限公司 ("Wu Ping Jian Jun Ecology Breeding Company Limited")	PRC	RMB600,000	–	51%	Breeding and sales of live swines
福建龍岩市東華農業綜合開發有限公司("Fuijian Oriental Unicorn Agricultural Company Limited")	PRC	RMB1,000,000	–	51%	Eco-breeding, animal pharmaceuticals and terminal marketing of agricultural products
EPRO	PRC	US$1,000,000	–	100%	IT Business
Rosy Path International Ltd	BVI	USD1	100%	–	Investment holding
Zhao Hui Holding Ltd	BVI	USD100	–	55%	Investment holding
Global Year Ltd	BVI	USD10	–	33%	Investment holding

15. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Proportion of ownership interest held by the Company Indirectly	Principal activities
美上國際有限公司(“Mission Go International Ltd”) (Renamed as 澳大利亞乳業集團公司 (“Australia Dairy Group Limited”) at 19 January 2015)	BVI	USD1,000	–	19.8%	Investment holding
香港維愛佳乳製品有限公司 (“Viplus Dairy Hong Kong Ltd”)	HK	HK$10	–	19.8%	Investment holding
Viplus Dairy Pty Ltd	Australia	AUD5,398,889	–	21.12%	Manufacturing of milk powder

* Longyan Dongyu Bio-feedstock Company Limited is a Sino-foreign owned enterprise established in the PRC.

During the year, the Group had acquired 55% equity interest of Zhao Hui Group. The transaction was completed on 31 December 2014 (Note 37). Although the Group holds less than 50% of effective equity interests and voting right in Zhao Hui Group, it is deemed to have control over Zhao Hui Group as the group is able to gain power over more than one half of the voting rights by virtue of an common control agreement with other investors.

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by the non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Zhao Hui Holding Company Limited (“Zhao Hui”) and its subsidiaries (“Zhao Hui Group”)	BVI and Australia	**45%**	–	**–**	–	**47,780**	–
Individually immaterial subsidiaries with non-controlling interests						**6,760**	–
						54,540	–

15. INVESTMENTS IN SUBSIDIARIES *(continued)*

Since the Zhao Hui Group did not contributed any revenue to the Group for the year ended 31 December 2014, no relevant financial information regard the profit or losses nor cash flow have been disclosed.

Summarised financial information in respect of the Zhao Hui Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2014 **HK$'000**
Current assets	**61,633**
Non-current assets	**35,847**
Current liabilities	**(40,452)**
Non-current liabilities	**(349)**

16. PREPAID LEASE PAYMENTS

Group

	2014 **HK$'000**	2013 HK$'000
Balance at beginning of year	**1,077**	1,064
Amortisation	**(23)**	(23)
Effect of foreign currency exchange differences	**(7)**	36
Balance at end of year	**1,047**	1,077
Analysed for reporting purposes as:		
Current assets (included in deposits, prepayments and other receivables)	**23**	23
Non-current assets	**1,024**	1,054
	1,047	1,077

16. PREPAID LEASE PAYMENTS *(continued)*

The prepaid lease payments are in connection with the land use right situated in the PRC under a lease term of 50 years.

At 31 December 2013, land use right in the PRC with a carrying amount of approximately HK$1,077,000 was pledged to secured certain banking facilities obtained from a bank.

17. GOODWILL

Group

	2014	2013
	HK$'000	HK$'000
Cost		
Balance at beginning of year	**891**	891
Additional amounts recognised from business combinations occurring during the year (Note 37)	**5,615**	–
Balance at end of year	**6,506**	891

	2014	2013
	HK$'000	HK$'000
Accumulated impairment losses		
Balance at beginning of year	**(891)**	–
Impairment loss recognised in the year	**–**	(891)
Balance at end of year	**(891)**	(891)
Carrying amounts		
Balance at 31 December	**5,615**	–

18. IMPAIRMENT TESTING FOR CGUS CONTAINING GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

Goodwill has been allocated to the following CGUs for impairment testing:

	2014 HK$'000	2013 HK$'000
PRC feedstock business	–	891
Australia milk powder business	5,615	–
	5,615	891

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

Australia milk powder business

The recoverable amount of this CGU is determined based on value in use calculations with reference to an independent professional valuation. The key assumptions for the value-in-use calculations are those regarding the discount rate and growth in revenue and direct costs during the year. Management estimates the discount rate of 16.63% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past experience and expectations of changes in the market.

The value-in-use calculations are derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management. Cash flows beyond the 5-Year period have been extrapolated using a steady growth rate of 2.79% per annum which is based on long-term inflation rate in Australia (average at the customer prices index).

Based on the value-in-use calculation, the directors considered that the recoverable amount of this CGU was found to be more than its carrying amount. Accordingly, no impairment loss on goodwill to this CGU has been recognised for the year ended 31 December 2014.

PRC feedstock products business

An impairment loss on goodwill allocated to the CGU of PRC feedstock products business of approximately HK$891,000 was recognised in the consolidation statement of profit or loss and other comprehensive income during the year ended 31 December 2013. At 31 December 2013, the goodwill allocated to this CGU was fully impaired. Details of the recoverable amount of the CGU are set out in note 14.

19. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

Group

	Breeder HK$'000	Slaughter pigs HK$'000	Total HK$'000
Cost			
Balance at 1 January 2013	249	312	561
Increase due to purchases	138	320	458
Increase due to raising (feeding cost and others)	189	1,596	1,785
Decrease due to sales	(8)	(773)	(781)
Decrease due to death	–	(1)	(1)
Loss arising from changes in fair value less costs to sell	(371)	(603)	(974)
Effect of foreign currency exchange differences	13	27	40
Balance at 31 December 2013	210	878	1,088
Increase due to purchases	–	476	476
Increase due to raising (feeding cost and others)	399	2,675	3,074
Decrease due to sales	(432)	(3,165)	(3,597)
Decrease due to death	–	(1)	(1)
Gain arising from changes in fair value less costs to sell	1	4	5
Effect of foreign currency exchange differences	(2)	(4)	(6)
Balance at 31 December 2014	176	863	1,039

19. BIOLOGICAL ASSETS *(continued)*

The number of biological assets at the end of the reporting period are summarised as follows:

	2014	2013
	Heads	Heads
Breeder	**76**	88
Slaughter pigs	**798**	741
	874	829

Analysed for reporting purposes as:

	2014	2013
	HK$'000	HK$'000
Non-current assets	**176**	210
Current assets	**863**	878
	1,039	1,088

The Group's subsidiary in the PRC which carries out the agricultural activities in relation to the biological assets possesses a business licence where the business scope includes the breeding and sales of live swines and also possesses an Animal epidemic prevention certificate（動物防疫條件合格證）issued by the Wuping County Animal husbandry, veterinary and fisheries Bureau（武平縣畜牧獸醫水產局）.

