



**無縫綠色中國(集團)有限公司**  
**Seamless Green China (Holdings) Ltd.**

*(Incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)*

Stock Code: 8150



**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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this 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 report.

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

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## CORPORATION INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business	Unit D, 6/F., Neich Tower 128 Gloucester Road Wanchai, Hong Kong
Executive Directors	Mr. Wong Kin Hong ( <i>Chairman</i> ) Mr. Huang Yonghua Mr. Wong Tat Wa Ms. Leung Po Yee Mr. Thomas Ng Cheng Kiong Mr. Leung Hoi
Independent Non-executive Directors	Mr. Yan Guoniu Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Company Secretary	Mr. Fung Nam Shan ( <i>HKICPA</i> )
Compliance Officer	Ms. Leung Po Yee
Authorised Representatives	Mr. Wong Tat Wa Mr. Fung Nam Shan
Audit Committee	Mr. Yan Guoniu ( <i>Chairman</i> ) Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Remuneration Committee	Mr. Yan Guoniu ( <i>Chairman</i> ) Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve

## CORPORATION INFORMATION

Nomination Committee

Mr. Yan Guoniu (*Chairman*)

Mr. Tang Rong Gang

Mr. Ou Wei An

Mr. Ng Yu Ho, Steve

Legal Advisers as to Hong Kong Law

ONC Lawyers

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Ltd.

Rosebank Centre

11 Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited

31/F., 148 Electric Road

North Point

Hong Kong

Independent Auditors

RSM Nelson Wheeler (*Certified Public Accountants*)

Stock Code

8150

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2014 (the "Year").

## RESULTS

During the Year, the Group recorded revenue of approximately HK\$20.8 million (2013: HK\$25.1 million), representing a decrease of approximately 17% against the prior year. Loss attributable to the owners of the Company amounted to approximately HK\$200.5 million (2013: HK\$153.1 million), representing an increase of loss of approximately 31% as compared to 2013. Basic loss per share for the Year was HK33.22 cents (2013: HK36.50 cents).

## BUSINESSES

The principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, integrated circuits and software trading and development, trading of LED lighting products and investment holding.

### Synthetic Sapphire Watch Crystal

The turnover of the sapphire watch crystals for the years ended 31 December 2014 and 2013 were amounted to approximately HK\$14.9 million and HK\$20.4 million, respectively, representing a decrease of approximately 27% over 2013. The decrease in turnover is mainly due to the decrease in the market demand.

### Optoelectronic Product

The sales of optoelectronic products division for the years ended 31 December 2014 and 2013 were amounted to HK\$3.2 million and HK\$2.1 million, respectively, representing a an increase of approximately 52% over 2013. The increase in turnover is mainly due to the increase in the market demand.

### Integrated Circuits, Embedded Software Trading and Development and Trading of LED Lighting Products

During the year, the Company commenced a new business of trading of LED Lighting Products and it is included under this segment. The sales of the division for the years ended 31 December 2014 and 2013 were amounted to HK\$2.8 million and HK\$0.9 million respectively, representing an increase of approximately 212% over 2013. The increase in turnover is mainly due to the new LED business commenced during the year.

### Liquor Product

No revenue for this business segment was generated for the Year (2013: HK\$1.7 million).

# CHAIRMAN'S STATEMENT

## PROSPECTS

The Company will conduct a review on the business operations and financial position of the Company for the purpose of formulating business plans and strategies for its future business development which would enable the Group to diversify its business and broaden its income sources. In addition, the Company will divest in the business areas which did not perform well in past years and/or do not have good business prospects with a view to allocating the resources of the Company to and concentrating on business areas which have better business prospects and exploring other business and investment opportunities.

With the lead of the management team, the Company is actively exploring business opportunities in other sectors to diversify risks and broaden the sources of income of the Company. The Company has adequate resources to continue with its business operations, and will continue to focus on its corporate objective to develop current businesses in order to strengthen its competitiveness, integrate its capital resources and contribute a maximum wealth to our equity holders.

The Group will take possible opportunities in the financial markets to raise funds to facilitate future merger and acquisition activities and/or to increase the working capital of the Group.

In 2015, the Group will focus on the business of LED lighting products as an initiative to improve the Company's financial performance and liquidity.

Finally, for and on behalf of the Group and the Board, I would like to express my heartfelt thanks to our shareholders and customers for their enduring support and to all my colleagues for their dedication and hard work throughout the Year. Your dedication and involvement will be the most valuable asset for the growth of the Company.

**Wong Kin Hong**

*Chairman*

27 March 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

Total turnover of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2014 (the “Year”) amounted to approximately HK\$20.8 million, representing a 17% decrease from that of approximately HK\$25.1 million generated in 2013. Loss attributable to owners of the Company for the Year was approximately HK\$200.5 million while in 2013 was approximately HK\$153.1 million.

During the Year, the Company was an investment holding company. The Group’s principal activities were involved in the manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, the trading of liquor, integrated circuits and software trading and development, and trading of LED lighting products and investment holding.

### Sapphire watch crystals division

The turnover of the sapphire watch crystals for the Year was approximately HK\$14.9 million (2013: approximately HK\$20.4 million), representing a decrease of approximately HK\$5.5 million.

### Optoelectronics products division

The Group recorded a turnover of approximately HK\$3.2 million for the Year (2013: approximately HK\$2.1 million) representing an increase of approximately HK\$1.1 million.

### Integrated circuits, embedded software trading and development, and LED lighting products division

The Group recorded a turnover of approximately HK\$2.8 million for the Year (2013: approximately HK\$0.9 million) representing an increase of approximately HK\$1.9 million.

### Trading of liquor products division

The Group did not generate any revenue during the Year (2013: HK\$1.7 million).

### Other income and gains

Other income and gains for the Year amounted to approximately HK\$20,000, representing a decrease of approximately HK\$655,000 from that of HK\$675,000 generated in 2013.

### Selling and distribution costs, administrative and other operating expenses for Continuing Operations

Selling and distribution costs for the Year amounted to approximately HK\$957,000. This represents a decrease of approximately HK\$38,000 from that recorded for 2013.

Total administrative and operating expenses were approximately HK\$35.2 million for the Year (2013: HK\$75.3 million). The decrease in the total administrative and operating expenses was mainly attributable to the decrease in the equity-settled share-based payment expenses recorded for the Year.



# MANAGEMENT DISCUSSION AND ANALYSIS

## **Impairment losses on loan receivable and refundable deposit**

The Group granted a loan to Mr. Lee Kai Ming (李啟明), a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules), of approximately HK\$3,800,000, which was unsecured with an interest rate of 4% per annual and matured on 14 December 2012. The recoverability of the loan was in doubt and accordingly, impairment had been fully provided in 2013. As at the date of this annual report, by the best efforts of the executive Directors to chase up the outstanding balances, the loan receivable had been fully settled by Mr. Lee Kai Ming. Therefore, such impairment will be reversed and reflected in the statement of comprehensive income for the year ending 31 December 2015.

The Group paid a refundable deposit of HK\$7,000,000 to Mr. Chu Chun Kit (朱俊傑) for the proposed acquisition of 49% equity interests in EQM (Int'l) Co. Limited, which lapsed in 2013. Due to the situation that the proposed investment had lapsed and the outstanding balances were still outstanding as at 31 December 2013, the Directors were of an opinion that the recoverability of the deposit was in doubt and, accordingly, impairment had been fully provided in 2013. By the best effort of the executive Directors to follow up, the deposit would highly likely be fully refunded by Mr. Chu Chun Kit to the Company. Therefore, the related impairment will be reversed and reflected in the statement of comprehensive income for the year ending 31 December 2015 upon the receipt of the deposit.

## **Impairment of Investments**

At 31 December 2014, the management of the Group carried out review on impairment on the carrying amounts of its unlisted investments in associates and available-for-sale financial assets individually as a single assets by comparing their recoverable amounts (higher of value-in-use and fair value less cost of disposal) with their respective carrying amounts. The management has reviewed for any objective evidence of the existence of any impairment on the investments and such evidence including, but not limited to the following:

- (a) a significant or prolonged decline in the fair value of the interest in the investments;
- (b) significant adverse changes in the technological, market, economic, or legal environment in which the investee companies operated;
- (c) structural changes in the industry in which the investee companies operated;
- (d) changes in the level of demand of the products of the investee companies; and
- (e) changes in the financial condition of the investee companies.

In order to perform the above assessments, the management of the Group has obtained the market price of its listed investments as at 31 December 2014; and for the Group unlisted equity investments, the management has obtained the unaudited financial information (including the statements of financial position as at 31 December 2014 and the statements of profit or loss and other comprehensive income for the year then ended, and any available forecasted financial information) of the investee companies, discussed with the management the operations of investee companies and their future funding requirements, and engaged independent professional valuer to conduct independent valuation on the recoverable amounts of the investee companies, if necessary.

According to the assessments performed above, the management considered the investments of the Group are being impaired and the results are as follow:

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Investment classified as available-for-sale financial assets**

- (a) Gowin New Energy Group Limited (“Gowin”)

The shares of Gowin is listed on the Alternative Investment Market of the London Stock Exchange and according to the closing market price of the shares as of 31 December 2014, the market value of the investments was approximately HK\$2.3 million, and an impairment of approximately HK\$12.8 million was recognised in the profit and loss.

- (b) World Sheen International Group Limited (“World Sheen”) and Central Tech Asia Limited (“Central Tech”)

World Sheen and Central Tech are both private companies and as at 31 December 2014, the Group has 18% and 20% equity interests in World Sheen and Central Tech respectively. Based on the unaudited financial information provided by the respective management of the investee companies, full provisions for impairment were made for both investments and were recognised in profit or loss due to the insolvent financial position of the investee companies as at 31 December 2014 and there are uncertainties in raising new funds to continue the operations of the investee companies. The unaudited financial statements of World Sheen and Central Tech for the year ended 31 December 2014 both indicate the companies with net losses for the year, and net current liabilities and net liabilities positions as at year end date.

## **Investment in associates**

- (a) Great Steer Limited and its subsidiaries (collectively “Great Steer Group”) and Neo Partner Investments Limited and its subsidiaries (collectively “Neo Partner Group”)

Great Steer Group and Neo Partner Group are both private groups and as at 31 December 2014, the Group has 20% and 28% equity interests in Great Steer Group and Neo Partner Group respectively. Based on the unaudited financial information provided by the respective management of the investee groups, full provisions for impairment were made for both investments and were recognised in profit or loss due to the insolvent financial position of the investee groups as at 31 December 2014 and there are uncertainties in raising new funds to continue the operations of the investee groups. The unaudited consolidated financial statements of Great Steer Group and Neo Partner Group for the year ended 31 December 2014 both indicate the groups with net losses for the year, and net current liabilities and net liabilities positions as at year end date.

- (b) Full Pace Holdings Limited and its subsidiaries (collectively “Full Pace Group”)

Full Pace Group is a private group and the Group has 45% equity interest in Full Pace Group. Based on an independent valuation performed by Ascent Partner Valuation Service Limited (“Ascent Partners”), the fair value of 100% equity interest of Full Pace Group was approximately HK\$11 million and applying the Group’s equity interest of 45% in Full Pace Group, the fair value of the investment in Full Pace Group was HK\$5 million. Please refer to note 17 to the consolidated financial statements for details of the independent valuation including valuation techniques and relevant key assumptions applied. Provision for impairment of approximately HK\$43 million was made accordingly and recognised in profit or loss.

## **Impairment of property, plant and equipment**

At 31 December 2014, the management of the Group carried out review on impairment on the carrying amounts of its property, plant and equipment, by assessing on any impairment indications existed on particular assets or group of assets.

For any assets or group of assets with impairment indications existed, the management has reviewed the carrying amounts of the subject assets and compared their respective recoverable amounts (higher of value-in-use and fair value less cost of disposal). As at 31 December 2014, the management identified that impairment indication exist for certain of the LED display panels with carrying value of HK\$21.5 million and the recoverable amount was determined to be HK\$12.5 million and provision for impairment of HK\$9.0 million was made and recognised in profit or loss.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital structure, financial resources and liquidity

The capital structure of the Group consists of bank borrowings, promissory notes and equity reserves, which comprise issued share capital and various reserves, attributable to owners of the Company.

Considering the uncertainties in the global financial market during the Year, in order to strengthen the financial position (in particular, the working capital and cash flow position) of the Group, the Company has entered into a placing agreement and several subscription agreements, details of which are as follows:

- i) on 19 February 2014, the Company entered into subscription agreements with Liang Yong Hong and Ip King Fun respectively for a subscription of 4,000,000 and 1,000,000 ordinary shares of the Company of HK\$0.05 each in the share capital of the Company respectively at a subscription price of HK\$1 per subscription share. The aggregate nominal value of the subscription shares was approximately HK\$0.25 million. The subscription was completed in March 2014. The net proceeds of approximately HK\$4.9 million from the subscription (representing a net price of approximately HK\$0.98 per subscription share) were intended to be used as general working capital of the Group;
- ii) on 27 May 2014, the Company entered into a subscription agreement with Wong Kin Hong for the subscription of 17,000,000 ordinary shares of the Company of HK\$0.05 each in the share capital of the Company at a subscription price of HK\$0.65 per subscription share. The aggregate nominal value of the subscription shares was approximately HK\$0.85 million. The subscription was completed in June 2014. The net proceeds of approximately HK\$10.9 million (representing a net price of approximately HK\$0.64 per subscription share) from the subscription were intended to be used as general working capital of the Group; and
- iii) on 5 September 2014, the Company entered into a placing agreement with a placing agent, whereby the placing agent would procure not less than six independent placees, on a best effort basis, to subscribe up to an aggregate of 115,000,000 placing shares at a price of HK\$0.44 per placing share. The aggregate nominal value of the placing shares under the placing agreement was approximately HK\$5.75 million. The placing were fully subscribed and completed in the same month. The net proceeds of approximately HK\$48.5 million (representing a net price of HK\$0.42 per placing share) from the placing were intended to be used as general working capital of the Group and for any possible acquisition when opportunities arise in the future.

The Directors review the capital structure on a timely basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issuance of new shares or sell assets to reduce debts.

The Group incurred a loss attributable to owners of the Company of HK\$200.5 million for the year ended 31 December 2014 and as at 31 December 2014 the Group had net current liabilities and net liabilities of HK\$51.3 million and HK\$14.8 million respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's net liabilities and net current liabilities are mainly due to the promissory notes with carrying value of approximately HK\$124 million which are all to be matured in 2015. In order to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations, the following measures are adopted:

- (a) the Directors are considering to increase the capital base of the Group through various fund-raising exercise, including but not limited to, issuing right shares to the qualifying shareholders and/or placing of new shares;
- (b) the Directors are in active negotiation with the promissory notes holders on the repayment schedule;
- (c) the Group will focus on the profitable businesses with good prospect in 2015 which the Directors believe can improve the Group overall financial performance and liquidity; and
- (d) the Directors have taken action to reduce cost.

The Group's shareholders' funds were decreased from HK\$27.0 million in 2013 to a capital deficiencies of approximately HK\$14.8 million. Current assets amounted to approximately HK\$91.0 million as at 31 December 2014 (2013: HK\$62.4 million), of which approximately HK\$73.4 million (2013: HK\$0.8 million) were cash and cash equivalents and approximately HK\$15.3 million (2013: HK\$44.0 million) were trade and other receivables.

As at 31 December 2014, the Group's total borrowings amounted to approximately HK\$124.3 million (2013: HK\$112.8 million), of which HK\$124.3 million (2013: HK\$2.8 million) were short-term borrowings repayable within one year.

The Group's gearing ratio for the Year was 123.9% (2013: 82.3%). Gearing ratio is calculated by dividing the net debt with the aggregate of total capital and net debt. Net debt includes trade payables, other payable and accruals, short-term loans and interest-bearing bank loan and promissory notes, less cash and cash equivalents. Total capital represents equity attributable to owners of the Company.

### Foreign currency risk

During the Year, the Group had transactional currency exposures as the sales and purchases of the Group were mainly transacted in United States dollars ("USD"), Swiss Franc ("CHF"), Chinese Renminbi ("RMB") and Hong Kong dollars ("HKD").

During the Year, the exchange rate of USD and RMB was quite stable and the exchange rate of CHF were comparatively volatile.

As at 31 December 2014, the Group had not hedged any foreign currency sales to reduce such foreign currency risk. The management will, however, monitor this risk and if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

### Contingent liabilities

At 31 December 2014, the Group had no material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Employees and remuneration policies

As at 31 December 2014, the Group had 46 employees (2013: 103). Employees were remunerated according to their performance and work experience. In addition to the basic salaries and retirement scheme, staff benefits include free accommodation at the Group's staff quarters in the People's Republic of China (the "PRC"), performance bonus and share options. The total staff costs including directors' remuneration for 2014 were approximately HK\$23.2 million (including equity-settled share-based payment expenses of approximately HK\$7.0 million) (2013: HK\$43.5 million (including equity-settled share-based payment expenses of approximately HK\$34.2 million)). The increase in the staff costs was primarily due to the increase of equity-settled share-based payment expenses.

## Litigation

- i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited ("JMM") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (ii) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors are not aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant financial impact on the Company.
- ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited ("Good Capital") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (ii) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors are not aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely any financial impact on the financial statements of the Company.
- iii) Excel Energy Holdings Limited ("Excel Energy"), a wholly owned subsidiary of the Company, and the Company were named as the 1st defendant and 2nd defendant (collectively the "Defendants"), respectively, in a writ of summons dated 28 February 2014 issued by Long China Holdings Limited (the "Plaintiff").

The Plaintiff alleged that the Defendants failed and/or refused to honour their respective obligations under a sale and purchase agreement dated 3 December 2013 entered into between the Plaintiff (as purchaser), Excel Energy (as vendor) and the Company (as guarantor) for the disposal of the entire equity interests in Fullway (China) Limited at a consideration of HK\$13,800,000, for which the Plaintiff paid HK\$7,900,000 as deposit to the Defendants. The Plaintiff now claims for the return of the said deposit.

