PING SHAN

PING SHAN TEA GROUP LIMITED
坪山茶業集團有限公司

(formerly known as Huafeng Group Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 364)

Annual Report 2013

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

AUDIT COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

REMUNERATION COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

NOMINATION COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

AUTHORIZED REPRESENTATIVES

Under the Stock Exchange:
Mr. Cai Yangbo
Mr. Choi Wing Toon

Under the Companies Registry:
Mr. Cai Zhenrong
Mr. Choi Wing Toon

COMPANY SECRETARY

Mr. Ip Wai Sing, *ACPA*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2105, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

REGISTRARS

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

AUDITOR

PKF Hong Kong
26/F., Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

As to Cayman Islands laws

Conyers Dill & Pearman

As to Hong Kong laws

Patrick Mak & Tse

PRINCIPAL BANKERS

Bank of Communications Co., Ltd
Hang Seng Bank Limited

WEBSITE

www.pingshantea.com.hk

STOCK CODE

364

Five-Year Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of Ping Shan Tea Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the last five financial years:

RESULTS

	15 months ended 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
REVENUE	**882,575**	539,118	727,266	773,383	712,217
(LOSS)/PROFIT FROM OPERATIONS	**(38,798)**	(174,973)	23,859	88,416	152,220
Finance costs	**(37,081)**	(11,224)	(17,607)	(12,734)	(13,701)
Loss on modifications of convertible bonds	**–**	(1,943)	–	–	–
Loss on disposal of subsidiaries	**–**	(2,386)	(140,155)	–	–
(LOSS)/PROFIT BEFORE TAX	**(75,879)**	(190,526)	(133,903)	75,682	138,519
Income tax expense	**(3,828)**	(249)	(4,553)	(7,213)	(5,958)
(LOSS)/PROFIT BEFORE NON-CONTROLLING INTERESTS	**(79,707)**	(190,775)	(138,456)	68,469	132,561
Non-controlling interests	**–**	–	–	–	96
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(79,707)**	(190,775)	(138,456)	68,469	132,657

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS	**3,929,639**	1,033,382	1,091,308	1,233,512	1,153,214
CURRENT ASSETS	**1,576,780**	694,271	830,635	842,513	605,912
TOTAL ASSETS	**5,506,419**	1,727,653	1,921,943	2,076,025	1,759,126
CURRENT LIABILITIES	**601,062**	268,318	287,285	434,720	369,062
NON-CURRENT LIABILITIES	**757,602**	147,168	162,833	154,237	86,598
NON-CONTROLLING INTERESTS	**–**	–	–	–	–
TOTAL LIABILITIES	**1,358,664**	415,486	450,118	588,957	455,660
NET ASSETS	**4,147,755**	1,312,167	1,471,825	1,487,068	1,303,466

Chairman's Statement

FINAL RESULTS

On behalf of the board of directors of the Company (the "Board"), I am pleased to present the Group's audited results for the fifteen months ended 31 December 2013 (the "Period"). The Group's consolidated revenue for the Period increased by 63.7% to approximately HK$882.6 million (year ended 30 September 2012: approximately HK$539.1 million). Gross profit increased by 202.3% to approximately HK$183.2 million (year ended 30 September 2012: approximately HK$60.6 million). Loss attributable to owners of the Company amounted to approximately HK$79.7 million (year ended 30 September 2012: approximately HK$190.8 million). The loss after tax was mainly attributable to the equity settled share-based payments of HK$89.6 million as a result of grant of share options during the Period. Excluding this item, there was profit after tax of approximately HK$9.9 million.

BUSINESS REVIEW

During the Period, the Group has successfully diversified the business into the tea market with significant growth potential through acquisition of China Natural Tea Holdings Company Limited ("Natural Tea") which was completed on 22 July 2013 (the "Acquisition") as detailed in "Material Acquisitions or Disposals of Subsidiaries". The tea market has significant growth potential, Natural Tea has been engaged in the production, marketing and sale of tea in the People's Republic of China (the "PRC") since 2007. The main businesses are production and sale of a range of oolong teas in the form of both raw tea and refined tea. Natural tea has its own tea cultivation bases, production facilities, established brand and sales network. A majority of the raw teas are sold on a wholesale basis and the refined teas are sold on a retail basis through established retail network. The brand of Natural Tea is Ping Shan Famous Tea（坪山名茶）, which has been registered as trademark in Hong Kong and the PRC.

During the Period, the Company changed its name from Huafeng Group Holdings Limited to Ping Shan Tea Group Limited to reflect the focus of the Group shift from textile business to tea business,

During the Period, there was over five-month contribution from tea business which contributed segment profit of approximately HK$98.8 million and revenue of approximately HK$262.3 million. The result is due to the good harvest of our cultivation bases and also strong market demand for our raw teas, refined teas and other related products during the period from 23 July 2013 to 31 December 2013.