The slaughter pigs are primarily held for further growth for trading and are classified as current asset. The breeders are prime swines of excellent quality that are selected as breeding stock, including boars and gilts, and are classified as non-current asset.

The fair value of biological assets of the Group as at 31 December 2014 has been arrived at on the basis of a valuation carried out at that date by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited ("Valuer").

19. BIOLOGICAL ASSETS *(continued)*

The fair value less cost to sell of breeders and slaughter pigs is determined using the market approach.

As at 31 December 2014, no biological assets were pledged as security (2013: Nil).

Fair value hierarchy

The Group's biological assets were revalued at the end of each reporting period on a fair value basis. The fair value measurements for biological assets of the Group have been categorised as Level 3 fair value based on the inputs to the valuation techniques used (Note 36). During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2014 **HK$'000**	2013 HK$'000
Balance at 1 January	**1,088**	561
Increase due to purchases and raising	**3,544**	2,283
Decrease due to sales, retirement or death	**(3,598)**	(782)
Gain/(loss) include in change in fair value less costs to sell	**5**	(974)
	1,039	1,088

The following table shows the valuation techniques used in measuring fair values, as well as the significant unobservable inputs used.

	Valuation technique	**Significant unobservable input**	**Range**
Biological assets	Market approach	Estimated selling price (per kg).	RMB13.80 to RMB20.19

19. BIOLOGICAL ASSETS *(continued)*

Price on various breeds and prices offer for similar species breeds and generations similar with the biological assets were gathered and taken as the base price and adjusted to reflect the age breed, birth and weights of the biological assets of the Group. The quantitative information on the prevailing market prices adopted for the valuation of the Group's biological assets are set out as follows:

	2014	2013
Biological assets		
Commodity hogs (RMB/kg)[1]	**13.80**	15.04
Piglets/weaners (RMB/kg)[2]	**20.19**	23.94
Boars (RMB/head)[3]	**4,000**	4,000
Gilts (RMB/head)[4]	**1,800**	1,800

Notes:

1. Market prices of commodity hogs represent the prices of finishers in Fujian Province of hogs around 100 kgs. The market prices of commodity hogs in the province were obtained from independent price research by the Valuer.

2. Market prices of piglet/weaners represent the prices of hogs that are less than 60 days old weighing about 20 kgs in Fujian Province. The market prices of piglet/weaners in the province were obtained from independent price research by the Valuer.

3. Market prices of boars represent the market selling prices of male hogs around 6 months old in Fujian Province. The market prices of male hogs in the province were obtained from independent price research by the Valuer.

4. Market prices of boars represent the market selling prices of gilts around 6 months old in Fujian Province. The market prices of gilts in the province were obtained from independent price research by the Valuer.

The valuation procedures involve pricing the hogs individually. The material input in the valuation procedure adopted is the price of hogs and that holding all other factors constant, a 10% reduction or increase in the price will also affect the value of biological assets by about 10%.

19. BIOLOGICAL ASSETS *(continued)*

In addition, the following principal assumptions have been adopted by the Valuer:

– There will be no material change in existing political, legal, technological, fiscal or economic condition which may adversely affect the existing business of the Group;

– Quantities, ages and weights of breeders and slaughter pigs as of each of the relevant valuation dates provided to us for the purpose of this valuation are accurate;

– Production facilities and systems and the technology utilised by the Group in carrying out its operation do not infringe any relevant laws and regulations;

– Facilities and systems of the Group will be operated efficiently and timely replacement of male and female purebred parents to maintain sufficient supply of crossbreed gilts for production of slaughter pigs will be implemented;

– Management will implement efficient selection of breeding pigs to maintain or improve their quality and productivity including the quality of slaughter pigs;

– Management will continue to implement efficient feeding, veterinary and farm management programs to maintain or improve the quality of breeding and slaughter pigs;

– Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding and growing operations;

– Prices of breeding and slaughter pigs were based directly on quoted prices as of each of the relevant valuation dates by suppliers in Fujian Province without any adjustments for age of the different pigs included in the valuation; and

– There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing businesses.

20. AVAILABLE-FOR-SALE INVESTMENT

Group

Available-for-sale investment comprise:

	2014	2013
	HK$'000	HK$'000
Unlisted investments:		
Equity securities in Hong Kong	**6,723**	–

The Group holds 19% (2013: Nil) of the ordinary share capital of Blue Farm Limited, a company incorporated in the Cayman Islands with limited liability, which holds approximately 62.91% of the issued share capital of a Hong Kong subsidiary involved in the operation of a chain of Hong Kong-style restaurants.

21. INVENTORIES

Group

	2014	2013
	HK$'000	HK$'000
Raw materials	**6,966**	40
Finished goods	**655**	3
	7,621	43

22. TRADE RECEIVABLES

Group

	2014 HK$'000	2013 HK$'000
Trade receivables	**6,242**	12,168
Allowance for doubtful debts	**(686)**	(6,028)
	5,556	6,140

The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	2014 HK$'000	2013 HK$'000
0 – 90 days	**1,239**	952
91 – 180 days	**386**	2,467
Over 180 days	**3,931**	2,721
	5,556	6,140

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 to 90 days for major customers. The Group seeks to maintain strict control over its outstanding receivables and the management regularly reviews the overdue balances.

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

Trade receivables disclosed above included amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group had not recognised an allowance for doubtful debts because they 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 any collateral or other credit enhancements over these balances nor did it have a legal right of offset against any amounts owed by the Group to the counterparty.

22. TRADE RECEIVABLES *(continued)*

Age of receivables that are past due but not impaired

	2014 HK$'000	2013 HK$'000
Overdue by:		
1 – 90 days	**162**	2,165
Over 90 days	**948**	1,484
	1,110	3,649

Movement in the allowance for doubtful debts

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	**6,028**	–
Impairment loss recognised on receivables	**686**	6,028
Amounts recovered during the year (Note)	**(6,075)**	–
Foreign exchange translation gains and losses	**47**	–
Balance at the end of the year	**686**	6,028

At 31 December 2014, the Group's trade receivables of approximately HK$686,000 (2013: HK$6,028,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables were not recoverable. Consequently, specific allowance for doubtful debts are recognised. During the year ended 31 December 2014, impairment loss on trade receivables of HK$6,028,000 recognised in previous year was fully recovered and reversed.