On 6 March 2015, the Plaintiff and the Defendants executed a deed of settlement (the "Deed") for a full and final settlement of all claims arising out of or in connection with the sale and purchase agreement and the proceedings. Pursuant to the Deed, the Defendants have returned the initial deposits in the sum of HK\$7,900,000 to the Plaintiff and the Plaintiff has returned certain legal documents to the Company. The Company's legal representatives have arranged the signing of a consent summons by the Plaintiff to dismiss the claim.

## MANAGEMENT DISCUSSION AND ANALYSIS

- iv) On 27 March 2014, Good Return (BVI) Limited (“Good Return”), a wholly-owned subsidiary of the Company, issued writs of summons against Wickham Ventures Limited (“Wickham”) and Ms. Lee Hei Wun (“Ms. Lee”) for claiming, inter alia, the shortfall of a profit guarantee in a sum of HK\$3,000,000 as a result of the inability of Arnda Semiconductor Limited (“Arnda”) to make any profit during the year ended 31 December 2012. Reference is made to the Company’s announcements dated 6 April 2011, 19 March 2012 and 24 March 2014. Pursuant to the sale and purchase agreement under which Good Return acquired Arnda from Wickham in 2011, Wickham and Ms. Lee guaranteed to pay Good Return the difference between the actual amount of net profit after tax of Arnda and the guaranteed profit in a sum of HK\$3,000,000 for the year ended 31 December 2012. According to the audited accounts of Arnda for the year ended 31 December 2012, Arnda made a loss of HK\$1,252,101 and thus the shortfall of the profit guarantee is HK\$3,000,000, which Wickham and Ms. Lee have failed to pay to Good Return despite the demand of Good Return. On 25 June 2014, the High Court of the Hong Kong Special Administrative Region, Court of First Instance issued a final judgement against Ms. Lee for the payment to Good Return the sum of HK\$3,000,000 together with interests, and a fixed cost of HK\$10,500. The Company has instructed its legal advisers to take legal action against Ms. Lee for the payment of the above sum of HK\$3,010,500 and the relevant interest of HK\$71,014 but no payment was received. Accordingly, the Group has filed an application of a bankruptcy petition against Ms. Lee.
- (v) On 11 February 2015, the Company and Silver Bonus Limited, a wholly-owned subsidiary of the Company and the purchaser to the acquisition of equity interests in Neo Partner Investment Ltd. (the “Target Company”), issued a writ of summons in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region against (i) Shinning Team Investment Limited (the second vendor) as the 1st defendant; (ii) Mr. Lau Hin Chung (the first vendor) as the 2nd defendant; (iii) the Target Company as the 3rd defendant; (iv) Harvest View (China) Limited as the 4th defendant; (v) Mr. Chen Zai as the 5th defendant; (vi) two former executive Directors of the Company, namely Mr. Ho Chun Kit, Gregory and Mr. Lee Tat Wing as the 6th and 7th defendants, claiming for, among other things, the following relief:
- (1) damages for breach of the sale and purchase agreement and its supplemental agreement (collectively, the “Agreements”) against the 1st and 2nd defendants;
  - (2) damages and/or rescission of the Agreements for misrepresentation against the 1st to 5th defendants;
  - (3) damages for negligence and breach of fiduciary duties as Directors against the 6th and 7th defendants;
  - (4) a declaration that the promissory notes issued under the Agreements are null and void and unenforceable;
  - (5) costs; and
  - (6) further and/or other relief.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation at the end of the reporting period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant investments, material acquisitions and disposal of subsidiaries and affiliated companies

- (i) On 30 January 2014, Mr. Lee Man Bun and the Company entered into a sale and purchase agreement, pursuant to which the Company would acquire 16,595,000 ordinary shares of £0.01 each in the issued share capital of Gowin New Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Alternative Investment Market of the London Stock Exchange at a consideration of HK\$15,725,280. This consideration would be satisfied in full by the allotment and issue of 13,556,276 ordinary shares of the Company of HK\$0.05 each in the share capital of the Company at the then market price of HK\$1.12 per share. The transaction was completed on 2 April 2014 and the investment was accounted for as available-for-sale financial assets.
  
- (ii) On 28 February 2014, Silver Bonus Limited (“Silver Bonus”), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, He A Jiao and Dai Zhongjin and the Company entered into a sale and purchase agreement whereby Silver Bonus has conditionally agreed to acquire from He A Jiao and Dai Zhongjin their 20 shares in the issued share capital of Central Tech Asia Limited (“Central Tech”), representing 20% of the issued share capital of Central Tech, for a consideration of HK\$26,000,000 which shall be satisfied by the allotment and issue of 20,000,000 ordinary shares of the Company of HK\$0.05 each in the share capital of the Company at the then market price of HK\$1.04 per share to He A Jiao and Dai Zhongjin on the completion date.

The transaction was completed on 25 April 2014 and the investment was accounted for as available-for-sale financial assets.

- (iii) During the Year, the Group disposed of certain subsidiaries, which resulted in a gain on disposal of approximately HK\$4,987,000.
  
- (iv) During the Year, the Group acquired 18% of the issued share capital of World Sheen International Group Limited for a consideration of HK\$52,000,000, which was satisfied by the allotment and issue of 40,000,000 ordinary shares of the Company of HK\$0.05 each in the share capital of the Company at the then market price of HK\$1.18 per share. The transaction was completed on 10 January 2014 and the investment was accounted for as available-for-sale financial assets.

Save as disclosed above, the Group had no significant investments, material acquisitions and disposal of subsidiaries and affiliated companies during the Year.

## Pledge of assets

As at 31 December 2014, the Group had no pledge of assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Segmental Information

An analysis of the Group's performance for the Year by the type of goods sold is set out in note 7 to the consolidated financial statements and further elaborated under "Financial Review" of this section.

## PROSPECTS

The Company will conduct a review on the business operations and financial position of the Company for the purpose of formulating business plans and strategies for its future business development which would enable the Group to diversify its business and broaden its income sources. In addition, the Company will divest in the business areas which did not perform well in past years and/or do not have good business prospects with a view to allocating the resources of the Company to and concentrating on business areas which have better business prospects and exploring other business and investment opportunities.

With the lead of the management team, the Company is actively exploring business opportunities in other sectors to diversify risks and broaden the sources of income of the Company. The Company has adequate resources to continue with its business operations, and will continue to focus on its corporate objective to develop current businesses in order to strengthen its competitiveness, integrate its capital resources and contribute a maximum wealth to our equity holders.

The Company is also actively exploring for investment opportunities through potential acquisitions and joint ventures.

The Group will take possible opportunities in the financial markets to raise funds to facilitate future merger and acquisition activities and/or increase the working capital of the Group.



# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

**Mr. Wong Kin Hong (“Mr. KH Wong”)**, aged 43, was appointed as an executive Director and the chairman of the Board on 25 June 2014 and 28 June 2014, respectively. Mr. Wong graduated from the Shenzhen University. Mr. Wong has been the managing director of a trading and IT company in Macau since 2002. He is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa. Mr. Wong holds 17,000,000 shares of the Company.

**Mr. Huang Yonghua**, aged 27, was appointed an executive Director on 25 June 2014. Mr. Huang graduated from the International Business School of Sun Yat-Sen University, majoring in international economics and trade (國際經濟與貿易). Mr. Huang has extensive working experience in financial and management aspects. He is a nephew of Mr. KH Wong.

**Mr. Wong Tat Wa**, aged 32, was appointed an executive Director on 25 June 2014 and an authorised representative of the Company on 1 July 2014. Mr. Wong graduated from the University of Macau with a bachelor's degree in law. Mr. Wong is currently a trainee solicitor in a law firm in Macau. He also acts as a legal consultant of various companies in Macau. Mr. Wong has extensive working experience in legal aspects. He is a nephew of Mr. KH Wong.

**Ms. Leung Po Yee**, aged 46, was appointed an executive Director on 25 June 2014 and a compliance officer of the Company on 16 September 2014. Ms. Leung graduated from the University of Hong Kong, majoring in English. Ms. Leung has been specializing in the fields of financial translation, corporate communications and public relations in Hong Kong for more than 20 years. She started her career in financial translation and communications with Beauhorse Professional Translation Limited in 1994 and became a manager of the company to build its leading position in translation of H-share IPO documents. Ms. Leung joined Manulife (International) Limited in 2004 as the Corporate Communications Manager. During her service at Manulife (International) Limited, Ms. Leung supervised the in-house translation department which provided language service across the company. Ms. Leung was also responsible for public relations and has established close connection with the media. In 2011, Ms. Leung joined Lohas Global in China as a company secretary and has been responsible for the management and development of online business platform.

**Mr. Leung Hoi**, aged 27, was appointed as an independent non-executive Director (each, an “INED”, and collectively, “INEDs”) on 3 June 2014 and re-designated as an executive Director on 13 June 2014. Mr. Leung graduated from the Institute of Optics Graduate School with an engineering master's degree and a second optional master's degree in optics in science and technology. During his scholarship in 2009, he undertook an internship in a French national CNRS (Centre National de la Recherche Scientifique) laboratory. From 2010 to 2011, he worked in the Alcatel-Lucent and Thales co-created laboratory III-V Lab as an optical telecommunication engineer on the design of photonic integrated circuits on silicium and hybrid laser sources III-V on silicium. From 2011 to 2013, he worked as the Asian market sales manager and chief engineer for a French high-end optical product company named Phasics. He was then sent by the French government to Shanghai in order to facilitate the business development in the Chinese market. Since 2013, he has been the chief business development officer of Archimej Technology, a French company that develops a revolutionary optical technology enabling the first handheld blood analyzer. Mr. Leung has extensive working experience in international trading, business development and technology-related development projects.

**Mr. Thomas Ng Cheng Kiong**, aged 40, was appointed as an INED on 25 June 2014 and re-designated as an executive Director on 13 November 2014. Mr. Ng obtained a master of business finance from the University of Technology Sydney and a bachelor's degree in business from the Monash University, Melbourne, Australia. Mr. Ng has extensive experience in investment and origination in private financing and equity investment, particularly in trading and investment in credits and derivatives, local rates (Asian government bonds in local currencies), FX, futures, options (including US treasury, indices and commodities).

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## INEDs

**Mr. Yan Guoniu**, aged 60, was appointed as an INED on 25 June 2014 and was appointed as the chairman of each of the Board's audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") on the same date. Mr. Yan graduated from the Chinese Department of Foshan University and the Faculty of Law of Sun Yat-Sen University. Mr. Yan is currently a partner of a law firm in the People's Republic of China (the "PRC"). He is a member of the Legal Experts Panel of the Standing Committee of the People's Congress of Sanshui District, Foshan, Guangdong Province (廣東省佛山市三水區人大常委會法律專家委員會委員) and a mediator of the Commercial Mediation Committee of Sanshui Chamber of Commerce in Foshan (佛山市三水區商會企業商事調解委員會調解員). Mr. Yan has comprehensive working experience in the legal affairs of architecture, real estate, economic contracts and corporate law.

**Mr. Ou Wei An**, aged 47, was appointed as an INED and a member of the Audit Committee, Remuneration Committee and Nomination Committee on 11 July 2014. Mr. Ou was awarded a master's degree in law from the Xiangtan University (湘潭大學), Hunan in 1999 and a doctorate's degree in law from the Sichuan University in 2008. Mr. Ou is an associate professor of the Law School of Guangzhou University and has been practising as a registered lawyer in China since 2001. Mr. Ou is currently a guest legal expert of the Guangzhou City Federation of Industry and Commerce.

**Mr. Tang Rong Gang**, aged 45, was appointed as an INED and a member of the Audit Committee, Remuneration Committee and Nomination Committee on 25 June 2014. Mr. Tang graduated from the Hainan Open University (海南廣播大學) and was qualified as an assistant accountant in Guangdong Province in 2004. He has over 20 years of working experience in the accounting field.

**Mr. Ng Yu Ho, Steve**, aged 37, was appointed as an INED on 13 November 2014. Mr. Ng is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ng graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy. He has worked in PricewaterhouseCoopers Hong Kong for 9 years. He has extensive experience in auditing and has in-depth knowledge in auditing and accounting standards. The clients he served included both private and public companies, across different industries such as construction and property development, manufacturing, retailing, pharmaceutical and other services industries.

## Senior Management

**Mr. Fung Nam Shan**, aged 38, was appointed as the company secretary of the Company on 1 July 2014 and an authorized representative of the Company on 1 July 2014. He joined the Group in July 2014 and is responsible for financial management and reporting and overseeing the compliance with certain listing rules and regulations for the Company. Mr. Fung holds a bachelor's degree in accounting awarded by the University of Newcastle, Australia. Mr. Fung is a member of the Hong Kong Institute of Certified Public Accountants and a CPA member of the Australian Institute of Certified Public Accountants. Mr. Fung served Zhejiang Chang'an Renheng Technology Co., Ltd. (currently listed on the GEM of the Stock Exchange (stock code: 8139)) as financial controller and company secretary from April 2013 to March 2014. Mr. Fung was employed as financial controller and company secretary of South China Land Limited (currently listed on the GEM of the Stock Exchange (stock code: 8155)) from February 2010 to April 2013. Before the employment with the Company, Mr. Fung served for a reputable property development group as financial controller from 2009 to 2010, where he was responsible for the financing and accounting functions for its group companies and certain property projects in Hong Kong, Thailand and the PRC. He has worked for PricewaterhouseCoopers as an audit manager for several years which brought him strong experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels and also a member of its charity walk organising committee since 2012.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE

The Company is committed to implementing good corporate governance practices and emphasizing transparency and accountability to its shareholders and stakeholders.

The Company had complied with all the code provisions as set out in the Code Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2014 (the “Year”) except for the following:

Code provision A.2.1 of the CG Code stipulates that roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Following the removal of Mr. Fok Ching Fung as the chief executive officer of the Company on 7 April 2014, Mr. Wong Kin Hong has held both positions since his appointment as chairman of the Board on 28 June 2014. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group’s significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group’s corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group’s strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group’s senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

# CORPORATE GOVERNANCE REPORT

At the date of this report, the name and office of each of the members of the Board and the Board committees of the Company are as follows:

<b>Board member</b>	<b>Office</b>
Mr. Wong Kin Hong	Chairman/Executive director
Mr. Huang Yonghua	Executive director
Mr. Wong Tat Wa	Executive director
Ms. Leung Po Yee	Executive director
Mr. Thomas Ng Cheng Kiong	Executive director
Mr. Leung Hoi	Executive director
Mr. Yan Guoniu	INED
Mr. Tang Rong Gang	INED
Mr. Ou Wei An	INED
Mr. Ng Yu Ho, Steve	INED

## **Audit Committee member**

Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

## **Remuneration Committee member**

Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

## **Nomination Committee member**

Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

There is no specific term of appointment of the Directors. The term of office of each of the INEDs is the period up to his/her retirement by rotation or otherwise as required by the Bye-laws.

## CORPORATE GOVERNANCE REPORT

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and INEDs is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules in having at least one of the INEDs with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Directors is recommended by the Remuneration Committee and the Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

The daily operation and management of the business of the Group, among other matters, the implementation of strategies, are delegated to the executive Directors. They report periodically to the Board their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary of the Company (the “Company Secretary”).

With the assistance of the executive Directors and the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws of the Company (the “Bye-laws”). The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

# CORPORATE GOVERNANCE REPORT

The Company has received from each of the INEDs an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

Mr. Wong Kin Hong, an executive Director and the chairman of the Board, is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa, both executive Directors. Save as disclosed in the “Biographies of Directors and Senior Management” section of this annual report, there is no relationship (including financial, business, family and other material/relevant relationship) among the members of the Board (including between the chairman of the Board and the executive Directors).

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees are chaired by an INED. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

The individual attendance record of each Director at the meetings of the Board and the general meetings of the Company during the Year is set out below:

<b>Name of Directors</b>	<b>Attendance/ Number of Board Meetings</b>	<b>Attendance/ Number of General Meetings</b>
<i>Executive Directors:</i>		
Mr. Wong Kin Hong ( <i>Chairman</i> ) (appointed as an executive Director on 25 June 2014 and appointed as the chairman on 28 June 2014) ( <i>Note 2</i> )	8/8	N/A
Mr. Huang Yonghua (appointed on 25 June 2014) ( <i>Note 2</i> )	8/8	N/A
Mr. Wong Tat Wa (appointed on 25 June 2014) ( <i>Note 2</i> )	8/8	N/A
Ms. Leung Po Yee (appointed on 25 June 2014) ( <i>Note 2</i> )	8/8	N/A
Mr. Thomas Ng Cheng Kiong (appointed as an INED on 25 June 2014 and re-designated as an executive Director on 13 November 2014) ( <i>Note 2</i> )	8/8	N/A
Mr. Leung Hoi (appointed as an INED on 3 June 2014 and re-designated as an executive Director on 13 June 2014) ( <i>Note 2</i> )	8/15	N/A
Mr. Liu Zhong Ping (resigned on 20 October 2014)	22/30	1/1
Mr. Xu Xuefeng (resigned on 19 September 2014)	17/30	0/1
Mr. Li Jian Chao (resigned on 28 June 2014)	16/24	1/1
Mr. Zhang Yanyue (appointed on 25 June 2014 and resigned on 28 June 2014)	0/1	N/A
Mr. Fok Ching Fung (removed as the chief executive officer on 7 April 2014 and resigned as an executive Director on 28 May 2014)	8/19	0/1
Mr. Leung Wah (retired on 28 May 2014)	8/19	0/1
Ms. Lee Po Chu Feona (retired on 28 May 2014)	3/19	0/1
Mr. Ho Chun Kit Gregory (resigned on 30 April 2014)	3/15	0/1

# CORPORATE GOVERNANCE REPORT

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
<i>INEDs</i>		
Mr. Yan Guoniu ( <i>appointed on 25 June 2014</i> ) (Note 2)	8/8	N/A
Mr. Tang Rong Gang ( <i>appointed on 25 June 2014</i> ) (Note 2)	8/8	N/A
Mr. Ou Wei An ( <i>appointed on 11 July 2014</i> ) (Note 2)	5/6	N/A
Mr. Ng Yu Ho, Steve ( <i>appointed on 13 November 2014</i> ) (Note 2)	1/1	N/A
Mr. Zou Weijun ( <i>resigned on 28 June 2014</i> )	12/24	1/1
Mr. Koo Kim Shing ( <i>resigned on 28 June 2014</i> )	18/24	1/1
Mr. Jal Nadirshaw Karbhari ( <i>retired on 28 May 2014</i> )	0/19	0/1
Ms. Chan Wing Sze ( <i>retired on 28 May 2014</i> )	1/19	0/1
Mr. Tse Wa Ngok ( <i>retired on 28 May 2014</i> )	4/19	0/1

*Notes:*

- 1 The attendance figure represents the actual attendance/the number of meetings a Director was required to attend.
- 2 Directors as at the date of this annual report.
- 3 N/A represents that no General Meeting was held during a Director's tenure.

Apart from regular Board meetings, the chairman also had a meeting with the INEDs without the presence of executive Directors during the Year.

## Audit Committee

The primary responsibilities of the Audit Committee are to (i) review the financial reporting process of the Group and its internal control system, (ii) oversee the audit process, (iii) review the Company's compliance with the CG Code and (iv) perform other duties assigned by the Board. All committee members possess appropriate professional qualifications or accounting or related financial management expertise as required by the GEM Listing Rules.

As required by Rule 5.28 of the GEM Listing Rules, the Company has established the Audit Committee with written terms of reference which deal clearly with its authority and duties. The Audit Committee's principal duties are to review and supervise the Company's financial reporting process and internal control systems.

During the Year, the Audit Committee reviewed the financial results of the Group on a quarterly basis, audit plans and findings of the external auditor, the independence of external auditors, accounting principles and practices of the Group, the GEM Listing Rules and statutory compliance, internal controls, risk management, financial reporting matters and adequacy of resources, qualifications and experience of accounting and financial reporting staff and made recommendations to the Board to improve the quality of financial information to be disclosed and internal control. The Audit Committee has also reviewed and approved the engagement of external auditors to perform statutory audit and non-audit services and approved their fees. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors.

# CORPORATE GOVERNANCE REPORT

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the Year, the Audit Committee held 4 meetings and performed duties including reviewing the Group's annual, half-yearly and quarterly reports.

The individual attendance record of each member at the meetings of the Audit Committee during the Year is set out below:

<b>Name of Members</b>	<b>Attendance/ Number of Meetings</b>
Mr. Yan Guoniu (appointed on 25 June 2014)	2/2
Mr. Tang Rong Gang (appointed on 25 June 2014)	2/2
Mr. Ou Wei An (appointed on 11 July 2014)	2/2
Mr. Ng Yu Ho, Steve (appointed on 13 November 2014)	N/A
Mr. Zou Weijun (resigned on 28 June 2014)	2/2
Mr. Koo Kim Shing (resigned on 28 June 2014)	2/2
Mr. Jal Nadirshaw Karbhari (retired on 28 May 2014)	0/2
Ms. Chan Wing Sze (retired on 28 May 2014)	2/2
Mr. Tse Wa Ngok (retired on 28 May 2014)	2/2

*Notes:*

1. The attendance figure represents the actual attendance/the number of meetings a member was required to attend.
2. Members of the Audit Committee as at the date of this annual report.
3. N/A represents that no meeting was held during a member's tenure.

## **Remuneration Committee**

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing a policy on such remuneration.

The Remuneration Committee and the Board review the terms of reference of the Remuneration Committee at least annually. The terms of reference of the Remuneration Committee are in line with the requirements of the GEM Listing Rules.

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation, to the Board for its final determination of the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and make recommendations to the Board about the Directors' fee of non-executive Directors. The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, responsibilities and performance of the Directors and senior management.



# CORPORATE GOVERNANCE REPORT

The Remuneration Committee members met 7 times and passed 7 sets of resolutions-in-writing in the Year. During the Year, the Committee has discussed and reviewed the executive Directors' services contract and performance and the remuneration packages for the Directors and the senior management. The remuneration policy of the Company is to enable the Company to retain and motivate employees (including executive Directors) to meet corporate objectives. A Director is not allowed to approve his/her own remuneration. The remuneration package of an executive Director includes basic salary, allowance, discretionary bonus and share-based benefits, which are all covered by a service contract. The Director's fee of INEDs is subject to annual assessment. Remuneration surveys on companies operating in similar business, inflation rates, industry trends and performance of the Company are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

The individual attendance record of each member at the meetings of the Remuneration Committee during the Year is set out below:

<b>Name of Members</b>	<b>Attendance/ Number of Meetings</b>
Mr. Yan Guoniu (appointed on 25 June 2014) ( <i>Note 2</i> )	2/2
Mr. Tang Rong Gang (appointed on 25 June 2014) ( <i>Note 2</i> )	2/2
Mr. Ou Wei An (appointed on 11 July 2014) ( <i>Note 2</i> )	2/2
Mr. Ng Yu Ho, Steve (appointed on 13 November 2014) ( <i>Note 2</i> )	1/1
Mr. Zou Weijun (resigned on 28 June 2014)	5/5
Mr. Koo Kim Shing (resigned on 28 June 2014)	5/5
Mr. Jal Nadirshaw Karbhari (retired on 28 May 2014)	N/A
Ms. Chan Wing Sze (retired on 28 May 2014)	N/A
Mr. Tse Wa Ngok (retired on 28 May 2014)	N/A

*Notes:*

1. The attendance figure represents actual attendance/the number of meeting a member was required to attend.
2. Members of the Remuneration Committee as at the date of this annual report.
3. N/A represents that no meeting was held during a member's tenure.

## **Nomination Committee**

The Nomination Committee is responsible for (i) reviewing the Board's structure, size, composition and diversity against factors including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of services, having regard to the Group's business activities, assets and management portfolio, (ii) selecting Board members and ensuring transparency of the selection process, (iii) reviewing and monitoring the training and continuous professional development of the Directors and senior management and (iv) assessing the independence of the INEDs, having regard to the requirements under the GEM Listing Rules. The Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into consideration criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals nomination for directorships.

The Nomination Committee and the Board review the terms of reference of the Nomination Committee at least annually. The terms of reference of the Nomination Committee are in line with the requirements of the GEM Listing Rules.

# CORPORATE GOVERNANCE REPORT

The Nomination Committee met 3 time(s) and passed 3 sets of resolution-in-writing in the Year. During the Year, the Committee has discussed and reviewed the Board's structure, size, composition and diversity, the extension of term of service of the INEDs and the nomination of candidate to the Board for consideration and appointment.

The individual attendance record of each member at the meetings of the Nomination Committee during the Year is set out below:

<b>Name of Members</b>	<b>Attendance/ Number of Meetings</b>
Mr. Yan Guoniu (appointed on 25 June 2014) <i>(Note 2)</i>	2/2
Mr. Tang Rong Gang (appointed on 25 June 2014) <i>(Note 2)</i>	2/2
Mr. Ou Wei An (appointed on 11 July 2014) <i>(Note 2)</i>	1/1
Mr. Ng Yu Ho, Steve (appointed on 13 November 2014) <i>(Note 2)</i>	N/A
Mr. Zou Weijun (resigned on 28 June 2014)	1/1
Mr. Koo Kim Shing (resigned on 28 June 2014)	1/1
Mr. Jal Nadirshaw Karbhari (retired on 28 May 2014)	N/A
Ms. Chan Wing Sze (retired on 28 May 2014)	N/A
Mr. Tse Wa Ngok (retired on 28 May 2014)	N/A

*Notes:*

1. The attendance figure represents actual attendance/the number of meeting a member was required to attend.
2. Members of the Nomination Committee as at the date of this annual report.
3. N/A represents that no meeting was held during a member's tenure.

## **Corporate Governance functions**

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the Audit Committee. During the Year, the Board and the Audit Committee have (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations to the Board, (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the code of conduct applicable to employees and Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

## **Directors' securities transactions**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

# CORPORATE GOVERNANCE REPORT

## Continuous Professional Development for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. Apart from the updates on regulatory changes and governance developments provided by the Company, the Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training which the Directors have undertaken.

Up to date of this report, the current Board members participated in the following training programs:

Name of Directors	Types of training	
	Attending in-house training organized by professional organizations	Reading materials updating on new rules and regulations
<b>Executive directors</b>		
Wong Kin Hong ( <i>Chairman</i> )	✓	✓
Huang Yonghua	✓	✓
Wong Tat Wa	✓	✓
Leung Po Yee	✓	✓
Thomas Ng Cheng Kiong	✓	✓
Leung Hoi	✓	✓
<b>INEDs</b>		
Yan Guoniu	✓	✓
Tang Rong Gang	✓	✓
Ou Wei An	✓	✓
Ng Yu Ho, Steve	X	✓

## Company Secretary

Ms. Chan Yim Kum resigned and Mr. Fung Nam Shan was appointed as the Company Secretary on 1 July 2014. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the GEM Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung has provided his training records to the Company indicating his compliance with the 15-hour training requirement under Rule 5.15 of the GEM Listing Rules.

# CORPORATE GOVERNANCE REPORT

## **Internal controls**

Pursuant to the CG Code, the Board should ensure that the Group maintains sound and effective internal controls to safeguard shareholders' investment and the Company's assets. The Board has conducted a review on the effectiveness of the Group's internal control systems, including financial, operation and compliance control and risk management procedures. The Board has authorised the financial controller of the Company to set up the scope of review and a work time-table of the internal control system under the supervision of the Audit Committee, to seek help from a consultancy firm in respect of the designated scope as deemed necessary by the Audit Committee, to engage a consultancy firm to assist in reviewing the internal control system, especially in significant equity investments, inside information communication and disclosure, payment approval procedure and fixed assets, for the Group within the budget approved by the Board and to report the contents and results of such review to the Board.

The Group has not set up a specialised internal control department, but it has required its financial department to specifically take up the responsibility of reviewing the internal control system of the Group.

The Board believes that the Group is responsible for improving the internal control system continuously in order to give heed to the risk of any deficiency in the operating system, if any, with an aim to achieving the Group's objectives.

## **Responsibility for the financial statements**

The Directors acknowledge their responsibility for preparing the financial statements of the Group and ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements of the Group for the Year is set out in the Independent Auditor's Report on pages 37 and 38 of this annual report.

## **Auditor's remuneration**

Elite Partners CPA Ltd. resigned as the independent auditor of the Group with effect from 30 September 2014. RSM Nelson Wheeler (the "Auditor") has been appointed as the new independent auditor of the Group with effect from 26 November 2014.

For the Year, RSM Nelson Wheeler received approximately HK\$630,000 for audit services and no non-audit services was provided by RSM Nelson Wheeler

## **Communications with shareholders and investors**

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group.

# CORPORATE GOVERNANCE REPORT

Our website at [www.victoryhousefp.com/lchp/8150.html](http://www.victoryhousefp.com/lchp/8150.html) allows the Company's potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in this report, the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

## **Procedures for shareholders to convene an extraordinary general meeting**

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Bye-laws, any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

Company Secretary  
Seamless Green China (Holdings) Limited  
Address: Unit D, 6/F., Neich Tower,  
128 Gloucester Road,  
Wanchai, Hong Kong  
Fax No.: 852-37534617

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

# CORPORATE GOVERNANCE REPORT

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to bye-law 59 of the Bye-laws:

- (a) for an annual general meeting and any special general meeting at which the passing of a special resolution is to be considered, it shall be called by at least 21 clear days' notice in writing; and
- (b) for all other special general meetings, they may be called by not less than 14 clear days' notice in writing.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's address above-mentioned and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## **Constitutional documents**

There are no significant changes in the Company's constitutional documents during the Year.

# REPORT OF THE DIRECTORS

The directors of the Company (the “Directors”) submit their report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 (the “Year”).

## Principal activities

The principal activity of the Company is investment holding. The Company’s subsidiaries are principally engaged in the manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, integrated circuits and software trading and development, trading of LED lighting products and investment holding.

An analysis of the Group’s segment information for the Year by business is set out in note 7 to the consolidated financial statements.

## Results and Dividends

Details of the audited results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 39 and 40 of this annual report.

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

## Subsidiaries

Details (including the principal activities) of the Company’s subsidiaries as at 31 December 2014 are set out in note 38 to the consolidated financial statements.

## Reserves

Movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 42 of this annual report and note 30 to the consolidated financial statements, respectively.

## Property, plant and equipment

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

## Distributable reserves

As at 31 December 2014, no reserve was available for distribution to the owners of the Company (2013: Nil).

## Pre-emptive rights

No pre-emptive rights exist under the Company’s bye-laws (the “Bye-laws”) or under the laws in Bermuda.

## Group financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report.

## Share capital

Details of the movements in share capital of the Company during the Year are set out in note 27 to the consolidated financial statements.

# REPORT OF THE DIRECTORS

## DIRECTORS

During the Year and thereafter up to the date of this report, the Directors are as follows:

### **Executive Directors:**

Wong Kin Hong (*Chairman*) (appointed as an executive director on 25 June 2014 and appointed as the chairman on 28 June 2014)

Huang Yonghua (appointed on 25 June 2014)

Wong Tat Wa (appointed on 25 June 2014)

Leung Po Yee (appointed on 25 June 2014)

Thomas Ng Cheng Kiong (appointed as an independent non-executive director (the "INED") on 25 June 2014 and re-designated as an executive director on 13 November 2014)

Leung Hoi (appointed as an INED on 3 June 2014 and re-designated as an executive director on 13 June 2014)

Liu Zhong Ping (resigned on 20 October 2014)

Xu Xuefeng (resigned on 19 September 2014)

Li Jian Chao (resigned on 28 June 2014)

Zhang Yanyue (appointed on 25 June 2014 and resigned on 28 June 2014)

Fok Ching Fung (removed as the chief executive officer on 7 April 2014 and resigned as an executive director on 28 May 2014)

Leung Wah (retired on 28 May 2014)

Lee Po Chu Feona (retired on 28 May 2014)

Ho Chun Kit Gregory (resigned on 30 April 2014)

### **Independent Non-executive Directors:**

Yan Guoniu (appointed on 25 June 2014)

Tang Rong Gang (appointed on 25 June 2014)

Ou Wei An (appointed on 11 July 2014)

Ng Yu Ho, Steve (appointed on 13 November 2014)

Zou Weijun (resigned on 28 June 2014)

Koo Kim Shing (resigned on 28 June 2014)

Jal Nadirshaw Karbhari (retired on 28 May 2014)

Chan Wing Sze (retired on 28 May 2014)

Tse Wa Ngok (retired on 28 May 2014)

Pursuant to bye-law 86(2) of the Bye-laws, any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. As such, Mr. Wong Kin Hong, Mr. Huang Yonghua, Mr. Wong Tat Wa, Ms. Leung Po Yee, Mr. Thomas Ng Cheng Kiong, Mr. Leung Hoi, Mr. Yan Guoniu, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve hold office until the forthcoming annual general meeting of the Company (the "AGM"). All of the above retiring directors, being eligible, will offer themselves for re-election at the AGM.



# REPORT OF THE DIRECTORS

## **Confirmation of independence of INEDs**

The Company has received an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange (the “GEM Listing Rules”) from each of the INEDs, namely Mr. Yan Guoni, Mr. Ou Wei An, Mr. Tang Rong Gang and Mr. Ng Yu Ho, Steve as at the date of this report. The Company considers the INEDs to be independent.

## **Biographies of Directors and senior management**

The biographical details of the Directors and senior management are set out on pages 15 to 16 of this annual report.

## **Directors’ Service Contracts**

None of the Directors who are proposed for re-election at the AGM has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

There is no specific term of appointment of the Directors. The term of office of each of the INEDs is the period up to his/her retirement by rotation or otherwise as required by the Bye-laws. Pursuant to bye-law 87(1) of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation.

## **Directors’ and Controlling Shareholders’ Interests in Contracts of Significance**

No contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year, nor was there any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries for the Year.

## **Directors’ emoluments**

Details of the remuneration of the Directors on a named basis during the Year are set out in note 11 to the consolidated financial statements.

## **Remuneration policy**

The remuneration policy of the Company is reviewed regularly, making reference to the market conditions and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the remuneration committee and the Board, which are detailed in the paragraph headed “Remuneration Committee” under the Corporate Governance Report on pages 22 and 23 of this annual report.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the job training, external seminars and programs organized by professional bodies and educational institutes.

## **Pension-defined contribution plans**

Details of the pension-defined contribution plans of the Group are set out in note 9 to the consolidated financial statements.

# REPORT OF THE DIRECTORS

## Change of Information of Directors and Chief Executive

Changes of the Directors' information since the disclosure made in the Company's 2014 third quarter report for the nine months ended 30 September 2014 are set out as follows:

With effect from 13 November 2014

- (a) Mr. Thomas Ng Cheng Kiong has been redesignated from an INED to an executive Director; and
- (b) Mr. Ng Yu Ho, Steve has been appointed as an INED and a member of each of the audit committee, nomination committee and remuneration committee of the Board.

## Share Options Scheme and Outstanding Share Options

Details of the Company's share option scheme and the movement in the outstanding share options during the Year are set out in note 28 to the consolidated financial statements.

## Directors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange or to be entered in the register referred to in the SFO) are as follows:-

### Ordinary Shares in the Company (the "Shares")

Name of Director/ chief executive	Capacity/Nature of interest	No. of Shares	Underlying Shares	Long/Short position	Approximate percentage of the Company's issued Shares <i>(Note)</i>
Wong Kin Hong	Beneficial owner	17,000,000	-	Long Position	2.4%

Note: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2014.