Age of impaired trade receivables

	2014 HK$'000	2013 HK$'000
Overdue by:		
1 – 90 days	**–**	–
Over 90 days	**686**	6,028
	686	6,028

23. LOAN AND INTEREST RECEIVABLES

Group

	2014 HK$'000	2013 HK$'000
Loan and interest receivables	**182,858**	4,658
Investing loan	**–**	16,795
Impairment loss recognised on investing loan	**–**	(16,795)
	–	–
	182,858	4,658

	2014 HK$'000	2013 HK$'000
Loan and interest receivables		
Amounts due within one year	**156,608**	4,658
Amounts due over one year	**26,250**	–
	182,858	4,658
Less: amounts shown under current assets	**(156,608)**	(4,658)
Amounts shown under non-current assets	**26,250**	–

The Group seeks to maintain strict control over its outstanding loan and interest receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly for recoverability. Loan and interest receivables are charging on effective interest rate mutually agreed with the contracting parties, ranging from 7.0% to 15.0% (2013: 10.0%) per annum.

23. LOAN AND INTEREST RECEIVABLES *(continued)*

A maturity profile of the loan and interest receivables as at the end of the reporting period, based on the maturity date is as follows:

	2014	2013
	HK$'000	HK$'000
0 – 90 days	**73,518**	4,658
91 – 180 days	**31,050**	–
Over 180 days	**78,290**	–
	182,858	4,658

The aging analysis of loan and interest receivables that are not considered to be impaired is as follows:

	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**182,858**	4,658

Loan and interest receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these loan and interest receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

On 18 July 2013, the Group entered into a deed of novation ("Novation Deed") with Successful Treasure Investments Limited ("Investor") and ENRICH MARINE SDN. BHD. ("EMSB"). Pursuant to the Novation Deed, in consideration of the payment of HK$16,740,000 paid by the Group to the Investor, the Investor shall be released and discharged from its liabilities and obligations under the Investment Agreement and the Group shall assume all liabilities and obligations of the Investor under the investment agreement dated 25 April 2012 ("Investment Agreement") entered into between the Investor and EMSB in relation to the operation of a fish farm owned and operated by EMSB in Sabah, Malaysia and shall be entitled to all rights, title and interest under and pursuant to the Investment Agreement in lieu of the Investor.

During the year ended 31 December 2013, the directors assessed the recoverability of the investing loan and considered that the balance is not expected to be recoverable, and accordingly, impairment loss of investing loan of HK$16,795,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

23. LOAN AND INTEREST RECEIVABLES *(continued)*

On 3 January 2014, the Group and EMSB entered into an extension agreement ("Extension Agreement") to the Investment Agreement, pursuant to which the parties have agreed to extend the investment period under the Investment Agreement from 20 to 26 calendar months from the date of the commencement of the investment under the Investment Agreement, and the original minimum guaranteed amount of HK$1,550,000 under the Investment Agreement has been revised upward to HK$2,015,000 to reflect the Group's shared profit pursuant to the extension of the Investment Period. Save for the above changes to the Investment Agreement under the Extension Agreement, all other terms and conditions of the Investment Agreement remain the same.

The full amount of the investing loan and the interest accrued was repaid during the year ended 31 December 2014, and accordingly, reversal of impairment loss of investing loan of HK$16,795,000 was recognised in the face in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**2,981**	1,835	**–**	–
Deposits and other receivables	**19,188**	269	**608**	187
	22,169	2,104	**608**	187
Current portion of prepaid lease payments	**23**	23	**–**	–
	22,192	2,127	**608**	187

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2014	2013
	HK$'000	HK$'000
Held-for-trading investments		
Equity securities listed in Hong Kong	**524**	31,650

The fair value of the equity securities listed in Hong Kong is based on closing price in an active market.

26. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group, bank balances that earn interest at floating rate based on daily bank deposit rates and short term time deposits that earn interest at the respective short term deposit rates. The bank balances and short term time deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounted to approximately HK$4,358,000 (2013: HK$1,718,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade payables	**4,624**	3,804	**–**	–
Other payables and accruals	**27,840**	7,552	**1,992**	865
	32,464	11,356	**1,992**	865

Group

The following is an analysis of trade payables by age based on invoice date at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
0 – 90 days	**2,674**	3,804
91 – 180 days	**316**	–
180 – 365 days	**548**	–
Over 365 days	**1,086**	–
	4,624	3,804

27. TRADE AND OTHER PAYABLES *(continued)*

Included in the balance of other payables and accruals of the Group at 31 December 2014 of approximately HK$5,490,000 represent an amount due to a former director of the Company who was resigned on 5 February 2014. The amount due to a former director of the Company is unsecured, interest-free and repayable on demand.

Included in the balance of other payables and accruals of the Group and the Company at 31 December 2013 of approximately HK$124,000 represent an amount due to an investor of the Company. The amount due was unsecured, interest-free and repayable on demand.

28. BANK BORROWINGS

Group

	2014	2013
	HK$'000	HK$'000
Secured bank loans	**5,905**	3,805

The bank loans bear interest at floating rate in accordance to ANZ's Business Mortgage Index rate, of 7.66%, minus a margin of 0.66% per annum (2013: 7.14%) and were secured by the Group's property, plant and equipment with carrying amount of approximately HK$35,848,000 and a guarantee provided by a non-controlling shareholder of a subsidiary and personal guarantee of directors of a subsidiary (2013: Bank loans of HK$3,805,000 secured by prepaid lease payment with carrying amount of approximately HK$1,077,000).

29. AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

The amounts due from/(to) non-controlling interests are unsecured, interest-free and repayable on demand.

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities balances recognised and movements thereon during the current and prior years:

Group

	Fair value adjustment arising from acquisition of subsidiaries	**Convertible notes**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2013	–	509	509
Credited to reserve	–	(509)	(509)
At 31 December 2013 and 1 January 2014	–	–	–
Acquisition of a subsidiary	349	–	349
At 31 December 2014	**349**	**–**	**349**

Under the PRC Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2014 and 2013, no deferred tax liabilities for withholding tax have been recognised as the Group's PRC subsidiaries incurred accumulated losses for the period since 1 January 2008.

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$3,386,000 (2013: HK$5,114,000) arising from subsidiaries operating outside Hong Kong which is available for setting off against future taxable profit of that subsidiary is due to expire within one to five years and estimated unused tax losses of approximately HK$10,692,000 (2013: HK$4,800,000) available for offset against future profits that may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams.