As at 31 December 2014, save as disclosed above, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which would have to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO) or (b) recorded in the register required to be kept pursuant to section 352 of the SFO or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

# REPORT OF THE DIRECTORS

## Directors' Right to Acquire Shares

Save as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme and Outstanding Share Options" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2014, so far as the Directors are aware, the persons (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Name of shareholders	Capacity/Nature of Interest	Number of Shares held	Underlying Shares	Long/Short position	Approximate percentage of the Company's issued Shares (Note)
Elisabeta Ling	Beneficial owner	79,000,000	-	Long Position	11.16%

Notes: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2014.

So far as is known to any Director, there was no person other than a director or the chief executive of the Company who, as at 31 December 2014, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 5% 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 or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

## Shareholders' Interests in Securities of Significance

Other than the interests disclosed above in respect of the substantial shareholders, the Directors and the chief executive of the Company and their close associates (as defined in the GEM Listing Rules), as at 31 December 2014, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent. or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

# REPORT OF THE DIRECTORS

## Major Customers and Suppliers

The percentage of sales for the Year generated from the Group's major customers is as follows:

– The largest customer	45%
– Five largest customers	92%

The percentage of purchases for the Year attributable to the Group's major suppliers is as follows:

– The largest supplier	40%
– Five largest suppliers	69%

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

## Purchase, sale or redemption of shares by the Company and/or subsidiaries

During the Year, the Company had entered into a placing agreement and several subscription agreements, details of which are disclosed in the paragraph headed "Capital structure, financial resources and liquidity" in the section headed "Management Discussion and Analysis" on page 9 of this annual report.

Save as above disclosed, the Company did not redeem any of its Shares listed and traded on the GEM of the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

## Competing Interests

During the Year, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

## Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Securities Code") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Following a specific enquiry made by the Company with the Directors, all of them have confirmed that they had complied with the required standard of dealings of the Securities Code throughout the Year.

## Review by Audit Committee

As required by Rule 5.28 of the GEM Listing Rules, the Company has established the Audit Committee with written terms of reference which deal clearly with its authority and duties. The principal duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal control systems. As at the date of this report, the Audit Committee comprises four INEDs, namely Mr. Yan Guoniu (chairman of the Audit Committee), Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

# REPORT OF THE DIRECTORS

The Company's audited consolidated financial statements for the Year and this annual report have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements had been prepared in compliance with the applicable accounting principles and requirements of the GEM Listing Rules.

## Related Parties Transactions

Significant related party transactions entered into by the Group during the Year, which did not constitute connected transactions under the GEM Listing Rules, are disclosed in note 31 to the consolidated financial statements.

## Public Float

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the Year and thereafter up to the date of this report.

## Compliance with Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 28 of this annual report.

## Independent Auditors

- (a) The resolution for re-appointment of Pan-China (H.K.) CPA Limited ("Pan-China") as the Company's independent auditor was not passed by the shareholders of the Company on 29 June 2012. Thus, Pan-China ceased to be the Company's auditors. Thereupon, Elite Partners CPA Limited were appointed as the independent auditor of the Company on 13 July 2012.
- (b) On 30 September 2014, the preceding independent auditor of the Group, Elite Partners CPA Limited, resigned and on 26 November 2014, RSM Nelson Wheeler ("RSM") were appointed as the independent auditor of the Group.

The consolidated financial statements for the Year have been audited by RSM, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as independent auditor of the Company will be proposed at the AGM.

Save as disclosed above, there have been no other changes of independent auditors for the preceding three years.

## Closure of Register of Members

For determining the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 26 May 2015 to Thursday, 28 May 2015 (both days inclusive), during which period no transfer of Shares in the Company will be effected. In order to qualify for attending and voting at the forthcoming AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong, not later than 4:30 p.m. on Friday, 22 May 2015.

# REPORT OF THE DIRECTORS

## **Subsequent Event**

The Group had no material event subsequent to 31 December 2014, the end of the reporting period and up to the date of this report, except for the Company filed a writ of summon in the Court of First Instance of the High Court of Hong Kong against certain dependants on 11 February 2015. The details are set out in the paragraph headed “Litigation” in the section headed “Management Discussion and Analysis” on pages 11 and 12 of this annual report.

On behalf of the Board

## **Wong Kin Hong**

*Chairman*

Hong Kong, 27 March 2015

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF SEAMLESS GREEN CHINA (HOLDINGS) LIMITED

*(Incorporated in Cayman Islands with limited liability and re-domiciled to Bermuda on 22 January 2008)*

We have audited the consolidated financial statements of Seamless Green China (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 39 to 117, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

# INDEPENDENT AUDITOR'S REPORT

## BASIS FOR QUALIFIED OPINION

### (a) Opening balances and corresponding figures

The preceding auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an unqualified audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2013, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, because of the limitation on their audit scope concerning a disposal group, Arnda Semiconductor Limited and its subsidiaries ("Arnda Group"), classified as held for sale as at 31 December 2013. The preceding independent auditor's report dated 28 March 2014 included a disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2013. We were unable to obtain sufficient appropriate audit evidence to remove a qualification on the opening balances and corresponding figures.

### (b) Gain on disposal of subsidiaries

As disclosed in note 37(b) to the consolidated financial statements, the Group disposed of Arnda Group during the year and a gain on the disposal amounting to approximately HK\$1,238,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy of the assets and liabilities of Arnda Group at the date of disposal and the gain arising from the disposal. Any adjustments to the figures might have a consequential effect on the Group's results, the movement in the Group's cash flows and the related disclosures in note 37(b) for the year ended 31 December 2014.

## QUALIFIED OPINION

In our opinion, except for the possible effects of any adjustments necessary concerning the matters as described in the basis for qualified opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's results 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.

## MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$200,487,000 for the year ended 31 December 2014 and as at 31 December 2014 the Group had net current liabilities and net liabilities of approximately HK\$51,297,000 and HK\$14,807,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

**RSM Nelson Wheeler**

Certified Public Accountants

Hong Kong

Date



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	Note	2014 HK\$'000	2013 HK\$'000
Turnover	6(a)	20,837	25,070
Cost of sales		(18,634)	(24,977)
Gross profit		2,203	93
Other income and gains	6(b)	20	675
Selling and distribution costs		(957)	(995)
Administrative and other operating expenses		(35,185)	(75,297)
Gain on disposal of subsidiaries	37(b)	4,987	–
Change in fair value of investment property		2,201	–
Impairment loss on disposal groups classified as held for sale		–	(2,223)
Impairment loss on property, plant and equipment		(9,000)	–
Impairment losses on interests in associates	17	(65,924)	(61,549)
Impairment losses on trade and other receivables	20	(3,100)	(12,417)
Impairment losses on available-for-sale financial assets	18	(80,834)	–
Loss from operations		(185,589)	(151,713)
Share of profits of associates	17	338	3,555
Finance costs	8	(14,545)	(5,667)
Loss before tax	9	(199,796)	(153,825)
Income tax expense	10	(691)	–
Loss for the year		(200,487)	(153,825)
Other comprehensive income after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the consolidated financial statements of foreign subsidiaries		(509)	1,741
Exchange differences reclassified to profit or loss on disposal of subsidiaries		(3,646)	–
Change in fair value of available-for-sale financial assets		(80,834)	–
Impairment losses on available-for-sale financial assets		80,834	–
Other comprehensive income for the year, net of tax		(4,155)	1,741
Total comprehensive income for the year		(204,642)	(152,084)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Loss for the year attributable to:			
Owners of the Company		<b>(200,487)</b>	(153,128)
Non-controlling interests		-	(697)
		<b>(200,487)</b>	(153,825)
Total comprehensive income attributable to:			
Owners of the Company		<b>(204,642)</b>	(151,387)
Non-controlling interests		-	(697)
		<b>(204,642)</b>	(152,084)
Loss per share attributable to the owners of the Company			
Basic	13	<b>(33.22) cents</b>	(36.50) cents
Diluted	13	<b>(33.22) cents</b>	(36.50) cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014  
(Expressed in Hong Kong dollars)

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	13,951	32,635
Investment property	15	17,010	–
Prepaid land lease payments	16	–	530
Interests in associates	17	4,639	70,225
Available-for-sale financial assets	18	2,349	–
		<b>37,949</b>	103,390
<b>Current assets</b>			
Prepaid land lease payments	16	–	17
Inventories	19	2,379	1,889
Trade and other receivables	20	15,318	44,035
Cash and cash equivalents	21	73,389	782
		<b>91,086</b>	46,723
Assets of disposal groups classified as held for sale	22	–	15,663
		<b>91,086</b>	62,386
<b>Current liabilities</b>			
Trade and other payables	23	18,043	20,693
Bank loans and overdrafts	24	–	2,829
Income tax payable		4	2,150
Promissory notes	26	124,336	–
		<b>142,383</b>	25,672
Liabilities of disposal groups classified as held for sale	22	–	3,075
		<b>142,383</b>	28,747
<b>Net current (liabilities)/assets</b>		<b>(51,297)</b>	33,639
<b>Total assets less current liabilities</b>		<b>(13,348)</b>	137,029
<b>Non-current liabilities</b>			
Deferred tax liabilities	25	1,459	134
Promissory notes	26	–	109,923
		<b>1,459</b>	110,057
<b>NET (LIABILITIES)/ASSETS</b>		<b>(14,807)</b>	26,972
<b>CAPITAL AND RESERVES</b>			
Share capital	27	35,384	24,256
Reserves	30	(48,713)	4,194
Equity attributable to the owners of the Company		<b>(13,329)</b>	28,450
Non-controlling interests		<b>(1,478)</b>	(1,478)
<b>(CAPITAL DEFICIENCIES)/TOTAL EQUITY</b>		<b>(14,807)</b>	26,972

Approved and authorised for issue by the Board of Directors on 27 March 2015 and signed on behalf of the Board by:

**Wong Tat Wa**  
Director

**Leung Po Yee**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Exchange reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2013	17,282	160,639	535	-	250	2,578	1,351	(131,790)	-	50,845
Loss for the year	-	-	-	-	-	-	-	(153,128)	(697)	(153,825)
Other comprehensive income for the year:										
Exchange difference on translating foreign subsidiaries	-	-	-	-	-	1,741	-	-	-	1,741
Total comprehensive income for the year	-	-	-	-	-	1,741	-	(153,128)	(697)	(152,084)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	781	(781)	-
Recognition of unlisted warrants	-	-	-	-	641	-	-	-	-	641
Recognition of equity-settled share-based payments	-	-	-	-	-	-	34,225	-	-	34,225
Issue of shares upon:										
- warrant exercised	2,257	23,562	-	-	(651)	-	-	-	-	25,168
- share options	822	4,397	-	-	-	-	(1,044)	-	-	4,175
- shares	3,895	60,107	-	-	-	-	-	-	-	64,002
At 31 December 2013 and at 1 January 2014	24,256	248,705	535	-	240	4,319	34,532	(284,137)	(1,478)	26,972
Loss for the year	-	-	-	-	-	-	-	(200,487)	-	(200,487)
Other comprehensive income for the year:										
Exchange difference on translating foreign subsidiaries	-	-	-	-	-	(509)	-	-	-	(509)
Exchange difference reclassified to profit or loss on disposal of subsidiaries	-	-	-	-	-	(3,646)	-	-	-	(3,646)
Change in fair value of available-for-sale financial assets	-	-	-	(80,834)	-	-	-	-	-	(80,834)
Impairment losses on available-for-sale financial assets	-	-	-	80,834	-	-	-	-	-	80,834
Total comprehensive income for the year	-	-	-	-	-	(4,155)	-	(200,487)	-	(204,642)
Transfer upon disposal of subsidiaries	-	-	(535)	-	-	-	-	535	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	7,031	-	-	7,031
Issue of shares upon:										
- warrant exercised	550	5,390	-	-	(110)	-	-	-	-	5,830
- shares	10,578	139,424	-	-	-	-	-	-	-	150,002
Lapse of options	-	-	-	-	-	-	(19,264)	19,264	-	-
At 31 December 2014	35,384	393,519	-	-	130	164	22,299	(464,825)	(1,478)	(14,807)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	2014 HK\$'000	2013 HK\$'000
<b>Operating activities</b>		
Loss before tax	<b>(199,796)</b>	(153,825)
Adjustments for:		
Depreciation of property, plant and equipment	<b>1,292</b>	1,566
Share of profits of associates	<b>(338)</b>	(3,555)
Change in fair value of investment property	<b>(2,201)</b>	–
Amortisation of prepaid land lease payments	–	17
Impairment loss on property plant and equipment	<b>9,000</b>	–
Impairment losses on interests in associates	<b>65,924</b>	61,549
Impairment losses on available-for-sale financial assets	<b>80,834</b>	–
Impairment loss on disposal group classified as held for sale	–	2,223
Impairment losses on trade and other receivables	<b>3,100</b>	12,417
Write down of inventories	<b>367</b>	–
Written off of property, plant and equipment	<b>50</b>	–
Finance costs	<b>132</b>	556
Imputed interest on promissory notes	<b>14,413</b>	5,110
Interest income	<b>(13)</b>	(15)
Gain on disposal of subsidiaries	<b>(4,987)</b>	–
Equity-settled share-based payments	<b>7,031</b>	34,225
Operating loss before changes in working capital	<b>(25,192)</b>	(39,732)
– inventories	<b>(857)</b>	4,038
– trade and other receivables	<b>19,219</b>	(34,411)
– trade and other payables	<b>8,332</b>	10,110
Cash generated from/(used in) operations	<b>1,502</b>	(59,995)
Interest paid	<b>(132)</b>	(556)
Income tax paid	<b>(430)</b>	–
Net cash generated from/(used in) operating activities	<b>940</b>	(60,551)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	Note	2014 HK\$'000	2013 HK\$'000
<b>Investing activities</b>			
Interest received		13	15
Purchases of property, plant and equipment		(85)	(24,985)
Acquisition of associates		–	(5,000)
Net cash inflow arising for disposals of subsidiaries	37(b)	1,995	–
Net cash generated from/(used in) investing activities		1,923	(29,970)
<b>Financing activities</b>			
Early redemption of promissory notes		–	(7,000)
Placement of shares		66,819	64,002
Proceeds from issue of unlisted warrants		–	641
Proceeds from exercise of warrants		5,830	25,168
Proceeds from exercise of share options		–	4,175
Proceeds from bank loans		–	30,326
Repayments of bank loans		(2,829)	(30,498)
Net cash generated from financing activities		69,820	86,814
Net increase/(decrease) in cash and cash equivalents		72,683	(3,707)
Cash and cash equivalents at 1 January		936	3,677
Cash and bank balances included in a disposal group classified as held for sale		–	154
Effect of foreign exchange rate changes		(230)	812
Cash and cash equivalents at 31 December		73,389	936

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 1. Corporate information

Seamless Green China (Holdings) Limited (the “Company”) was a limited liability company incorporated in the Cayman Islands on 18 January 2001 as an exempted company. The issued shares of the Company have been listed on the Growth Enterprises Market on The Stock Exchange of Hong Kong Limited (the “GEM”) since 10 August 2001. Pursuant to a special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008. The change of domicile has no impact on the continuity and the listing status of the Company. The addresses of its registered office and principal place of business are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars (rounded to the nearest thousand except for per share data), which is the same as the functional and presentation currency of the Company.

The Company is an investment holding company. The Group’s principal activities were involved in the manufacture and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, property investment, integrated circuits and software trading and development and trading of LED lighting products.

## 2. Going concern basis

The Group incurred a loss attributable to owners of the Company of HK\$200,487,000 for the year ended 31 December 2014 and as at 31 December 2014 the Group had net current liabilities and net liabilities of HK\$51,297,000 and HK\$14,807,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group’s net liabilities and net current liabilities are mainly due to the promissory notes with carrying value of approximately HK\$124 million which are all to be matured in 2015. In order to improve the Group’s financial position, immediate liquidity, cash flows, profitability and operations, the following measures are adopted:

- (a) the Directors are considering to increase the capital base of the Group through various fund-raising exercise, including but not limited to, issuing right shares to the qualifying shareholders and/or placing of new shares;
- (b) the Directors are in active negotiation with the promissory notes holders on the repayment schedule;
- (c) the Group will focus on the profitable businesses with good prospect in 2015 which the Directors believe can improve the Group overall financial performance and liquidity; and
- (d) the Directors have taken action to reduce cost.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 2. Going concern basis *(continued)*

In the opinion of the Directors, if the above measures accomplish the expected results, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable concern. Therefore the Directors considered that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position as at 31 December 2014.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

## 3. Adoption of new and revised Hong Kong Financial Reporting Standards and requirements

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

### (a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

#### ***Amendment to HKAS 32, Offsetting financial assets and financial liabilities***

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

#### ***Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets***

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. Additional information is disclosed in accordance to the amendments.

#### ***Amendment to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)***

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

Other Amendments which are effective for the financial year beginning on 1 January 2014 are not material to the Group.



# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 3. Adoption of new and revised Hong Kong Financial Reporting Standards and requirements *(continued)*

### (b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The Directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 3. Adoption of new and revised Hong Kong Financial Reporting Standards and requirements *(continued)*

### (c) New Hong Kong Companies Ordinance

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

## 4. Significant accounting policies

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA 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.

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instrument that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these financial statements are set out below.

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity’s returns.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (a) Consolidation *(continued)*

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any related accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (d) Foreign currency translation

#### (i) **Functional and presentation currency**

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

#### (ii) **Transactions and balances in each entity's financial statements**

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### (iii) **Translation on consolidation**

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (d) Foreign currency translation *(continued)*

#### (iii) Translation on consolidation *(continued)*

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Property, plant and equipment

Buildings are carried at fair values less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less subsequent accumulated depreciation and impairment losses, if any.

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

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to such revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the revaluation reserve are charged against the revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Building	Over the shorter of lease terms or 20 years
Leasehold improvements	Over the shorter of lease terms or 25%
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (e) Property, plant and equipment *(continued)*

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### (f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

### (g) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

#### ***Prepaid land lease payments***

All land in the People's Republic of China (the "PRC") is stated-owned or collectively-owned and no individual land ownership rights exist. The Group acquired the rights to use certain land and the premiums paid for such rights are treated as prepaid land lease payments under operating leases and are stated at cost and subsequently amortised on the straight line basis over the lease period.