30. DEFERRED TAX LIABILITIES *(continued)*

Company

	Convertible notes HK$'000
At 1 January 2013	509
Credited to reserve	(509)
At 31 December 2013	–

31. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
At 1 January 2013 and 31 December 2013, ordinary shares of HK$0.04 each	5,000,000	200,000
Share consolidation (Note (i))	(3,750,000)	–
Increase in authorised share capital (Note (ii))	5,000,000	800,000
Capital reorganisation (Note (iv))	93,750,000	–
At 31 December 2014, ordinary shares of HK$0.01 each	**100,000,000**	**1,000,000**
Issued and fully paid:		
At 1 January 2013, ordinary shares of HK$0.04 each	356,610	14,264
Conversion of convertible notes (Note (vi))	59,200	2,368
Issue of placing shares (Note (vii))	278,000	11,120
At 31 December 2013, ordinary shares of HK$0.04 each	693,810	27,752
Share consolidation (Note (i))	(520,357)	–
Right issue of shares (Note (iii))	1,127,441	180,391
Capital reorganisation (Note (iv))	–	(195,134)
Issue of subscription shares (Note (v))	260,000	2,600
At 31 December 2014, ordinary shares of HK$0.01 each	**1,560,894**	**15,609**

31. SHARE CAPITAL *(continued)*

Notes:

(i) Share consolidation

Pursuant to an extraordinary general meeting on 13 January 2014, every 4 ordinary shares of the Company of a nominal or par value of HK$0.04 each in the issued and unissued share capital of the Company be consolidated into one consolidated share of a nominal or par value of HK$0.16 such that the authorised share capital of the Company is HK$200,000,000 divided into 1,250,000,000 consolidated shares of a par value of HK$0.16 each, of which 173,452,500 consolidated shares at par value of HK$0.16 each was in issue. Such consolidated shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the Article of Association of the Company. The share consolidation is in effect on 14 January 2014.

(ii) Increase in authorised share capital

Pursuant to an extraordinary general meeting on 24 April 2014, the ordinary resolution in relation to the increase in authorised share was duly passed by way of poll. Following the passing of the resolution, the authorised share capital of the Company increased from HK$200,000,000 divided into 1,250,000,000 ordinary shares of a par value of HK$0.16 each to HK$1,000,000,000 divided into 6,250,000,000 ordinary shares of HK$0.16 each by the creation of an additional 5,000,000,000 ordinary shares of HK$0.16 each, ranking pari passu with the existing ordinary shares of the Company in all respects. The increase in authorised share capital took effect on the same date.

(iii) Right issue of shares

Pursuant to an extraordinary general meeting on 24 April 2014, the special resolution in relation to the underwriting agreement and rights issue on the basis of 13 rights shares for every 2 existing shares held on the record date at a price of HK$0.16 each was duly passed by way of poll. The right issue of shares was completed on 28 May 2014. Following the rights issue, 1,127,441,250 new ordinary shares of the Company of HK$0.16 each were issued. The net proceeds arising from the right issue amounted to approximately HK$172 million.

(iv) Capital reorganisation

Pursuant to an extraordinary general meeting on 24 April 2014, the special resolution in relation to the capital reorganisation comprising the capital reduction and the share subdivision was duly passed by way of poll and took effect on 5 June 2014.

After the capital reorganisation,

(1) the issued share capital of the Company was reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.15 on each of the issued ordinary shares of the Company such that the nominal value of each issued ordinary share of the Company was reduced from HK$0.16 to HK$0.01;

(2) immediately following the capital reduction, each of the authorised but unissued ordinary shares of the Company of HK$0.16 each was sub-divided into 16 new ordinary shares of the Company of HK$0.01 each; and

(3) the credits arising in the books of the Company from the reduction of the paid-up capital of the Company of approximately HK$195,134,000 was credited to the contributed surplus account of the Company.

31. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(v) Issue of subscription shares

On 28 October 2014, the Company and a subscriber, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (the "subscriber") and are principally engaged in growing, processing and sales of agricultural products, and consumer food and beverage products, entered into a general mandate subscription agreement ("GM Subscription Agreement") and a special mandate subscription agreement ("SM Subscription Agreement").

Pursuant to the GM Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 260,000,000 subscription shares ("GM Subscription Shares") at the subscription price of HK$0.175 per GM Subscription Share. The GM Subscription Shares will be allotted and issued under the general mandate. The completion took place on 10 November 2014 whereby 260,000,000 ordinary shares of the Company of HK$0.01 each were allotted and issued at HK$0.175 per GM Subscription Share under the GM Subscription Agreement. The net proceed from the subscription amounted to approximately HK$45.3 million.

(vi) Conversion of convertible notes

During the year ended 31 December 2013, a total principal sum of HK$11,840,000 of convertible notes issued by the Company was converted into Company's ordinary shares of HK$0.04 each at a conversion price of HK$0.20 per share. As a result of the conversion, 59,200,000 ordinary shares of the Company of HK$0.04 each were issued.

(vii) Issue of placing shares

On 27 May 2013, the Company entered into a placing agreement and the placing was completed on 17 June 2013 with the condition precedent of the placing agreement fulfilled. 78,000,000 ordinary shares of the Company of HK$0.04 each were placed to not less than six placees through placing agent at HK$0.50 per ordinary share. The net proceeds from the placing (before deducting share issue expenses) amounted to approximately HK$39,000,000.

On 30 August 2013, the Company entered into another placing agreement and the placing was completed on 28 October 2013 with the condition precedent of the placing agreement fulfilled. 200,000,000 ordinary shares of the Company of HK$0.04 each were placed to not less than six placees through a placing agent at HK$0.165 per ordinary share. The proceeds (before deducting share issue expenses) from the placing amounted to approximately HK$33,000,000.

32. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 45 of the consolidated financial statements.

Capital reserve

The capital reserve arises from (i) capitalisation of a loan and represents the difference between the amount due to a former beneficial shareholder capitalised and the nominal value of shares; and (ii) the expiry of conversion option of convertible bonds and warranty.

Share options reserve

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to executive directors, employees and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Convertible notes equity reserve

The convertible notes equity reserve represents the value of unexercised equity component of convertible bonds issued by the Company. The reserve is dealt with in accordance with the accounting policy set out in note 3.

PRC statutory reserve

According to the relevant laws and regulations in the PRC, each of the PRC subsidiaries is required to appropriate at least 10% of its after-tax profit (after offsetting prior years' losses), based on the PRC statutory financial statements prepared in accordance with the generally accepted accounting principles ("GAAP") and financial regulations applicable to PRC enterprises, to the general reserve until the balance of the fund reaches 50% of the PRC subsidiary's registered capital. Thereafter, any further appropriation can be made at the directors' discretion. The general reserve fund can be utilised to offset the prior years' losses, or be utilised to increase the capital on the condition that the general reserve shall be maintained at a minimum of 25% of the registered capital after such increase.

32. RESERVES *(continued)*

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2013	91,968	–	77,317	4,885	14,364	(172,813)	15,721
Loss for the year	–	–	–	–	–	(5,127)	(5,127)
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–	(5,127)	(5,127)
Issue of placing shares (Note 31)	58,115	–	–	–	–	–	58,115
Conversion of convertible notes	9,472	–	–	(3,087)	–	–	6,385
Deferred tax arising from conversion of convertible notes (Note 31)	–	–	–	509	(14,364)	14,364	509
Transfer upon exercise of all embedded options	2,307	–	–	(2,307)	–	–	–
Balance at 31 December 2013 and 1 January 2014	161,862	–	77,317	–	–	(163,576)	75,603
Loss for the year	–	–	–	–	–	(20,425)	(20,425)
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–	(20,425)	(20,425)
Recognition of equity-settled share-based payments (Note 33)	–	–	–	–	4,730	–	4,730
Lapse of share option (Note 31 (v))	–	–	–	–	(58)	58	–
Issue of subscription shares (Note 31(v))	42,900	–	–	–	–	–	42,900
Capital Reorganisation (Note 31 (iv))	–	195,134	–	–	–	–	195,134
Transaction costs attributable to issue of shares	(8,311)	–	–	–	–	–	(8,311)
Cancellation of share premium	(153,551)	153,551	–	–	–	–	–
Balance at 31 December 2014	**42,900**	**348,685**	**77,317**	**–**	**4,672**	**(183,943)**	**289,631**

* Pursuant to the special resolution passed in an extraordinary general meeting ("EGM") on 24 April 2014 and took effect on the same day, an entire amount standing to the credit of the share premium account of the Company was cancelled and transferred to the contributed surplus account of the Company.

33. SHARE-BASED PAYMENT TRANSACTIONS

The Company's new share option scheme (the "2013 Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the extraordinary general meeting of the Company held on 30 September 2013. Under the 2013 Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company, to subscribe for the shares.

The total number of shares which may be issued upon exercise of all options which may be granted under the 2013 Share Option Scheme and options which may be granted under any other share option schemes of the Company shall not exceed 10 % of the total number of shares in issue as at the date of approval of the limit unless the Company obtains a refresh approval from its shareholders. As at 31 December 2014, the existing 10% general limit was 130,089,375 shares, being 10% of the shares in issue as at 30 June 2014, the date when the existing 10% general limit was approved by the shareholders. Option lapsed in accordance with the terms of the 2013 Share Option Scheme or any other share option schemes of the Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the limit has been exceeded.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company (or the subsidiary) shall not exceed 30% of the total number of shares in issue from time to time. No options may be granted under any share option schemes of the Company (or the subsidiary) if this will result in the limit being exceeded.

The 2013 Share Option Scheme will remain in force for a period of ten years commencing from 30 September 2013.

The subscription price in respect of any particular option shall be such price as determined by the board of directors in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a share.

33. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The purpose of the 2013 share option scheme is to encourage the participants, including employees, business associates and trustees, to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in 12-month period up to and including the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting with the proposed grantee and his associates abstaining from voting. A circular must be sent to the shareholders of the Company disclosing the identity of the proposed grantee, the number and terms of the options granted and to be granted.

Where any grant of option is to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director or any of their respective associates (as defined in the GEM Listing Rules) and the proposed grant of option, when aggregated will result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant, (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, then such proposed grant of option(s) must be subject to approval by shareholders on a poll in a general meeting where all connected persons (as defined in the GEM Listing Rules) of the Company must abstain from voting in favour at such general meeting (except where such connected person(s) (as defined in the GEM Listing Rules) intend(s) to vote against the proposed grant of option(s) and his intention to do so has been stated in the circular).

33. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Details of specific categories of share options are as follows:

Option type	Date of grant	Exercise period	Exercise price	Weight average fair value at grant date
			HK$	HK$
2014	12 August 2014	12 August 2014 to 11 August 2016	0.1104	0.04

The fair value of the share options granted to employees and directors during the year ended 31 December 2014 was determined using the Binomial Model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information.

122,200,000 share options were granted under the 2013 Share Option Scheme during the year ended 31 December 2014 (2013: Nil). As at 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the 2013 Share Option Scheme was 120,900,000 (2013: Nil).

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

	Option type 2014
Grant date share price	**HK$0.107**
Exercise price	**HK$0.1104**
Expected volatility	**85.374%**
Expected	**1.60**
Risk-free interest rate	**0.357%**
Expected dividend yield	**0%**

33. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

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

Name of Grantee	Outstanding at 1/1/2014	Granted during the year *(Note 1)*	Exercised during year	Lapsed during the year	Outstanding at 31/12/2014
Directors:					
Mr. Zhou Jing	–	13,000,000	–	–	13,000,000
Mr. Lam Chun Kei	–	13,000,000	–	–	13,000,000
Mr. Lin Chuen Chow Andy	–	1,300,000	–	–	1,300,000
Mr. Siu Kam Chau *(Note 2)*	–	1,300,000	–	(1,300,000)	–
Mr. Lee Kin Fai	–	1,300,000	–	–	1,300,000
Ms. Cheng Lo Yee	–	1,300,000	–	–	1,300,000
Sub-total	–	31,200,000	–	–	29,900,000
Employees	–	26,000,000	–	–	26,000,000
Sub-total	–	26,000,000	–	–	26,000,000
Other eligible persons:					
Consultants	–	39,000,000	–	–	39,000,000
Directors of a subsidiary	–	26,000,000	–	–	26,000,000
Sub-total	–	65,000,000	–	–	65,000,000
Grand Total	–	122,200,000	–	(1,300,000)	120,900,000
Exercisable at the end of the year					120,900,000
Weighted average exercise price	HK$0.1104	HK$0.1104	–	HK$0.1104	HK$0.1104

Notes:

1. A total number of 122,200,000 share options were granted to directors, employees and other eligible persons on 12 August 2014. For details, please refer to the announcement of the Company dated 12 August 2014.

2. Mr. Siu Kam Chau resigned as independent non-executive Director of the Company with effect from 27 October 2014 and accordingly the share options granted to Mr. Siu Kam Chau had lapsed.

No option has been exercised under the Scheme during the years ended 31 December 2014 and 2013.

33. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Options granted are fully vested at the date of grant. During the year ended 31 December 2014, approximately HK$3,422,000 of equity-settled share-based payments to employees & directors has been included in the consolidated statement of profit or loss and other comprehensive income, the corresponding amount of which has been credited to share options reserve (Note 32). No liabilities were recognised on the equity-settled share-based payment transactions.

The fair value of the share options granted to suppliers of service amounted to approximately HK$1,308,000 (2013: Nil) has been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the corresponding amount of which has been credited to share options reserve (Note 32).

The Company measures the fair value of share options granted to consultant by reference to the fair values of services rendered.

The total consideration received during the year from grant of share options amounted to HK$13 (2013: Nil).

All share options have been accounted for under HKFRS 2. The share options outstanding at the end of the year had a weighted average remaining contractual life of approximately 1.6 years (2013: Nil).

34. PENSION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's PRC subsidiaries are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The central pension scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the pension payments on post-retirement benefits beyond the monthly contributions.