### (h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.



# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### (j) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments 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 instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### (l) Non-current assets held for sale

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

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

### (m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### (n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 4. Significant accounting policies *(continued)*

### (o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

### (p) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### (r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

### (s) Employee benefits

#### (i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 4. Significant accounting policies *(continued)*

### (s) Employee benefits *(continued)*

#### (iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### (t) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

### (u) 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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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 is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (v) Taxation *(continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **PRC land appreciation tax ("LAT")**

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

### (w) Related parties

A related party is a person or entity that is related to the Group.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (w) Related parties *(continued)*

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of 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).
- (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.

### (x) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets – except investment properties, investments, inventories and receivables, of which the impairment policies are set out in notes 4(f), 4(j), 4(h) and 4(k) respectively -, 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 any impairment loss. Where 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.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 4. Significant accounting policies *(continued)*

### (x) Impairment of assets *(continued)*

Where 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 (net of amortisation or depreciation) 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (y) Provisions and contingent liabilities

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

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

### (z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 5. Critical judgments and key estimates

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements

#### (a) *Going concern basis*

These financial statements have been prepared on a going concern basis, the validity of which depends upon certain measures taken by the Directors to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations as explained in note 2 to the consolidated financial statements.

#### (b) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.



# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 5. Critical judgments and key estimates *(continued)*

### Critical judgements in applying accounting policies *(continued)*

#### **(c) Disposal group classified as held for sale**

As disclosed in note 22 to the consolidated financial statements, the sale and purchase agreement to dispose of the entire equity interest in a disposal group classified as held for sale as at 31 December 2013 has been cancelled during the year. The Directors considered that the criteria no longer met the definition as held for sale and accordingly, cease to classify the disposal group as held for sale as at 31 December 2014.

#### **(d) Available-for-sale financial assets with 20% equity interest**

Although the Group holds 20% of the voting power of Central Tech Asia Limited ("Central Tech"), the Directors considered that the Group has no representation on the board of directors of Central Tech and has no participates in its financial and operating policy-making processes.

### Key sources of estimation uncertainty

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, are discussed below.

#### **(a) Impairment on interests in associates and available-for-sales financial assets**

The Group carried out review on impairment on interests in associates and available-for-sale financial assets individually as a single asset by comparing their recoverable amounts (higher of value-in-use and fair value less cost of disposal) with their respective carrying amounts. The review led to the recognition of accumulated impairment losses on interests in associates and available-for-sale financial assets of HK\$127,473,000 (2013: HK\$61,549,000) and HK\$80,834,000 (2013: HK\$Nil) as at 31 December 2014 respectively.

#### **(b) Fair values of investment properties**

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 December 2014 was HK\$17,010,000 (2013: HK\$Nil).

#### **(c) Property, plant and equipment, depreciation and impairment**

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 5. Critical judgments and key estimates *(continued)*

### Key sources of estimation uncertainty *(continued)*

#### (c) **Property, plant and equipment, depreciation and impairment** *(continued)*

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment 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 any impairment loss.

The carrying amount of property, plant and equipment as at 31 December 2014 was HK\$13,951,000 (2013: HK\$32,635,000) after an impairment loss of HK\$9,000,000 (2013: HK\$Nil) was recognised during 2014..

#### (d) **Income taxes**

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK\$691,000 (2013: HK\$Nil) of income tax was charged to profit or loss.

#### (e) **Impairment loss for bad and doubtful debts**

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2014, accumulated impairment loss for bad and doubtful debts amounted to HK\$15,517,000 (2013: HK\$13,407,000).

#### (f) **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 selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 6. Turnover and other income and gains

### (a) Turnover

The Group's turnover represents the sales of goods supplied to customers, net of discounts and sales related tax during the year.

### (b) Other income and gains

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

	2014 HK\$'000	2013 HK\$'000
Bank interest income	13	15
Other interest income	-	154
Total interest income on financial assets not at fair value through profit or loss	13	169
Others	7	506
	<b>20</b>	<b>675</b>

## 7. Segment information

Segment information reported by the Group's operating division to the chief operating decision maker ("CODM"), i.e. the Directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The Group's operating and reportable segments under HKFRS 8 are as follows:

- (a) The synthetic sapphire watch crystals segment ("Sapphire") is a supplier of watch crystals mainly for use in the manufacture of watch products;
- (b) The optoelectronic products segment ("Optoelectronic") is a supplier of optoelectronic products for use in internet cable;
- (c) The liquor products segment ("Liquor") is in trading of wine; and
- (d) The integrated circuits, software and LED lighting products segment ("Integrated Circuits, Software and LED") is in integrated circuits, software development and reselling, and LED lighting products trading business.

For the purposes of assessing segment performance and resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales in the year (2013: HK\$Nil).

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

## 7. Segment information *(continued)*

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment result represents the loss resulted by each segment without allocation of central administration costs, including directors' remuneration, interest income, gain on disposal of subsidiaries, change in fair value of investment property, impairment losses on trade and other receivables, impairment losses on available-for-sale financial assets, impairment losses on interests in associates, and interest on promissory notes.

Segment assets do not include unallocated corporate assets, including cash and bank balances, investment property, interests in associates, available-for-sale financial assets and current tax assets. Segment liabilities do not include promissory notes, unallocated corporate liabilities and current and deferred tax liabilities.

### (a) Segment revenue and results:

For the year ended 31 December 2014:

	Sapphire HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	Integrated circuits, software and LED HK\$'000	Total for reportable segments HK\$'000
Segment revenue	14,900	3,153	-	2,784	20,837
Segment results	(4,248)	(1,391)	(3)	(10,313)	(15,955)
<b>Reconciliation:</b>					
<b>Total profit or loss for reportable segments</b>					<b>(15,955)</b>
Unallocated corporate income					7
Bank interest income					13
Share of profits of associates					338
Gain on disposal of subsidiaries					4,987
Change in fair value of investment property					2,201
Impairment losses on interests in associates					(65,924)
Impairment losses on trade and other receivables					(3,100)
Impairment losses on available-for-sale financial assets					(80,834)
Interest on promissory notes					(14,413)
Unallocated corporate expenses					(20,685)
- staff costs					(6,431)
- others					
<b>Consolidated loss before tax</b>					<b>(199,796)</b>

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 7. Segment information *(continued)*

#### (a) Segment revenue and results: *(continued)*

For the year ended 31 December 2013:

	Sapphire HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	Integrated circuits, software and LED HK\$'000	Total for reportable segments HK\$'000
Segment revenue	20,423	2,081	1,673	893	25,070
Segment results	(7,433)	(2,477)	(4,070)	(1,489)	(15,469)
Reconciliation:					
Total profit or loss for reportable segments					(15,469)
Unallocated corporate income					239
Bank interest income					15
Share of profits of associates					3,555
Impairment loss on disposal groups classified as held for sale					(2,223)
Impairment loss on interest in an associate					(61,549)
Impairment losses on trade and other receivables					(12,417)
Interest on promissory notes					(5,492)
Unallocated corporate expenses					
– staff costs					(43,217)
– others					(17,267)
Consolidated loss before tax					(153,825)

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 7. Segment information *(continued)*

### (b) Segment assets and liabilities:

For the year ended 31 December 2014:

	Sapphire	Optoelectronic	Liquor	Integrated circuits, software and LED	Total for reportable segments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	2,895	2,184	3,295	62,825	71,199
Unallocated assets					
– Investment property					17,010
– Interests in associates					4,639
– Available-for-sale financial assets					2,349
– Cash and bank balances					27,806
– Others					6,032
Consolidated assets					129,035
<b>Segment liabilities</b>	(7,255)	(872)	(4)	(766)	(8,897)
Unallocated liabilities					
– Promissory notes					(124,336)
– Deferred tax liabilities					(1,459)
– Other					(9,150)
Consolidated liabilities					(143,842)

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 7. Segment information *(continued)*

#### (b) Segment assets and liabilities: *(continued)*

For the year ended 31 December 2013:

	Sapphire HK\$'000	Optoelectronic HK\$'000	Liquor HK\$'000	Integrated circuits, software and LED HK\$'000	Total for reportable segments HK\$'000
Segment assets	11,415	3,207	1,745	23,857	40,224
Unallocated assets					
– Disposal groups classified as held for sale					14,931
– Interests in associates					70,225
– Cash and bank balances					508
– Others					39,888
Consolidated assets					165,776
Segment liabilities	(8,180)	(658)	(4)	(1,944)	(10,786)
Unallocated liabilities					
– Disposal groups classified as held for sale					(1,131)
– Promissory notes					(109,923)
– Deferred tax liabilities					(134)
– Others					(16,830)
Consolidated liabilities					(138,804)

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 7. Segment information (continued)

### (c) Other segment information:

For the year ended 31 December 2014:

	Sapphire	Optoelectronic	Liquor	Integrated circuits, software and LED	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	-	80	-	5	-	85
Interest income	-	-	-	-	13	13
Interest expenses	132	-	-	-	14,413	14,545
Depreciation and amortisation	97	-	-	1,000	195	1,292
Income tax expense	-	-	-	-	691	691

For the year ended 31 December 2013:

	Sapphire	Optoelectronic	Liquor	Integrated circuits, software and LED	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	-	-	-	23,751	1,234	24,985
Interest income	-	-	-	-	15	15
Interest expenses	156	-	-	-	5,511	5,667
Depreciation and amortisation	1,181	342	-	18	42	1,583



## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 7. Segment information *(continued)*

#### (d) Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

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

	Revenues from external		Non-current assets	
	customers			
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	1,118	1,364	10,623
PRC	5,931	10,887	34,236	92,767
Europe	5,479	13,065	-	-
Bangkok	9,427	-	-	-
	<b>20,837</b>	25,070	<b>35,600</b>	103,390

#### (e) Information about major customers

The following table set out the information for the Group's customers contributing over 10% total revenue:

	2014	2013
	HK\$'000	HK\$'000
Customer A	9,427	4,378
Customer B	2,967	2,081
Customer C	2,586	825
Customer D	2,612	-
	<b>17,592</b>	7,284

Save as disclosed above, there was no other single customer contributing over 10% total revenue of the Group for the years ended 31 December 2014 and 2013.

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## 8. Finance costs

	2014 HK\$'000	2013 HK\$'000
Interest on promissory notes	14,413	5,492
Interest on bank loans and overdrafts	132	175
	<b>14,545</b>	5,667

## 9. Loss before tax

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

	2014 HK\$'000	2013 HK\$'000
Amortisation of prepaid land lease payments	–	17
Depreciation of property, plant and equipment	1,292	1,566
Impairment losses on		
– Disposal groups classified as held for sale	–	2,223
– Property, plant and equipment	9,000	–
– Interests in associates	65,924	61,549
– Trade and other receivables	3,100	12,417
– Available-for-sale financial assets	80,834	–
Cost of inventories	18,634	24,977
Write down of inventories	367	–
Minimum lease payment under operating leases		
– Buildings	1,260	1,369
Auditors' remuneration		
– Audit services	600	750
Foreign exchange (gain)/loss	(1,729)	1,388
Other equity-settled share-based payments	3,515	4,066
Staff costs (including directors' remuneration (Note 11))		
Wages and salaries	7,601	8,992
Discretionary bonuses	9,585	158
Retirement scheme contributions	196	103
Equity-settled share-based payments	3,516	30,159
	<b>20,898</b>	39,412

Cost of inventories sold includes staff costs, depreciation, write down of inventories and operating lease charges of HK\$1,841,000 (2013: HK\$1,161,000) which are included in the amounts disclosed separately above.

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### 10. Income tax expense

(a) **Income tax in the consolidated statement of profit or loss and comprehensive income represents:**

	2014	2013
	HK\$'000	HK\$'000
Provision for current income tax		
– PRC Enterprise Income Tax	–	–
– Hong Kong Profits Tax	–	–
Under-provision in prior years		
– Hong Kong Profits Tax	394	–
Deferred tax (Note 25)	297	–
	<b>691</b>	–

Hong Kong Profits Tax is calculated at 16.5% (2013:16.5%) on the estimated assessable profits arising in Hong Kong for the year. PRC Enterprise Income Tax is calculated at 25% (2013: 25%).

No provision for both Hong Kong Profits Tax and PRC Enterprise Income Tax has been provided in the consolidated financial statements as there was no estimated assessable profit for the year ended 31 December 2014 (2013: HK\$Nil).

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

	2014	2013
	HK\$'000	HK\$'000
Loss before tax	<b>(199,796)</b>	(153,825)
Notional tax on loss before tax, calculated at the rates applicable to profits in the countries concerned	<b>(34,156)</b>	(24,297)
Tax effect of non-taxable income	<b>(18,686)</b>	(592)
Tax effect of non-deductible expenses	<b>51,850</b>	17,591
Tax loss not recognised	<b>1,313</b>	7,298
Under-provision in current year	<b>(24)</b>	–
Under-provision in prior years	<b>394</b>	–
Income tax expense	<b>691</b>	–

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 11. Directors' remuneration

	2014 HK\$'000	2013 HK\$'000
Fees	3,208	1,876
Other emoluments		
Salaries, allowances and benefits in kind	461	–
Discretionary bonuses	4,329	158
Share-based payments	–	22,740
Pension scheme contributions	16	–
	4,806	22,898
Total remuneration	8,014	24,774

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## 11. Directors' remuneration (continued)

For the year ended 31 December 2014

	Salaries, allowance and benefit in kind HK\$'000	Discretionary bonus and fees HK\$'000	Share- based payments HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Mr. Ho Chun Kit Gregory (Note 3)	-	-	-	-	-
Mr. Xu Xuefeng (Note 5)	-	978	-	-	978
Mr. Li Jian Chao (Note 6)	-	2,124	-	-	2,124
Mr. Liu Zhong Ping (Note 7)	128	114	-	-	242
Mr. Lee Po Chu Feona (Note 8)	-	-	-	-	-
Mr. Fok Ching Fung (Note 9)	-	887	-	7	894
Mr. Leung Wah (Note 15)	-	294	-	-	294
Mr. Leung Hoi (Note 20)	-	121	-	-	121
Mr. Zhang Yanyue (Note 21)	-	-	-	-	-
Mr. Wong Kin Hong (Note 22)	-	124	-	-	124
Mr. Huang Yonghua (Note 23)	33	75	-	-	108
Mr. Wong Tat Wa (Note 24)	150	75	-	-	225
Ms. Leung Po Yee (Note 25)	150	75	-	9	234
Mr. Ng Cheng Kiong (Note 26)	-	65	-	-	65
	<b>461</b>	<b>4,932</b>	<b>-</b>	<b>16</b>	<b>5,409</b>
Independent non-executive Directors					
Mr. Jal Nadirshaw Karbhari (Note 12)	-	-	-	-	-
Mr. Tse Wa Lok (Note 16)	-	-	-	-	-
Mr. Zou Weijun (Note 17)	-	619	-	-	619
Mr. Koo Kim Shing (Note 18)	-	1,789	-	-	1,789
Ms. Chan Wing Sze (Note 19)	-	-	-	-	-
Mr. Yan Guoniu (Note 27)	-	62	-	-	62
Mr. Tang Rong Gang (Note 28)	-	62	-	-	62
Mr. Ou Weian (Note 29)	-	57	-	-	57
Mr. Ng Yu Ho (Note 30)	-	16	-	-	16
	<b>-</b>	<b>2,605</b>	<b>-</b>	<b>-</b>	<b>2,605</b>
	<b>461</b>	<b>7,537</b>	<b>-</b>	<b>16</b>	<b>8,014</b>

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For the year ended 31 December 2014  
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## 11. Directors' remuneration (continued)

For the year ended 31 December 2013

	Salaries, allowance and benefit in kind HK\$'000	Discretionary bonus and fees HK\$'000	Share- based payments HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Mr. Nee Pei Ching, Herry (Note 1)	–	50	–	–	50
Mr. Lau Tao Hung Herry (Note 2)	–	–	–	–	–
Mr. Ho Chun Kit Gregory (Note 3)	–	40	–	–	40
Mr. Lee Tat Wing (Note 4)	–	–	–	–	–
Mr. Xu Xuefeng (Note 5)	–	426	4,713	–	5,139
Mr. Li Jian Chao (Note 6)	–	1,142	4,713	–	5,855
Mr. Liu Zhong Ping (Note 7)	–	–	4,713	–	4,713
Mr. Lee Po Chu Feona (Note 8)	–	–	4,713	–	4,713
Mr. Fok Ching Fung (Note 9)	–	–	1,944	–	1,944
Mr. Kwan Pak Ming (Note 10)	–	–	–	–	–
Mr. Leung Wah (Note 15)	–	361	1,944	–	2,305
	–	2,019	22,740	–	24,759
Independent non-executive Directors					
Mr. Ng Kai Shing (Note 11)	–	5	–	–	5
Mr. Jal Nadirshaw Karbhari (Note 12)	–	–	–	–	–
Ms. Chan Sze Man (Note 13)	–	–	–	–	–
Mr. Chin Barry Chi Yeung (Note 14)	–	10	–	–	10
Mr. Tse Wa Lok (Note 16)	–	–	–	–	–
Mr. Zou Weijun (Note 17)	–	–	–	–	–
Mr. Koo Kim Shing (Note 18)	–	–	–	–	–
Ms. Chan Wing Sze (Note 19)	–	–	–	–	–
	–	15	–	–	15
	–	2,034	22,740	–	24,774

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For the year ended 31 December 2014  
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## 11. Directors' remuneration (continued)

Notes:

1. Mr. Nee Pei Ching, Henry is retired as executive director on 10 May 2013.
2. Mr. Lau Tao Hung, Herry is resigned as executive director on 15 April 2013.
3. Mr. Ho Chun Kit, Gregory is resigned as executive director on 30 April 2014.
4. Mr. Lee Tat Wing is retired as executive director on 10 May 2013.
5. Mr. Xu Xuefeng is resigned on 19 September 2014.
6. Mr. Li Jian Chao is appointed as executive director and Chairman on 8 April 2013 and resigned on 28 June 2014.
7. Mr. Liu Zhong Ping is appointed as executive director on 7 June 2013 and resigned on 20 October 2014.
8. Mr. Lee Po Chu, Feona is appointed as executive director on 1 November 2013 and resigned on 28 May 2014.
9. Mr. Fok Ching Fung, Samuel is appointed as executive director on 11 November 2013 and resigned on 28 May 2014.
10. Mr. Kwan Pak Ming is appointed as executive director on 14 March 2013 and resigned on 10 May 2013.
11. Mr. Ng Kai Shing is resigned as independent non-executive director on 10 May 2013.
12. Mr. Jal Nadirshaw Karbhari is resigned on 28 May 2014.
13. Ms. Chan Sze Man is resigned as independent non-executive director on 1 November 2013.
14. Mr. Chin Barry Chi Yeung is appointed as independent non-executive director on 16 July 2013 and resigned on 1 November 2013.
15. Mr. Leung Wah is appointed as independent non-executive director on 6 May 2013 and re-designated as executive director on 16 July 2013. He resigned as executive director on 28 May 2014.
16. Mr. Tse Wa Lok is appointed as independent non-executive director on 5 November 2013 and resigned on 28 May 2014.
17. Mr. Zou Weijun is appointed as independent non-executive director on 11 November 2013 and resigned on 28 June 2014.
18. Mr. Koo Kin Shing is appointed as independent non-executive director on 11 November 2013 and resigned on 28 June 2014.
19. Ms. Chan Wing Sze is appointed as independent non-executive director on 5 November 2013 and resigned on 28 May 2014.
20. Mr. Leung Hoi is appointed as independent non-executive director on 3 June 2014 and re-designated as executive director on 13 June 2014.
21. Mr. Zhang Yanyue is appointed as executive director on 25 June 2014 and resigned on 28 June 2014.
22. Mr. Wong Kin Hong is appointed as executive director on 25 June 2014 and appointed as Chairman on 28 June 2014.
23. Mr. Huang Yonghua is appointed as executive director on 25 June 2014.
24. Mr. Wong Tat Wa is appointed as executive director on 25 June 2014.
25. Ms. Leung Po Yee is appointed as executive director on 25 June 2014.
26. Mr. Ng Cheng Kiong, Thomas is appointed as independent non-executive director on 25 June 2014 and re-designated as executive director on 13 November 2014.
27. Mr. Yan Guoniu is appointed as independent director on 25 June 2014.
28. Mr. Tang Rong Gang is appointed as independent director on 25 June 2014.
29. Mr. Ou Weian is appointed as independent non-executive director on 11 July 2014.
30. Mr. Ng Yu Ho is appointed as independent non-executive director on 13 November 2014.

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## 11. Directors' remuneration (continued)

The remunerations of Directors of the Company fall into the following bands:

	<b>No. of Directors 2014</b>	No. of Directors 2013
HK\$Nil – HK\$1,000,000	<b>21</b>	14
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	1
HK\$2,000,001 – HK\$2,500,000	<b>1</b>	1
HK\$4,500,001 – HK\$5,000,000	–	2
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	–	1
	<b>23</b>	20

There was no arrangement under which Directors waived any remuneration during the year ended 31 December 2014 (2013: HK\$Nil).

During the year ended 31 December 2014, there was no emoluments have been paid to the Directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2013: HK\$Nil).

## 12. Individuals with highest emoluments

For the year ended 31 December 2014, the five individuals with the highest emoluments in the Group, two (2013: five) were Directors of the Company whose emoluments are included in the disclosures in note 11 above. The aggregate of the emoluments in respect of the other three individual (2013: Nil) is as follows:

	<b>2014 HK\$'000</b>	2013 HK\$'000
Salaries and other emoluments	<b>5,101</b>	–
Contributions to retirement benefits schemes	<b>23</b>	–
	<b>5,124</b>	–



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### 12. Individuals with highest emoluments *(continued)*

The emolument of the other three with the highest emoluments is within the following band:

	2014	2013
	Number of	Number of
	individuals	individuals
HK\$1,500,001 to HK\$2,000,000	3	–

### 13. Loss per share

#### (a) Basic loss per share

The basic loss per share is calculated based on the loss attributable to the owners of the Company of HK\$200,487,000 (2013:HK\$153,128,000) and the weighted average number of 603,476,000 shares (2013: 419,584,000) in issue during the year.

#### (b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2014 was the same as the basic loss per share as the potential shares arising from the exercise of the Company's warrants and share options would decrease the loss per share of the Group for year and is regarded as anti-dilutive.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 14. Property, plant and equipment

	Buildings held for own use carried at revalued amount HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At cost or valuation:</b>						
At 1 January 2013	3,804	375	111,781	4,314	788	121,062
Additions	-	-	24,734	251	-	24,985
Transfer to disposal group classified as held for sale	-	-	-	(266)	-	(266)
Exchange realignment	116	9	3,722	49	27	3,923
At 31 December 2013 and at 1 January 2014	<b>3,920</b>	<b>384</b>	<b>140,237</b>	<b>4,348</b>	<b>815</b>	<b>149,704</b>
Additions	-	-	80	5	-	85
Disposal of subsidiaries	(3,866)	(360)	(61,939)	(3,843)	(803)	(70,811)
Written off	-	-	(28,119)	-	-	(28,119)
Exchange realignment	(54)	(5)	(1,335)	(21)	(12)	(1,427)
At 31 December 2014	-	19	48,924	489	-	49,432
<b>Accumulated depreciation and impairment:</b>						
At 1 January 2013	119	367	106,246	4,265	788	111,785
Charge for the year	121	9	1,371	65	-	1,566
Transfer to disposal group classified as held for sale	-	-	-	(28)	-	(28)
Exchange realignment	17	8	3,648	46	27	3,746
At 31 December 2013 and at 1 January 2014	<b>257</b>	<b>384</b>	<b>111,265</b>	<b>4,348</b>	<b>815</b>	<b>117,069</b>
Charge for the year	-	-	1,292	-	-	1,292
Impairment losses	-	-	9,000	-	-	9,000
Disposal of subsidiaries	(249)	(360)	(57,202)	(3,844)	(803)	(62,458)
Written back	-	-	(28,069)	-	-	(28,069)
Exchange realignment	(8)	(5)	(1,308)	(20)	(12)	(1,353)

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 14. Property, plant and equipment (continued)

	Buildings held for own use carried at revalued amount HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 31 December 2014	-	19	34,978	484	-	35,481
<b>Net carrying amount:</b>						
At 31 December 2014	-	-	13,946	5	-	13,951
At 31 December 2013	3,663	-	28,972	-	-	32,635
<b>Analysis of cost or valuation:</b>						
<b>At 31 December 2014:</b>						
- At cost	-	19	48,924	489	-	49,432
- At valuation	-	-	-	-	-	-
	-	19	48,924	489	-	49,432
<b>At 31 December 2013:</b>						
- At cost	-	384	140,237	4,348	815	145,784
- At valuation (note (a))	3,920	-	-	-	-	3,920
	3,920	384	140,237	4,348	815	149,704

Notes:

**(a) Revaluation of properties held for own use**

The Group's buildings held for own use carried at revaluated amount were revalued as at 31 December 2011, had the buildings held for own use been measured on a historical cost basis, their carrying amount would have been HK\$3,863,000 as at 31 December 2013.

**(b) The analysis of net carrying amount of properties as follows:**

	2014 HK\$'000	2013 HK\$'000
Medium-term leases		
- outside Hong Kong	-	3,663

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 14. Property, plant and equipment *(continued)*

During the year, the Group carried out reviews of the recoverable amount of its plant and machinery which are mainly used in the Group's Integrated Circuits, Software and LED segment. The reviews led to the recognition of an impairment loss of HK\$9,000,000, that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their fair value less costs of disposal. The fair value was by reference to a quoted price in an active market for an identical asset.

## 15. Investment property

	2014	2013
	HK\$'000	HK\$'000
At 1 January	–	16,614
Transfer from/(to) non-current assets held for sale	<b>14,926</b>	(17,149)
Fair value gain on investment property	<b>2,201</b>	–
Exchange realignment	<b>(117)</b>	535
At 31 December	<b>17,010</b>	–

The Group's investment property is held under long-term lease outside Hong Kong.

Investment properties were revalued at 31 December 2014 on the open market value basis by reference to market evidence of recent transactions for similar properties by Ascent Partners Valuation Service Limited, an independent professional valuer.

Valuations were based on current prices in an active market for similar properties located in the PRC.

During the year ended 31 December 2013, the Group entered into a sale and purchase agreement for the disposal of Fullway (China) Limited and its subsidiary ("Fullway Group") for a cash consideration of HK\$13,800,000. The transaction has not been completed as at 31 December 2013, accordingly, the fair value of the investment property has been transferred to disposal group classified as held for sale as disclosed in note 22 to the consolidated financial statements.

The related sale and purchase agreement was expired during the year ended 31 December 2014. The Group agreed with the counterparty to cancel the agreement. Accordingly, the investment property was classified out from disposal group held for sale as at 31 December 2014.

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 16. Prepaid land lease payments

The Group's prepaid land lease payments represent interest in land use rights and their net carrying amount is analysed as following.

	2014 HK\$'000	2013 HK\$'000
<b>Carrying amount:</b>		
At 1 January	547	535
Amortisation for the year	-	(17)
Exchange realignment	(96)	29
Disposal of subsidiaries	(451)	-
At 31 December	-	547
	2014 HK\$'000	2013 HK\$'000
Analysed for reporting purposes as:		
- Current portion	-	17
- Non-current portion	-	530
	-	547

As at 31 December 2013, the Group's land use rights were related to a piece of land situated in the PRC and were held under medium-term leases that are to be expired on 14 October 2043.

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 17. Interests in associates

	2014 HK\$'000	2013 HK\$'000
Cost of investment in associates, unlisted		
At 1 January	70,225	64,750
Acquisitions of associates	–	63,469
Shares of post-acquisition profit and other comprehensive income, net of dividend received	338	3,555
Impairment losses	(65,924)	(61,549)
At 31 December	4,639	70,225

On 23 January 2013, the Group acquired 28% equity interests in Neo Partner Investments Limited (“Neo Partner”) and its subsidiaries (“Neo Partner Group”) for aggregate consideration of HK\$23,800,000, which was satisfied by issuance of promissory note with principal amount of HK\$18,800,000 and cash of HK\$5,000,000.

On 20 March 2013, the Group acquired 45% equity interests in Full Pace Holdings Limited (“Full Pace”) and its subsidiaries (“Full Pace Group”) for consideration of HK\$50,000,000, which was satisfied by issuance of promissory note with principal amount of HK\$50,000,000.

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 17. Interests in associates (continued)

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Full Pace Group	
	2014	2013
Principal place of business	PRC	
% of ownership interests/voting rights held by the Group	45%/45%	45%/45%
	HK\$'000	HK\$'000
<b>At 31 December:</b>		
Non-current assets	3,901	4,724
Current assets	11,100	10,097
Current liabilities	(2,512)	(5,326)
Net assets	12,489	9,495
Group's share of net assets	5,619	4,272
Goodwill	42,020	42,020
Impairment loss	(43,000)	–
Group's share of carrying amount of interests	4,639	46,292
<b>Year ended 31 December:</b>		
Revenue	4,688	13,812
Profit from operations	2,994	8,234
Other comprehensive income	–	–
Total comprehensive income	2,994	8,234
Dividends received from associates	–	–

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 17. Interests in associates (continued)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2014 HK\$'000	2013 HK\$'000
<b>At 31 December:</b>		
Carrying amounts of interests	–	23,933
<b>Year ended 31 December:</b>		
Loss	(1,009)	(150)
Total comprehensive income	(1,009)	(150)

At 31 December 2014, the management of the Group carried out review on impairment on the carrying amounts of its interests in associates individually as a single asset by comparing their recoverable amounts (higher of value-in-use and fair value less cost of disposal) with their respective carrying amounts. The management has reviewed for any objective evidence of the existence of any impairment on the investments and such evidence including, but not limited to the following:

- (a) a significant or prolonged decline in the fair value of the interests in associates;
- (b) significant adverse changes in the technological, market, economic, or legal environment in which the associates operated;
- (c) structural changes in the industry in which the associates operated;
- (d) changes in the level of demand of the products or services of the associates; and
- (e) changes in the financial condition of the investee companies.

In order to perform the above assessments, the management has obtained the unaudited financial information (including the statements of financial position as at 31 December 2014 and statements of profit or loss and other comprehensive income for the year then ended, and any available forecasted financial information) of the associates, discussed with the management the operations of the associates and their future funding requirements, and engaged independent professional valuer to conduct independent valuation on the recoverable amounts of the associates, if necessary.

The reviews led to the recognition of impairment losses of HK\$65,924,000 that have been recognised in profit or loss. The recoverable amounts of the associates have been determined on the basis of their fair value less costs of disposal using market approach. The market multiples of public companies and discount for lack of marketability used was 5.55 and 30% respectively.



## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 17. Interests in associates (continued)

Particulars of the Group's associates at 31 December 2014 are set out below:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
<b>Great Steer Group</b>					
Great Steer Limited	BVI	US\$10,000	20%	–	Investment holding
Double All Limited	Hong Kong	HK\$1	–	20%	Investment holding
上海景媒媒體技術有限公司	PRC	RMB500,000	–	20%	Selling air time on installed big LED information broadcasting system
<b>Neo Partner Group</b>					
Neo Partner Investments Limited	BVI	US\$100	–	28%	Investment holding
Harvest View (China) Limited	Hong Kong	HK\$100	–	28%	Distribution of care watch smart series products
<b>Full Pace Group</b>					
Full Pace Holdings Limited	BVI	US\$100	–	45%	Investment holding
TDI Transportation Displays International Limited	Hong Kong	HK\$250,000	–	45%	Licence and concessionary advertising business in the mass public transportation systems in the PRC and the distribution of Stratospheres

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 18. Available-for-sale financial assets

	2014 HK\$'000	2013 HK\$'000
Listed investments, at fair value		
Equity securities listed outside Hong Kong	15,183	–
Impairment loss	(12,834)	–
Market value of listed securities	2,349	–
Unlisted equity securities, at fair value		
Additions	68,000	–
Impairment losses	(68,000)	–
	2,349	–
Analysed as:		
Current assets	–	–
Non-current assets	2,349	–
	2,349	–

The fair values of listed securities are based on current bid prices.

At 31 December 2014, the management of the Group carried out review on impairment on its listed and unlisted equity investments. The management has reviewed for any objective evidence of the existence of any impairment on the investments and such evidence including, but not limited to the following:

- (a) a significant or prolonged decline in the fair value of the interest in the investments;
- (b) significant adverse changes in the technological, market, economic, or legal environment in which the investee companies operated;
- (c) structural changes in the industry in which the investee companies operated;
- (d) changes in the level of demand of the products of the investee companies; and
- (e) changes in the financial condition of the investee companies.

In order to performed the above assessments, the management of the Group has obtained the market price of its listed investments as at 31 December 2014; and for the Group unlisted equity investments, the management has obtained the unaudited financial information (including the statements of financial positions as at 31 December 2014 and the statements of profit or loss and other comprehensive income for the year then ended, and any available financial forecast) of the investee companies, discussed with the management the operations of investee companies and their future funding requirements, and engaged independent professional valuer to conduct independent valuation on the recoverable amounts of the investee companies, if necessary.

During the year the impairment losses on available-for-sale financial assets of HK\$80,834,000 (2013: HK\$Nil) was recognised in profit or loss.

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## 19. Inventories

	2014 HK\$'000	2013 HK\$'000
Raw materials	216	71
Work in progress	37	1,013
Finished goods	2,126	805
	<b>2,379</b>	1,889

## 20. Trade and other receivables

	2014 HK\$'000	2013 HK\$'000
Trade receivables	4,569	4,889
Less: allowance for doubtful debts	-	(990)
	<b>4,569</b>	3,899
Loan receivables (note (a))	3,906	7,006
Other receivables	4,719	3,008
Investment deposit (note (b))	-	30,000
Deposits and prepayments	2,124	122
	<b>15,318</b>	44,035

Notes:

- (a) As at 31 December 2014 and 2013, loan receivables comprise of:
- (i) the Group granted a loan to Neo Partner Group of HK\$5,000,000 which is unsecured, 2% interest per annum and receivable on demand. Impairment loss on loan to Neo Partner Group amounted to HK\$3,100,000 has been provided for the year ended 31 December 2014; and
  - (ii) the Group granted a loan to Full Group Pace of HK\$2,006,000, which is unsecured, interest free and receivable on demand.

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 20. Trade and other receivables (continued)

(b) As at 31 December 2013, the balances represented refundable investment deposits for two proposed investments which comprised of:

- (i) the Group paid a refundable deposit of HK\$7,000,000 to Chu Chun Kit (朱俊傑) for the proposed acquisition of 49% equity interests in EQM (Int'l) Co. Limited, which was lapsed in 2013. Due to the situation that the proposed investment has been lapsed and the outstanding balance was still outstanding as at 31 December 2013, in the opinion of the directors, the recoverability of the deposit was remote and, accordingly, impairment has been fully provided. The Company will take further legal action to recover the deposit as soon as appropriate; and
- (ii) the Group paid a refundable deposit of HK\$30,000,000 for the proposed joint venture investments in Power Asia Global Investments Limited, which was guaranteed by the former substantial shareholder of the Company. The project was cancelled and the balance was fully repaid by the guarantor during 2014.