During the year ended 31 December 2014, defined contribution retirement benefits expenses of approximately HK$563,000 (2013: HK$169,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. The Group is not subject to any externally imposed capital requirements. The Group's overall strategy remains unchanged from prior year.

The Group monitors capital on the basis of the gearing ratio. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	2014 **HK$'000**	2013 HK$'000
Debts (Note (i))	**5,905**	3,805
Equity	**290,558**	87,111
Gearing ratio	**2.03%**	4.37%

Notes:

(i) Debts include bank borrowings as detailed in note 28.

(ii) Equity include all capital and reserves attributable to the owners of the Company.

36. FINANCIAL INSTRUMENTS

36.1 Categories of financial instruments

Group

Financial assets

	2014 HK$'000	2013 HK$'000
Fair value through profit or loss:		
Held for trading	**524**	31,650
Loans and receivables:		
Trade receivables	**5,556**	6,140
Loan and interest receivables	**182,858**	4,658
Amount due from a non-controlling interest	**3**	–
Deposits and other receivables (included in financial assets)	**19,188**	269
Cash and bank balances	**119,860**	37,773
AFS financial assets:		
Available-for-sale investment	**6,723**	–

Group

Financial liabilities

	2014 HK$'000	2013 HK$'000
Financial liabilities at amortised cost:		
Financial liabilities included in trade and other payables	**12,074**	11,356
Amounts due to non-controlling interests	**15,367**	–
Bank borrowings	**5,905**	3,805

36. FINANCIAL INSTRUMENTS *(continued)*

36.1 Categories of financial instruments *(continued)*

Company

Financial assets

	2014 HK$'000	2013 HK$'000
Loans and receivables:		
Deposits and other receivables	**608**	187
Amounts due from subsidiaries	**302,035**	69,010
Cash and bank balances	**1,205**	35,013

Financial liabilities

	2014 HK$'000	2013 HK$'000
Financial liabilities at amortised cost:		
Other payables and accruals	**1,992**	865
Amounts due to subsidiaries	**18,515**	–

36.2 Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, trade receivables, loan and interest receivables, amount due from a non-controlling interest, deposits and other receivables, cash and bank balances, available-for-sale investment, trade and other payables, amount due to non-controlling interests and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk, business risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

36. FINANCIAL INSTRUMENTS *(continued)*

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

36.2.1 Market risk

Foreign currency risk management

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all the cost of sales are denominated in the operating unit's functional currency. Accordingly, the directors consider that the Group is not exposed to significant foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At the end of the reporting period, the carrying amounts of the Group's major monetary assets denominated in currencies other than the functional currencies of the relevant group entities are as follows:

	2014	2013
	HK$'000	HK$'000
Assets:		
Australian dollars	**18,027**	–
US dollars	**13,805**	–

	2014	2013
	HK$'000	HK$'000
Liabilities:		
RMB	**191**	–
Australian dollars	**957**	–

36. FINANCIAL INSTRUMENTS *(continued)*

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

36.2.1 Market risk (continued)

Foreign currency risk management (continued)

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against HK$ and HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss where RMB strengthens against HK$ and HK$ weakening against RMB. For a 5% weakening of RMB against HK$ and HK$ strengthens against RMB, there would be an equal and opposite impact on the loss.

	2014	2013
	HK$'000	HK$'000
RMB	**(10)**	–
Australian dollars	**854**	–
US dollars	**690**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent exchange risk as the year end exposure does not reflect the exposure during the year.

36. FINANCIAL INSTRUMENTS *(continued)*

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

36.2.1 Market risk *(continued)*

Interest rate risk management

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the Group's and the Company's interest-bearing financial assets/ liabilities. The Group are exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowing and fair value interest rate risk in relation to fixed rate loans receivables.

All of the Group's loans receivables are based on fixed interest rates with original maturities in range of 1 to 48 months. The Group prices these loans receivables strategically to reflect market fluctuations and achieve a reasonable interest-rate spread. The fixed rate instruments of the Group are insensitive to any change in market interest rates.

As the Group and the Company have no significant variable-rate interest-bearing financial assets, except for short-term bank deposits, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing financial assets resulted from the changes in interest rates because the interest rates of bank deposits are relatively low and not expected to change significantly.

The Group consider the cash flow interest rate risk relating to its variable rate bank borrowing is insignificant and therefore sensitivity analysis has not been presented.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

36. FINANCIAL INSTRUMENTS *(continued)*

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

36.2.1 Market risk *(continued)*

Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

The Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a number of suppliers so as to limit high concentration in a particular supplier.

Other price risks

The Group is exposed to equity price risk mainly through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. In addition, the Group has appointed a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

36. FINANCIAL INSTRUMENTS *(continued)*

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

36.2.1 Market risk (continued)

Other price risks

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 15% higher/lower (2013: 15% higher/lower):

- post-tax loss for the year ended 31 December 2014 would decrease/increase by approximately HK$78,000 (2013: decrease/increase by approximately HK$4,748,000). This is mainly due to the changes in fair value of held-for-trading investments.

36.2.2 Credit risk management

At 31 December 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated and company statements of financial position.

For the credit sales of goods to customers, the Group has concentration of credit risk as the top 5 credit sales customers accounted for approximately 44% (2013: 31%) of the Group's sales for the year. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An aging analysis of the debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these debtors. The Group makes specific provision for receivables based on an assessment of the recoverability of the receivables.

36. FINANCIAL INSTRUMENTS *(continued)*

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

36.2.2 Credit risk management *(continued)*

In respect of deposits and other receivables, the directors consider the credit risk is low because there was no default history; hence no impairment provision is required.

For loan and interest receivables, the Group has policies in place to evaluate credit risk when accepting new loans and to limit its credit exposure to individual borrowers. The Group makes specific provision for loan receivables based on an assessment of recoverability.

For bank balances, the credit risk is limited because the counterparties are reputable banks.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial assets in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk.

36.2.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements.

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

36. FINANCIAL INSTRUMENTS *(continued)*

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

36.2.3 Liquidity risk management *(continued)*

The following table details, the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments. Bank borrowing with a repayment of demand clause are included in the "On demand or less than 1 year" time band in the maturity analysis.

Group

	On demand or less than 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amounts HK$'000
At 31 December 2014					
Non-derivative financial liabilities					
Trade and other payables	12,074	–	–	12,074	12,074
Amounts due to a non-controlling interests	15,367	–	–	15,367	15,367
Bank borrowing	5,905	–	–	5,905	5,905
	33,346	–	–	33,346	33,346
At 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables	11,356	–	–	11,356	11,356
Bank borrowing	3,906	–	–	3,906	3,805
	15,262	–	–	15,262	15,161

36. FINANCIAL INSTRUMENTS *(continued)*

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

36.2.3 Liquidity risk management *(continued)*

Company

	On demand or less than 1 year	**1-5 years**	**Total contractual undiscounted cash flows**	**Total carrying amounts**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014				
Non-derivative financial liabilities				
Other payables and accruals	1,992	–	1,992	1,992
Amounts due to subsidiaries	18,515	–	18,515	18,515
	20,507	–	20,507	20,507
At 31 December 2013				
Non-derivative financial liabilities				
Other payables and accruals	865	–	865	865

36. FINANCIAL INSTRUMENTS *(continued)*

36.3 Fair value measurements

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Financial assets and financial liabilities measured at fair value

Group

	2014 **HK$'000**	2013 HK$'000
Financial assets included in Level 1:		
Financial assets at fair value through profit or loss (Note 25)	**524**	31,650
Financial assets included in Level 3:		
Available-for-sale investment	**6,723**	–

The fair value of financial instruments classified as level 1 are traded in active markets is based on closing prices at the end of the reporting period.

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3.

36. FINANCIAL INSTRUMENTS *(continued)*

36.3 Fair value measurements *(continued)*

Fair value of financial assets and liabilities carried at other than fair value

The directors consider that the carrying amounts of the Group's and the Company's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013.

The fair value of the unlisted available-for-sale investment are based on cash flows discounted using a rate of 12% based on the market interest rate and the risk premium specific to the unlisted investment.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair value:

	2014 **HK$'000**	2013 HK$'000
At 1 January	**–**	–
Payment for purchases	**7,007**	–
Revaluation loss recognised	**(284)**	–
At 31 December	**6,723**	–
Total comprehensive expense for the year included in available-for-sales investment revaluation reserve	**(284)**	–

For the fair value of the unlisted available-for-sales investment, the directors estimated that with all other variables held constant, a decrease/increase in discount rate by 1% would have increase/decrease the fair value of the unlisted available-for-sales investment by approximately HK$927,000.

37. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

(a) On 15 May 2014, the Group completed the acquisition of 100% of the issued shares of 易寶電腦系統(北京)有限公司 (transliterated as EPRO Computer Systems (Beijing) Company Limited") ("EPRO"), a limited company incorporated in the PRC and a wholly foreign-owned enterprise, at the total consideration of HK$3,000,000. It is principally engaged in the provision of professional IT contract and maintenance services.

Consideration transferred:

	HK$'000
Cash paid	3,000

Acquisition-related costs amounting to approximately HK$36,600 had been excluded from the cost of acquisition and had been recognised as part of the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment (Note 14)	61
Current assets	
Inventories	2
Trade receivables	3,481
Deposits, prepayments and other receivables	3,433
Cash and bank balances	2,057
Current liabilities	
Trade and other payables	(5,215)
	3,819

The fair value of receivables acquired, which principally comprised trade and other receivables approximated the gross contractual amounts. There were no contractual cash flows not expected to be collected.

37. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

(a) *(continued)*

Gain on bargain purchase

	HK$'000
Fair value of consideration transferred	3,000
Less: fair value of identifiable net assets acquired	(3,819)
Gain on bargain purchase	(819)

The gain on a bargain purchase represented the excess of the fair value of net assets as at the acquisition date over the fair value of the consideration and was recognised in the line item "other income, other gains and losses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

Net cash outflow arising on acquisition of subsidiaries

	HK$'000
Consideration paid in cash	3,000
Less: cash and bank balances acquired	(2,057)
	943

Impact of acquisition of the results of the Group

EPRO contributed revenues of approximately HK$10,676,000 and net losses of approximately HK$657,000 to the Group for the period from the date of acquisition to 31 December 2014. If the acquisition had occurred on 1 January 2014, Group revenue would have been approximately HK$44,142,000 and loss before allocations would have been approximately HK$17,332,000. This pro forma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2014, nor was it intended to be a projection of future results.

37. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

(b) On 3 December 2014, Rosy Path International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company (the "Subscriber"), Zhao Hui Holdings Limited, a company incorporated in the BVI with limited liability (the "Target") and Zhu Weimen, the sole owner of the Target immediately prior to completion and an independent third party (the "Guarantor") entered into an subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber agreed to subscribe, and the Target agreed to allot and issue, the subscription shares (the "Subscription Shares") at a subscription price of AUD2,227,500 in cash. The Subscription Shares represent 55% of the enlarged issued share capital of the Target as enlarged by the allotment and issue of the Subscription Shares

In addition, the Target, the Guarantor and other Independent Third Parties have entered into an investment arrangement (the "Investment Arrangements") in relation to the investment in the group of companies consisting of Mission Go International Limited, a company incorporated in the BVI with limited liability, Viplus Diary Pty Ltd, a company incorporated in Victoria, Australia with limited liability and other subsidiaries of Mission Go International Limited(the "Viplus Group") whereby upon completion of the Investment Arrangements, the Target shall indirectly hold equity interests in the Viplus Group. The Viplus Group is principally engaged in milk formula processing, production and related business and an operator of a dairy manufacturing plant in Victoria, Australia.

Completion of the Investment Arrangements had taken place on 31 December 2014 whereby Mission Go is now owned as to 60% by the Target (through its 60% owned subsidiary, namely Globe Year); and Viplus is owned as to 90% by Mission Go and as to 10% by Globe Year. Accordingly, the Target has become the holding company of each member of the Target Group and the Viplus Group and each such member has become a non-wholly-owned subsidiary of the Company.

In the opinion of the directors, the acquisition provided the opportunity for the Group to gain access to the Australia milk powder business and to broaden the income base of the Group.

Consideration transferred:

	HK$'000
Cash paid	14,514

Acquisition-related costs amounting to approximately HK$Nil had been excluded from the cost of acquisition and had been recognised as part of the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

37. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

(b) *(continued)*

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment (Note 14)	35,847
Current assets	
Inventories	6,190
Trade and other receivables	1,110
Amount due from a non-controlling interest	3
Deposits, prepayments and other receivables	15,406
Cash and bank balances	38,924
Current liabilities	
Trade and other payables	(19,180)
Amounts due to non-controlling interests	(15,367)
Bank borrowing	(5,905)
Non-current liabilities	
Deferred tax liabilities	(349)
	56,679

The fair value of receivables acquired, which principally comprised prepayments, deposits and other receivables approximated the gross contractual amounts. There were no contractual cash flows not expected to be collected.

37. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

(b) *(continued)*

Goodwill arising on acquisition

	HK$'000
Fair value of consideration transferred	14,514
Less: fair value of identifiable net liabilities acquired	(56,679)
Add: Non-controlling interest	47,780
Goodwill arising on acquisition (Note 17)	5,615

None of the goodwill on this acquisition was expected to be deductible for tax purposes.