The Group's terms on credit sales primarily ranged from 30 to 90 days (2013: 30 to 120 days). The aging analysis of the trade receivables (net of allowance for doubtful debts) at the end of the reporting period, based on the invoice date, is as follows:

	2014 HK\$'000	2013 HK\$'000
0 – 30 Days	3,584	1,536
31 – 60 Days	311	1,689
61 – 90 Days	564	159
Over 90 Days	110	515
	<b>4,569</b>	3,899

Movement in allowance for doubtful debts:

	2014 HK\$'000	2013 HK\$'000
At 1 January	990	990
Disposal of subsidiaries	(990)	–
At 31 December	–	990

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### 20. Trade and other receivables (continued)

As of 31 December 2014, trade receivables of HK\$110,000 (2013: HK\$Nil) were past due but not impaired. These relate to a number of diversified and independent customers for whom there was no recent history of default. The aging analysis of these receivables is as follows:

	2014	2013
	HK\$'000	HK\$'000
Past due but not impaired:		
– Less than 1 month	110	–
– 1 to 3 months	–	–
– Over 3 months	–	–
	<b>110</b>	<b>–</b>

### 21. Cash and cash equivalents

	2014	2013
	HK\$'000	HK\$'000
Cash and bank balances	53,229	782
Short-term investment	20,160	–
	<b>73,389</b>	<b>782</b>

At the end of the reporting period, cash and bank balances and short-term investment of the Group denominated in Renminbi ("RMB") amounted to HK\$43,245,000 (2013: HK\$233,000). The RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulation and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is only permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **22. Disposal group classified as held for sale**

On 16 August 2013, the Group entered into a sale and purchase agreement (the “Arnda Disposal Agreement”) with an independent third party (the “Purchaser of Arnda”) whereby the Purchaser of Arnda agreed to purchase the entire equity interest in Arnda Group for a total cash consideration of HK\$11,000,000.

On 3 December 2013, the Group entered into a sale and purchase agreement (the “Fullway Disposal Agreement”) with independent third party (the “Purchaser of Fullway”) whereby the Purchaser of Fullway agreed to purchase the entire equity interest in Fullway Group for a total cash consideration of HK\$13,800,000.

The assets and liabilities attributable to Arnda Group and Fullway Group which were expected to be sold within twelve months, had been classified as disposal groups held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2013.

The Arnda Disposal Agreement and the Fullway Disposal Agreement expired during the year ended 31 December 2014.

In December 2014, Arnda Group has been disposed to an independent third party at a cash consideration of HK\$35,000 (Note 37(b)).

The Group agreed with the Purchaser of Fullway to cancel the Fullway Disposal Agreement. Accordingly, as at 31 December 2014, the assets and liabilities of Fullway Group were reclassified out of the disposed group held for sale.

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 22. Disposal group classified as held for sale (continued)

The major classes of assets and liabilities of Arnda Group and Fullway Group classified as held for sale as at 31 December 2013 were as follows:

	Fullway Group HK\$'000	Arnda Group HK\$'000	Total HK\$'000
Investment property	17,149	–	17,149
Property, plant and equipment	–	238	238
Trade and other receivables	–	323	323
Inventories	–	22	22
Cash and bank balances	5	149	154
	17,154	732	17,886
Impairment loss on disposal groups classified as held for sale	(2,223)	–	(2,223)
Total assets classified as held for sale	14,931	732	15,663
Trade and other payable	–	1,708	1,708
Deferred tax liabilities	1,131	–	1,131
Tax payables	–	236	236
Total liabilities classified as held for sale	1,131	1,944	3,075
	13,800	(1,212)	12,588

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 23. Trade and other payables

	2014 HK\$'000	2013 HK\$'000
Trade payables	706	4,681
Other payables and accrued charges (note)	17,337	16,012
	<b>18,043</b>	20,693

Note:

As at 31 December 2014 and 2013, the balance includes an initial deposit of HK\$7,900,000 received for the disposal of entire equity interests in Fullway Group. Detail of which has been set out note 22 to the consolidated financial statements. In March 2015, the deposit was fully refunded.

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2014 HK\$'000	2013 HK\$'000
0 – 30 Days	705	2,334
31 – 60 Days	–	980
61 – 90 Days	–	752
Over 90 Days	1	615
	<b>706</b>	4,681

The trade payables are non-interest bearing and are normally settled on 60 days terms.



## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 24. Bank loans and overdrafts

At 31 December 2014, details of the bank loans carried at amortised cost were as follows:

	2014 HK\$'000	2013 HK\$'000
Secured bank loans repayable on demand or within one year	–	2,829

Note:

- (a) At 31 December 2013, bank loans of the Group amounting to HK\$2,829,000 were secured by the land and buildings held by the Director.
- (b) At 31 December 2013, the interest rates of the bank loans were prime or HIBOR+1.5% per annum.

### 25. Deferred tax liabilities

	Revaluation of building HK\$'000	Revaluation of investment property HK\$'000	Total HK\$'000
At 1 January 2013	134	1,131	1,265
Transfer to disposal group classified as held for sale	–	(1,131)	(1,131)
At 31 December 2013, and at 1 January 2014	134	–	134
Charge to profit or loss for the year (Note 10)	–	297	297
Disposal of subsidiaries	(94)	–	(94)
Transfer from disposal group classified as held for sale	–	1,171	1,171
Exchange realignment	(40)	(9)	(49)
At 31 December 2014	–	1,459	1,459

At 31 December 2014, the Group has unused tax losses of approximately HK\$12,457,000 (2013: HK\$63,665,000) available for offset against future profits. The tax losses of HK\$9,480,000 will expire within 2019 and HK\$2,977,000 can be carried forward indefinitely under current tax legislation. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2014, no deferred tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. (2013: Nil)

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 26. Promissory notes

	2014 HK\$'000	2013 HK\$'000
At 1 January	109,923	53,449
Issued during the year	–	58,469
Repayment	–	(7,382)
Interest charge	14,413	5,387
At 31 December	124,336	109,923
Analysed for reporting purpose:		
Current portion	124,336	–
Non-current portion	–	109,923
	124,336	109,923

### Promissory note for acquisition of Fullway (China) Limited (the “Promissory Note 1”)

On 28 March 2012, the Company issued Promissory Note 1 for an aggregate principal amounts of HK\$15,000,000 for the acquisition of 100% equity interests on Fullway (China) Limited. Promissory Note 1 are due on 28 March 2013.

During the year ended 31 December 2012, Promissory Note 1 at amortised cost of HK\$8,000,000 were early repaid by cash settlement at its nominal value. During the year ended 31 December 2013, the remaining balance of Promissory Note 1 were fully settled.

### Promissory note for acquisition of Great Steer Limited (the “Promissory Note 2”)

On 23 November 2012, the Company issued Promissory Note 2 for aggregate principal amounts of HK\$71,000,000 for acquisition of 20% equity interests on Great Steer Limited. The Promissory Note 2 is interest free and due on three years after the date of issue. The fair value of the Promissory Note 2 is HK\$55,794,000 as at the issue date, calculated at the effective interest rate of 8.366% per annum.

During the year ended 31 December 2012, Promissory Note 2 at amortised cost of HK\$9,733,000 were early repaid by cash settlement at nominal value of HK\$13,000,000. There was no settlement made during the years ended 31 December 2013 and 2014.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 26. Promissory notes *(continued)*

### Promissory note for acquisition of Neo Partner Investments Limited (the “Promissory Note 3”)

On 23 January 2013, the Company issued Promissory Note 3 for aggregate principal amounts of HK\$18,800,000 for acquisition of 28% equity interests in Neo Partner Investments Limited. The Promissory Note 3 is interest bearing at 2% per annum and due on 2 years after the date of issue.

The fair value of Promissory Note 3 was HK\$15,882,000 as at the date of issuance, calculated at the effective interest rate of 10.954% per annum.

### Promissory note for acquisition of Full Pace Holdings Limited (the “Promissory Note 4”)

On 20 March 2013, the Company issued Promissory Note 4 for aggregate principal amounts of HK\$50,000,000 for acquisition of 45% equity interests in Full Pace Holdings Limited. The Promissory Note 4 is interest bearing at 2% per annum and due on 2 years after the date of issuance.

The fair value of the Promissory Note 4 is HK\$42,587,000 as at the date of issuance, calculated at the effective interest rate of 10.500% per annum.

## 27. Share capital

	Number of share		Share capital	
	2014 ‘000	2013 ‘000	2014 HK\$’000	2013 HK\$’000
<i>Authorised:</i>				
Ordinary shares of HK\$0.05 (2013: HK\$0.05) each	<b>20,000,000</b>	20,000,000	<b>1,000,000</b>	1,000,000
<i>Issued and fully paid:</i>				
At the beginning of year	<b>485,114</b>	345,652	<b>24,256</b>	17,282
Issues of shares through exercise of warrants <i>(note a)</i>	<b>11,000</b>	45,130	<b>550</b>	2,257
Exercise of share options <i>(note b)</i>	–	16,432	–	822
Placing of shares <i>(note c)</i>	<b>115,000</b>	70,000	<b>5,750</b>	3,500
Issuance of new shares <i>(note d)</i>	<b>23,000</b>	7,900	<b>1,150</b>	395
Acquisition of available-for-sale financial assets <i>(note e)</i>	<b>73,557</b>	–	<b>3,678</b>	–
At the end of the year	<b>707,671</b>	485,114	<b>35,384</b>	24,256

### Notes:

- (a) During the year ended 31 December 2014, 11,000,000 warrants were exercised in January and April 2014 at a subscription price of HK\$0.53 per ordinary share, resulting in the issue of 11,000,000 ordinary shares of HK\$0.05 each.

For the year ended 31 December 2013, approximately 45,130,000 ordinary shares were issued through the exercise of warrants. Details of which were summarised as follows:

- (i) 40,130,000 warrants were exercised at a subscription price of HK\$0.53 per ordinary share, resulting in issue of approximately 40,130,000 ordinary shares of HK\$0.05 each.
- (ii) 5,000,000 warrants were exercised in April and August 2013 at a subscription price of HK\$0.81 per ordinary share, resulting in issue of approximately 5,000,000 ordinary shares of HK\$0.05 each.

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## 27. Share capital (continued)

Notes: (continued)

- (b) For the year ended 31 December 2013, approximately 16,432,000 ordinary shares of HK\$0.05 were issued in respect the exercise of share options by employees under the share options scheme. Detail of the exercise of share options were summarised as follows:

Date of exercise of share options	Number of ordinary shares issued	Exercise price	Aggregate
			Consideration received
		HK\$	HK\$
March 2013	11,737,459	0.254	2,981,315
May 2013	4,694,984	0.254	1,192,526

- (c) During the year ended 31 December 2014, the Company appointed a placing agent for subscribing up to an aggregate of 115,000,000 placing shares at HK\$0.44 per placing share. The placing were fully subscribed and completed in September 2014.

For the year ended 31 December 2013, the Company appointed a placing agent for subscribing up to an aggregate of 70,000,000 placing shares at HK\$0.80 per placing share. The placing were fully subscribed and completed in July 2013.

- (d) During the year ended 31 December 2014, aggregate of 23,000,000 ordinary shares of HK\$0.05 each in the share capital of the Company were issued. Detail of the issuance of new shares are summarised as follows:

- (i) On 10 January 2014, for the continuing financial advisory service provided to the Company by Chanceton Capital Partners Limited, the financial advisory fee would be satisfied by the issue of 1,000,000 remuneration shares to Chanceton Capital at the then market price of HK\$1.18 per remuneration share. The issue of remuneration shares was completed in January 2014.
- (ii) On 19 February 2014, the Company entered into subscription agreements with two subscribers for the subscription for an aggregate of 5,000,000 ordinary shares of the Company at the subscription price of HK\$1 per share. The subscription of new Shares was completed in March 2014.
- (iii) On 27 May 2014, the Company entered into a subscription agreement with a subscriber for the subscription of 17,000,000 ordinary shares of the Company at the subscription price of HK\$0.65 per share. The subscription of new Shares was completed in June 2014.

For the year ended 31 December 2013, aggregate of 7,900,000 ordinary shares of HK\$0.05 were issued in respect of the issue of share under subscription agreement. Detail of the subscription agreements were summarised as follows:

- (i) On 22 March 2013, the Company entered into subscription agreement with a subscriber for the subscription of 5,000,000 ordinary shares of the Company at the subscription price of HK\$0.7 per share. The subscription of new Shares was completed in April 2013.
- (ii) On 22 July 2013, the Company entered into subscription agreement with a subscriber for the subscription of 2,900,000 ordinary shares of the Company at the subscription price of HK\$2.23 per share. The subscription of new Shares was completed in August 2013.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 27. Share capital (continued)

Notes: (continued)

- (e) During the year ended 31 December 2014, the Company acquired several available-for-sale financial assets (Note 18) and the considerations were satisfied by the allotment of shares of the Company. Details of the shares allotted in respect of the acquisitions are summarised as follows:
- (i) In January 2014, the Company issued 40,000,000 shares of HK\$0.05 each at the then market price of HK\$1.18 per share for the consideration paid in respect of the acquisition of 18% of the equity interest in World Sheen International Group Limited.
  - (ii) In April 2014, the Company issued approximately 13,556,000 shares of HK\$0.05 each at the then market price of HK\$1.12 per share for the consideration paid in respect of the acquisition of 16,595,000 ordinary shares of £0.01 each of Gowin New Energy Group Limited.
  - (iii) In April 2014, the Company issued 20,000,000 shares of HK\$0.05 each at the then market price of HK\$1.04 per share for the consideration paid in respect of the acquisition of 20% of the equity interest in Central Tech.

## 28. Share option scheme

The Company operates a share option scheme (the "Scheme"), which was adopted by the Company on 8 March 2011 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors, including independent non-executive Directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity.

Under the Scheme, the board of directors of the Company may grant options to eligible employees (including any executive, non-executive and independent non-executive directors), supplier, customer, shareholder and adviser or consultant of any members of the Group and any person or entity that provides research, development or other technological support to any members of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Scheme. The maximum number of shares of the Company in respect of which share options may be granted under the Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

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## 28. Share option scheme (continued)

The options were granted at a consideration of HK\$1 each. As at the date of this report, options to subscribe for a total of 26,250,000 option shares will still outstanding under the Scheme which represents approximately 3.7% of the issued ordinary shares of the Company.

The Scheme shall be valid and effective for a period of 10 years commencing from the date the Company adopted the scheme.

### For the year ended 31 December 2014

On 29 January 2014, a total of 9,700,000 share options were granted under the Scheme. The estimated fair value of the share options granted under the Scheme was HK\$7,031,000. The closing price of the Company's shares immediately preceding the date of the grant was HK\$1.16. The share options granted shall be valid and effective for a period of ten years commencing on 29 January 2014.

The fair value of the granted share options as of the date of grant was calculated by Roma Appraisal Limited, an independent professional qualified valuer. The fair value of the granted share options was calculated using binomial option pricing model. The inputs in the model were as follows:

Share prices as at the grant date:	HK\$1.16
Exercise price:	HK\$1.16
Dividend yield	0%
Expected volatility:	105.470%
Risk-free rate:	2.285%

### For the year ended 31 December 2013

On 19 November 2013, a total of 37,100,000 share options were granted under the Scheme. The estimated fair value of the share options granted of the Scheme was HK\$34,225,000. The closing price of the Company's shares immediately preceding the date of the grant was HK\$1.53. The share options granted shall be valid and effective for a period of ten years commencing on 19 November 2013.

The fair value of the granted share options as of the date of grant was calculated by Roma Appraisal Limited, an independent professional qualified valuer. The fair value of the granted share options was calculated using binomial option pricing model. The inputs in the model were as follows:

Share prices as at the grant date:	HK\$1.53
Exercise price:	HK\$1.594
Dividend yield	0%
Expected volatility:	98.167%
Risk-free rate:	1.903%

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 28. Share option scheme (continued)

The following table discloses movements of the Company's share options held by employees and directors of the Company during the years ended 31 December:

#### 2014:

Participant	Date of grant	Exercise price HK\$	Exercise period	At 1/1/2014	Number of options ('000)				At 31/12/2014
					Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
Employees/others	24/3/2011	1.45	24/3/2011-23/3/2021	400	-	-	(400)	-	-
	19/11/2013	1.594	19/11/2013-18/11/2023	13,700	-	-	(6,850)	-	6,850
	29/1/2014	1.16	29/1/2014-28/1/2024	-	9,700	-	-	-	9,700
Former directors	19/11/2013	1.594	19/11/2013-18/11/2023	23,400	-	-	(13,700)	-	9,700
				37,500	9,700	-	(20,950)	-	26,250
<b>Weighted average exercise price (in HK\$)</b>				<b>1.592</b>	<b>1.160</b>	<b>N/A</b>	<b>1.591</b>	<b>N/A</b>	<b>1.434</b>
<b>Exercisable at end of year</b>									<b>26,250</b>

#### 2013:

Participant	Date of grant	Exercise price HK\$	Exercise period	At 1/1/2013	Number of options ('000)				At 31/12/2013
					Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
Employees/others	24/3/2011	1.45	24/3/2011-23/3/2021	400	-	-	-	-	400
	24/8/2012	0.254	24/8/2012-23/8/2022	16,432	-	(16,432)	-	-	-
	19/11/2013	1.594	19/11/2013-18/11/2023	-	13,700	-	-	-	13,700
Former directors	19/11/2013	1.594	19/11/2013-18/11/2023	-	23,400	-	-	-	23,400
				16,832	37,100	(16,432)	-	-	37,500
<b>Weighted average exercise price (in HK\$)</b>				<b>0.283</b>	<b>1.594</b>	<b>0.254</b>	<b>-</b>	<b>N/A</b>	<b>1.592</b>
<b>Exercisable at end of year</b>									<b>37,500</b>

Remarks: The options are fully vested as of the date of grant.