Goodwill arising from acquisition of an Australia milk powder factory was attributable to the anticipated profitability and future development of Australia milk powder business and the anticipated future operating synergy from the combinations.

Net cash inflow arising on acquisition of subsidiaries

	HK$'000
Cash and bank balances acquired	38,924
Less: Consideration paid in cash	(14,514)
	24,410

Impact of acquisition of the results of the Group

The Viplus Group contributed revenues and net profit of approximately HK$Nil to the Group for the period from the date of acquisition to 31 December 2014. If the acquisition had occurred on 1 January 2014, Group revenue would have been approximately HK$67,910,000 and loss before allocations would have been approximately HK$23,492,000. This pro forma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2014, nor was it intended to be a projection of future results.

38. DISPOSAL OF INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

On 20 June 2014, the Company and 博大東方農業發展有限公司 (transliterated as Bo Da Dong Fong Agricultural Development Co., Ltd.), a company incorporated in the Republic of Seychelles with limited liability and principally engaged in investment holding, entered into the SP Agreement, pursuant to which 博大東方農業發展有限公司 conditionally agreed to buy, and the Company conditionally agreed to sell, 49% of the issued share capital of Tony China Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, at a consideration of HK$6,000,000. Tony China Limited and its subsidiaries (collectively the "Tony Group") are principally engaged in the manufacturing and distribution of feedstock products, animal husbandry and related activities. The disposal was completed on 27 August 2014.

The carrying amount of the non-controlling interests in Tony Group on the date of disposal was approximately HK$9,332,000. The Group recognised an increase in non-controlling interests of approximately HK$9,332,000 and an decrease in equity attributable to owners of the Company of approximately HK$3,332,000. The effect of changes in the ownership interests of the Tony Group on the equity attributable to owners of the Company during the year ended 31 December 2014 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests disposed of	9,332
Cash consideration received from non-controlling interests	(6,000)
Loss on disposal within equity	3,332

Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2014:

	HK$'000
Disposal of interests in subsidiaries without loss of control	3,332

39. OPERATING LEASE COMMITMENTS

Group

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

	2014 HK$'000	2013 HK$'000
Land and buildings		
– Within one year	**895**	941
– In the second to fifth years inclusive	**179**	46
	1,074	987
Property, plant and equipment		
– Within one year	**219**	300
– In the second to fifth years inclusive	**–**	175
	219	475
	1,293	1,462

Operating leases relate to land and building with lease terms of between 1 to 3 years (2013: 1 to 3 years), with no option to renew the lease terms at the expiry date. The lease does not include contingent rental.

Company

The Company had no significant operating lease commitments at 31 December 2013 and 2014.

40. COMMITMENTS

At 31 December 2014, the Group had the following significant commitments which were not provided for in the consolidated financial statements:

	2014	2013
	HK$'000	HK$'000
Authorised and contracted for:		
Property, plant and equipment	**10,830**	2,283

At the end of the reporting period, the Company had no significant capital commitments.

41. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	2014	2013
	HK$'000	HK$'000
Consultancy fee paid to a substantial shareholder	**1,200**	–
Commission for underwriting of shares paid to a substantial shareholder	**1,121**	–

Note: The consultancy fee and commission paid were based on the terms mutually agreed between the parties involved.

41. RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

Group

	2014	2013
	HK$'000	HK$'000
Short-term benefits	**2,213**	2,761
Post-employment benefits	**15**	–
Share-based payments	**1,390**	–
	3,618	2,761

42. COMPARATIVE FIGURES

In previous year, the Group's loan interest income of approximately HK$158,000 was included in "Other income, gains and losses" in the consolidated statement of profit or loss and other comprehensive income. In current year, the comparative amount of such loan interest income has been reclassified to conform with the current year's presentation and included in "Revenue".

In addition, in previous year the Group's impairment loss of investing loan of approximately HK$16,795,000 was included in "General and administrative expenses" in the consolidated statement of profit or loss and other comprehensive income. In current year, the comparative amount of such impairment loss of investing loan has been reclassified to conform with the current year's presentation and presented in the face of the consolidated statement of profit or loss and other comprehensive income.

In addition, in previous year the Group's amount due to an investor of approximately HK$124,000 was presented in the face of the consolidated statement of financial position. In current year, the comparative amount of such amount due to an investor has been reclassified to conform with the current year's presentation and included in "Trade and other payables".

43. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the SM Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 83,000,000 subscription shares ("SM Subscription Shares") at the Subscription Price of HK$0.175 per SM Subscription Share. After the passing of the ordinary resolution in relation to the SM Subscription Shares dated 2 February 2015, the completion of the SM Subscription took place on 11 February 2015, whereby 83,000,000 ordinary shares of the Company HK$0.01 each were allotted and issued. The net proceed from the subscription amounted to approximately HK$14 million.

Five-Years Financial Summary

For the year ended 31 December 2014

	1.1.2014 to 31.12.2014 HK$'000	1.1.2013 to 31.12.2013 HK$'000 (Restated)	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000	1.8.2009 to 31.7.2010 HK$'000
RESULTS					
Revenue	**28,739**	24,765	160,715	86,304	35,285
(Loss)/profit from operation	**(11,537)**	(11,815)	6,179	3,064	(179)
Finance costs	**(101)**	(310)	(2,661)	(341)	(1,347)
Gain on the scheme	**–**	–	67,494	–	–
Gain on deconsolidation of subsidiaries	**–**	–	401	36,191	3,187
Assets impairment	**(6,214)**	(27,758)	–	–	–
Restructuring cost	**–**	–	(9,867)	–	–
(Loss)/profit before tax	**(17,852)**	(39,883)	61,546	38,914	1,661
Income tax	**(24)**	(170)	(2,005)	(2,557)	(1,461)
(Loss)/profit for the year/period	**(17,876)**	(40,053)	59,541	36,357	200
(Loss)/profit attributable to:					
Owners of the Company	**(15,289)**	(40,053)	59,541	36,339	200
Non-controlling interests	**(2,587)**	–	–	18	–
	(17,876)	(40,053)	59,541	36,357	200

Five-Years Financial Summary

For the year ended 31 December 2014

	At 31 December				
	31.12.2014	31.12.2013	31.7.2012	31.7.2011	31.7.2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total asset	**399,196**	102,285	66,891	39,735	11,626
Total liabilities	**(54,098)**	(15,174)	(19,993)	(155,430)	(172,871)
	345,098	87,111	46,898	(115,695)	(161,245)
Equity attributable to owners of the Company	**290,558**	87,111	46,898	(121,573)	(161,245)
Non-controlling interests	**54,540**	–	–	5,878	–
	345,098	87,111	46,898	(115,695)	(161,245)