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### 29. Statement of financial position of the company

	2014	2013
	HK\$'000	HK\$'000
<b>Non-current assets</b>		
Interests in subsidiaries	25,008	25,086
Interests in associates	–	3,061
Available-for-sale financial assets	2,349	–
	27,357	28,147
<b>Current assets</b>		
Trade and other receivables	8,460	12,137
Due from subsidiaries, net of accumulated impairment losses	94,888	128,618
Cash and cash equivalents	27,702	399
	131,050	141,154
<b>Current liabilities</b>		
Trade and other payables	915	1,846
Promissory notes	124,336	–
	125,251	1,846
<b>Net current assets</b>	5,799	139,308
<b>Total assets less current liabilities</b>	33,156	167,455
<b>Non-current liabilities</b>		
Promissory notes	–	109,923
<b>NET ASSETS</b>	33,156	57,532
Share capital	35,384	24,256
Reserves (Note 30)	(2,228)	33,276
<b>TOTAL EQUITY</b>	33,156	57,532



# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 30. Reserves

Details of movement in the Group's equity is set out in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity. Details of the changes in the Company's equity are set out below:

### The Company

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2013	160,639	1,351	250	(120,835)	41,405
Total comprehensive income for the year	–	–	–	(129,366)	(129,366)
Recognition of unlisted warrants	–	–	641	–	641
Recognition of equity-settled share-based payments	–	34,225	–	–	34,225
Issue of shares upon:					
– warrant exercised	23,562	–	(651)	–	22,911
– share options	4,397	(1,044)	–	–	3,353
– shares	60,107	–	–	–	60,107
At 31 December 2013 and at 1 January 2014	248,705	34,532	240	(250,201)	33,276
Total comprehensive income for the year	–	–	–	(187,239)	(187,239)
Recognition of equity-settled share-based payments	–	7,031	–	–	7,031
Issue of shares upon:					
– warrant exercised	5,390	–	(110)	–	5,280
– shares	139,424	–	–	–	139,424
Lapse of options	–	(19,264)	–	19,264	–
At 31 December 2014	393,519	22,299	130	(418,176)	(2,228)

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### 30. Reserves *(continued)*

#### Nature and purpose of reserves

(a) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per Share. The application of the share premium account is governed by the Company Act 1981 of Bermuda.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d).

(c) Share-based payment reserve

The share-based payment reserve related to share options granted by the Company to its directors, employees and consultants under its share option scheme. They are recognised in accordance with the accounting policy in note 4 (t) to the consolidated financial statements. Further information about the equity-settled share-based payments under the Company's share option scheme is set out in note 28.

(d) Property revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings held for own use in note 4(e).

(e) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of reporting period and is dealt with in accordance with the accounting policy in note 4(g) to the consolidated financial statements.

(f) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to Share capital and Share premium accounts upon the exercise of the warrants.

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### 31. Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

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

	2014 HK\$'000	2013 HK\$'000
Short term benefits	8,014	24,774
Post-employment benefits	-	-
	<b>8,014</b>	<b>24,774</b>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

### 32. Commitments

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are as follows:-

	2014 HK\$'000	2013 HK\$'000
Premises:		
Within 1 year	435	216
After 1 year but within 5 years	68	18
	<b>503</b>	<b>234</b>

Operating lease payments represent rentals payable by the Group for certain of its offices and factory. Leases are negotiated for terms ranging from two to four years (2013: two to four years) and rentals are fixed over the lease terms and do not include contingent rentals.

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### 33. Litigation

- i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited (“JMM”) against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (ii) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors are not aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant financial impact on the Company.
- ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited (“Good Capital”) against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (ii) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors are not aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely any financial impact on the financial statements of the Company.
- iii) Excel Energy Holdings Limited (“Excel Energy”), a wholly owned subsidiary of the Company, and the Company were named as the 1st defendant and 2nd defendant (collectively the “Defendants”), respectively, in a writ of summons dated 28 February 2014 issued by Long China Holdings Limited (the “Plaintiff”).

The Plaintiff alleged that the Defendants failed and/or refused to honour their respective obligations under a sale and purchase agreement dated 3 December 2013 entered into between the Plaintiff (as purchaser), Excel Energy (as vendor) and the Company (as guarantor) for the disposal of the entire equity interests in Fullway (China) Limited at a consideration of HK\$13,800,000, for which the Plaintiff paid HK\$7,900,000 as deposit to the Defendants. The Plaintiff now claims for the return of the said deposit.

On 6 March 2015, the Plaintiff and the Defendants executed a deed of settlement (the “Deed”) for a full and final settlement of all claims arising out of or in connection with the sale and purchase agreement and the proceedings. Pursuant to the Deed, the Defendants have returned the initial deposits in the sum of HK\$7,900,000 to the Plaintiff and the Plaintiff has returned certain legal documents to the Company. The Company’s legal representatives have arranged the signing of a consent summons by the Plaintiff to dismiss the claim.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 33. Litigation (continued)

- iv) On 27 March 2014, Good Return (BVI) Limited (“Good Return”), a wholly-owned subsidiary of the Company, issued writs of summons against Wickham Ventures Limited (“Wickham”) and Ms. Lee Hei Wun (“Ms. Lee”) for claiming, inter alia, the shortfall of a profit guarantee in a sum of HK\$3,000,000 as a result of the inability of Arnda Semiconductor Limited (“Arnda”) to make any profit during the year ended 31 December 2012. Reference is made to the Company’s announcements dated 6 April 2011, 19 March 2012 and 24 March 2014. Pursuant to the sale and purchase agreement under which Good Return acquired Arnda from Wickham in 2011, Wickham and Ms. Lee guaranteed to pay Good Return the difference between the actual amount of net profit after tax of Arnda and the guaranteed profit in a sum of HK\$3,000,000 for the year ended 31 December 2012. According to the audited accounts of Arnda for the year ended 31 December 2012, Arnda made a loss of HK\$1,252,101 and thus the shortfall of the profit guarantee is HK\$3,000,000, which Wickham and Ms. Lee have failed to pay to Good Return despite the demand of Good Return. On 25 June 2014, the High Court of the Hong Kong Special Administrative Region, Court of First Instance issued a final judgement against Ms. Lee for the payment to Good Return the sum of HK\$3,000,000 together with interests, and a fixed cost of HK\$10,500. The Company has instructed its legal advisers to take legal action against Ms. Lee for the payment of the above sum of HK\$3,010,500 and the relevant interest of HK\$71,014 but no payment was received. Accordingly, the Group has filed an application of a bankruptcy petition against Ms. Lee.
- (v) On 11 February 2015, the Company and Silver Bonus Limited, a wholly-owned subsidiary of the Company and the purchaser to the acquisition of equity interests in Neo Partner Investment Ltd. (the “Target Company”), issued a writ of summons in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region against (i) Shinning Team Investment Limited (the second vendor) as the 1st defendant; (ii) Mr. Lau Hin Chung (the first vendor) as the 2nd defendant; (iii) the Target Company as the 3rd defendant; (iv) Harvest View (China) Limited as the 4th defendant; (v) Mr. Chen Zai as the 5th defendant; (vi) two former executive Directors of the Company, namely Mr. Ho Chun Kit, Gregory and Mr. Lee Tat Wing as the 6th and 7th defendants, claiming for, among other things, the following relief:
- (1) damages for breach of the sale and purchase agreement and its supplemental agreement (collectively, the “Agreements”) against the 1st and 2nd defendants;
  - (2) damages and/or rescission of the Agreements for misrepresentation against the 1st to 5th defendants;
  - (3) damages for negligence and breach of fiduciary duties as Directors against the 6th and 7th defendants;
  - (4) a declaration that the promissory notes issued under the Agreements are null and void and unenforceable;
  - (5) costs; and
  - (6) further and/or other relief.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation at the end of the reporting period.

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## 34. Events after the reporting period

Other than disclosed elsewhere in this consolidated financial statements, up to the date of this report, there is no significant event identified by the management subsequent to the reporting period.

## 35. Financial instruments

### (a) Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>		
Available-for-sale financial assets	2,349	-
Trade and other receivables	15,318	44,035
Cash and cash equivalents	73,389	782
	<b>91,056</b>	44,817
<b>Financial liabilities</b>		
Bank loans and overdrafts	-	2,829
Trade and other payables	18,043	20,693
Promissory notes	124,336	109,923
	<b>142,379</b>	133,445

### (b) Financial risk management and policies

The Group's major financial instruments include available-for-sale financial assets, trade and other receivables, cash and cash equivalents, trade and other payables and promissory notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk and 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.

#### **Market risk**

##### *Foreign currency risk*

Certain subsidiaries of the Group have foreign currency sales and purchases, certain trade and other receivables and trade and other payables and bank deposits are denominated in foreign currencies other than the respective functional currencies of the relevant group entities and thus expose the Group to foreign currency risk. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 35. Financial instruments (continued)

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

#### Market risk (continued)

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
RMB	9,716	31,645	12,727	10,415
CHF	-	2,581	-	-

#### Sensitivity analysis

The Group is mainly exposed to the effect of fluctuation in Renminbi, and Swiss Franc. The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency exchange rates of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency exchange rates. A negative number below indicates a decrease in post-tax loss for the year where the functional currency of the relevant group entities strengthen 5% against relevant foreign currency. For a 5% weakening of the functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the loss, and the balances below would be positive.

	2014	2013
	HK\$'000	HK\$'000
RMB	113	1,582
CHF	-	129

#### Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

#### Price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2014, if the share prices of the investments increase/decrease by 10%, the other comprehensive income for the year would have been HK\$196,000 (2013: HK\$Nil) higher/lower, arising as a result of the fair value gain/loss of the investments.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 35. Financial instruments *(continued)*

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

#### **Credit risk management**

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings. Loans receivables from associates are closely monitored by the directors.

Credit risk is concentrated as 98.8% (2013: 46.47%) of the total trade receivables are due from the Group's five largest customers. However, the management considers, based on the strong financial background and good creditability of those debtors, there are no significant credit risks.

#### **Liquidity risk management**

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from operations and fund raising activities and borrowings from certain shareholders as a significant source of liquidity.

#### **Liquidity tables**

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



# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 35. Financial instruments (continued)

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

#### Liquidity tables (continued)

	On demand or less than 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount at 31 December 2014 HK\$'000
<b>2014</b>				
Non-derivative financial liabilities				
Promissory notes	129,552	-	129,552	124,336
Trade and other payables	18,043	-	18,043	18,043
	<b>147,595</b>	<b>-</b>	<b>147,595</b>	<b>142,379</b>

	On demand or less than 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount at 31 December 2013 HK\$'000
2013				
Non-derivative financial liabilities				
Bank loans and overdrafts	2,829	-	2,829	2,829
Trade and other payables	20,693	-	20,693	20,693
Promissory notes	-	129,552	129,552	109,923
	<b>23,522</b>	<b>129,552</b>	<b>153,074</b>	<b>133,445</b>

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 35. Financial instruments (continued)

### (c) Fair Value Measurements

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

#### (a) Disclosures of level in fair value hierarchy at 31 December 2014:

Description	Fair value measurements using:			Total
	Level 1	Level 2	Total	Total
	HK\$'000	HK\$'000	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
<b>Financial assets</b>				
Available-for-sale financial assets				
Listed equity securities	2,349	–	2,349	–
<b>Investment properties</b>				
Residential units – PRC	–	17,010	17,010	14,926
<b>Total</b>	<b>2,349</b>	<b>17,070</b>	<b>19,359</b>	14,926

In accordance with HKFRS, investment property with a carrying amount of HK\$16,018,000 reclassified as non-current assets held for sale was written down to its fair value of HK\$14,926,000, less costs to sell of HK\$1,131,000 (or HK\$13,795,000), resulting in a loss of HK\$2,223,000, which was included in profit or loss for the year ended 31 December 2013. The investment property was measured at Level 2, no transfer between Level 1, Level 2 and Level 3 during the year.

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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## 35. Financial instruments *(continued)*

### (c) Fair Value Measurements *(continued)*

#### (c) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2014:**

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least once a year.

Level 2 fair value measurements			Fair value			
			2014		2013	
Description	Valuation technique	Inputs	HK\$'000		HK\$'000	
			Assets	Liabilities	Assets	Liabilities
Residential units located in PRC	Market comparable approach	Market prices ranged from RMB22,000 to RMB26,000 per square meter	17,010	-	14,926	-

## 36. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the directors of the Company may adjust the dividend payment to shareholders, return capital to shareholders and issue of new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 36. Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade and other payables, loan from third party and shareholders, less cash and cash equivalents, and excludes discontinued operations. Capital includes equity attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Trade and other payables	<b>18,043</b>	20,693
Bank loans and overdrafts	–	2,829
Promissory notes	<b>124,336</b>	109,923
Less: Cash and cash equivalents	<b>(73,389)</b>	(782)
<b>Net debt</b>	<b>68,990</b>	132,663
<b>Equity attributable to the owners of the Company</b>	<b>(13,329)</b>	28,450
<b>Capital and net debt</b>	<b>55,661</b>	161,113
<b>Gearing ratio</b>	<b>123.9%</b>	82.3%

### 37. Note to the consolidated statement of cash flows

#### (a) Disposal of interest in a subsidiary without loss of control

For the year ended 31 December 2013, Billion Sky Investment Limited (“Billion Sky”), a wholly owned subsidiary of the Company, increased its issued share capital by allotting shares to the Company and an independent third party at fair value of HK\$390 and HK\$382, respectively. After the allotment of shares, the Company and the independent third party held 51% and 49% of the total issued share capital of Billion Sky respectively. In the opinion of the directors, the Group remains control over Billion Sky. Upon the deemed disposal, the Group recognised the non-controlling interests of HK\$781,000, being the 49% of the net liabilities of Billion Sky as at the date of disposal and an increase in equity attributable to owners of the Company of HK\$781,000. The effect of changes in ownership interests of Billion Sky on the equity attributable to owners of the Company during the year is summarised as follows:

	2013
	HK\$'000
Carrying amount of non-controlling interests disposed of	781
Consideration	–
<b>Gain on disposal within equity</b>	<b>781</b>

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014  
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### 37. Note to the consolidated statement of cash flows *(continued)*

#### (b) Disposal of subsidiaries

During the year ended 31 December 2014, the Group entered into disposal agreements for the disposals of the entire equity interests in Arnda Group and Oriental Light Industries Limited and its subsidiaries (“Oriental Group”).

Net assets/(liabilities) at the dates of disposals were as follows:

	<b>Oriental Group</b>	<b>Arnda Group</b>	<b>Amounts Derecognised</b>
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	8,353	238	8,591
Prepaid land lease payments	451	–	451
Inventories	–	22	22
Trade and other receivables	6,398	323	6,721
Bank and cash balances	221	149	370
Trade and other payables	(10,983)	(1,708)	(12,691)
Income tax payable	(2,110)	(236)	(2,346)
Deferred tax liabilities	(94)	–	(94)
Net assets/(liabilities) disposed of	2,236	(1,212)	1,024
Release of foreign currency reserve	(3,655)	9	(3,646)
Gain on disposal of subsidiaries	3,749	1,238	4,987
<b>Total</b>	<b>2,330</b>	<b>35</b>	<b>2,365</b>
Consideration satisfied by			
Cash	2,330	35	2,365
Net cash inflow/(outflow) arising on disposals			
Cash consideration received	2,330	35	2,365
Cash and cash equivalents disposed of	(221)	(149)	(370)
	2,109	(114)	1,995

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2014  
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### 38. Particulars of principal subsidiaries

The following list contains only the particulars of the Company's principal subsidiaries at 31 December 2014.

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Light (Holdings) Limited	British Virgin Islands – limited liability company	HK\$25,000,000	100%	–	Investment holding
Superjet Technologies Limited	Hong Kong – limited liability company	HK\$2	–	100%	Investment holding and trading of optoelectronic products
Fullway (China) Limited	Hong Kong	HK\$1	–	100%	Investment holding
Fujian Superjet Technologies Company Limited	PRC Wholly Owned Foreign Entity ("WFOE")	US\$7,100,000	–	100%	Manufacturing and trading of ferrules
Rich Point International Limited	Hong Kong – limited liability company	HK\$1	–	100%	Trading of liquor
象山弘通投資管理有限公司	PRC Wholly Owned Foreign Entity ("WFOE")	US\$1,324,000	–	100%	Property investment
廣州無縫綠色科技有限公司	PRC Wholly Owned Foreign Entity ("WFOE")	HK\$50,000,000	–	100%	Trading of integrated circuits
江門市嘉滙藝照明電器有限公司	PRC Wholly Owned Foreign Entity ("WFOE")	RMB1,000,000	–	100%	Trading of integrated circuits

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

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **38. Particulars of principal subsidiaries** *(continued)*

None of the subsidiaries of the Company has issued any debt securities at 31 December 2014 or any time during the year (2013:nil).

### **39. Approval of the consolidated financial statements**

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

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out below:

<b>Results</b>	<b>For the year ended 31 December</b>				
	<b>2014</b> <b>HK'000</b>	2013 HK'000	2012 HK'000	2011 HK'000	2010 HK'000
Loss attributable to owners	<b>(200,487)</b>	(153,128)	(58,362)	(50,546)	(11,720)

<b>Assets and liabilities</b>	<b>As at 31 December</b>				
	<b>2014</b> <b>HK'000</b>	2013 HK'000	2012 HK'000	2011 HK'000	2010 HK'000
Total assets	<b>129,035</b>	165,776	123,167	64,881	42,515
Total liabilities	<b>(143,842)</b>	(138,804)	(72,322)	(18,616)	(23,400)
	<b>(14,807)</b>	26,972	50,845	46,265	19,115
Equity attributable to					
Owners of the Company	<b>(13,329)</b>	28,450	50,845	46,265	19,115
Non-controlling interest	<b>(1,478)</b>	1,478	–	–	–
	<b>(14,807)</b>	26,972	50,845	46,265	19,115



## SUMMARY OF INVESTMENT PROPERTIES

<b>Address</b>	<b>Approximate gross floor areas</b>	<b>Tenure</b>	<b>Existing use</b>
House No. 11 in Phase I Rose Garden, Baishawan Xiangshan County, Ningbo City, Zhejiang Province, the PRC	440.27/sq.m. plus a basement ancillary floor of 301.26 sq.m.	A term of 70 years expiring on 19 September 2076	Residential use