In respect of textile business, the Group still faced severe challenges due to the global economic slowdown, and the consistent appreciation of the Renminbi ("RMB"). Decreasing demand for textile products, as well as rising labour and material costs have brought enormous operating pressures to the Group. However, the Group overcame certain challenges through stringent cost control measures. During the Period, despite the fact that the Group's textile business contributed a revenue of approximately HK$620.2 million, representing an increase of 15.0% as compared to last year (year ended 30 September 2012: approximately HK$539.1 million), there was no meaningful turnaround forwards the Group's textile business and the Group recorded the segment loss of approximately HK$13.8 million, representing an increase of 5.6% as compared to last year (year ended 30 September 2012: approximately HK$13.1 million).

Chairman's Statement

Overall, the Group revenue increased by 63.7% to approximately HK$882.6 million (year ended 30 September 2012: approximately HK$539.1 million) and loss attributable to owners of the Company decreased by 58.2% to approximately HK$79.7 million (year ended 30 September 2012: approximately HK$190.8 million). The loss attributable to owners of the Company was mainly due to equity settled-based share payment of approximately HK$89.6 million as a result of grant of share options during the Period. Excluding this item, there was profit attributable to owners of the Company of approximately HK$9.9 million which was mainly due to the five months contribution by tea business which was partly offset by continuous loss of the textile business.

PROSPECTS

In view of good profit contribution and great potential of the tea business, the Group will dedicate efforts to focus on the newly acquired tea business. Currently, the Group is looking at various possible business strategies to expand the tea business and is proactively searching for favorable expansion, merger and acquisition opportunities in the tea business, so as to realise the long term business potential of the tea business, and to further enhance its revenue sources and profitability, bring maximized returns to the shareholders.

Regarding its texible operations, many uncertainties in the overall operating environment, especially the consistent appreciation of RMB will bring an adverse impact on Group's textile business. Together with the rising prices of raw materials as well as growing domestic labour costs, it will bring great challenges to the future development of the Group's textile industry. The Group will continue to adopt its stringent cost control. In order to create greater returns for the shareholders, the Group is looking at various possible business strategies not only to minimise the loss from the textile operations but also to devote resources to its profitable segments.

APPRECIATION

I would like to take this opportunity to express my hearty thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and bankers for their continuous support.

Cai Zhenrong
Chairman

Hong Kong, 27 March 2014

Management Discussion and Analysis

FINANCIAL PERFORMANCE

During the Period, the Group's consolidated revenue increased by 63.7% to approximately HK$882.6 million (year ended 30 September 2012: approximately HK$539.1 million). Among which, revenue from the fabric processing services, manufacture and sale of fabrics, yarns and blankets amounted to approximately HK$620.2 million (year ended 30 September 2012: approximately HK$539.1 million), representing 70.3% (2012: 100%) of total sales. The 15% increase in revenue is mainly due to the inclusion of 15-month (year ended 30 September 2012: 12-month) result in the Period. Revenue attributable to the sales of raw teas, refined teas and other related products, amounted to approximately HK$262.3 million (2012: Nil), representing 29.7% (2012: Nil) of total sales.

During the Period, gross profit of the Group increased by 202.3% to approximately HK$183.2 million (year ended 30 September 2012: approximately HK$60.6 million) and gross margin increased by 9.6 percentage points from 11.2% in the year ended 30 September 2012 to 20.8% in the Period. The increase in gross profit and gross profit margin was due to the contribution from newly acquired tea business which was with both good gross profit and gross profit margin. The loss after tax was mainly attributable to equity settled share based payments of HK$89.6 million as a result of grant of share options during the Period. Excluding this item, there was profit after tax of approximately HK$9.9 million which was mainly due to the five months contribution from the tea business which was party offset by continuous loss of the textile business.

BUSINESS DEVELOPMENT AND OUTLOOK

During the Period, the Group has completed the Acquisition of the tea business. As a result, there is good contribution from this newly acquired tea business which is driven by good harvest of our cultivation bases and also strong market demand for our raw tea and refined tea products. On the other hand, we have continued to implement stringent cost control on our textile business in view of challenges from the market and operating environment in the textile business.

Looking ahead, the Group will focus our management effort in the newly acquired tea business which has good potential. The Group will proactively searching for favorable expansion, merger and acquisition opportunities in the tea business and also looking at various possible business strategies to expand our tea business.

Regarding its textile operations, the Group will continue to stringent its cost control. In addition, the Group is looking at various possible business strategies to minimise the loss from textile operation, in order to create greater returns to the Group.

ANALYSIS BY CUSTOMER GEOGRAPHICAL REGIONS

Sales to customers located in the China region accounted for 70.0% (year ended 30 September 2012: 56.0%) of total sales in 2013. The Philippines market accounted for 24.1% (year ended 30 September 2012: 35.6%) of total sales in 2013. The remaining revenue of 5.9% (year ended 30 September 2012: 8.4%) was generated from customers located in Australia, North America and Taiwan, etc.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2013, the Group had current assets of approximately HK$1,576.8 million (at 30 September 2012: approximately HK$694.3 million) and current liabilities of approximately HK$601.1 million (at 30 September 2012: approximately HK$268.3 million). The current ratio (calculated as current assets to current liabilities) increased from 2.59 as at 30 September 2012 to 2.62 as at 31 December 2013. The gearing ratio (calculated as the total bank borrowings, the convertible bonds and debentures to total Shareholders' equity) had increased from 0.09 as at 30 September 2012 to 0.18 as at 31 December 2013. These ratios were at reasonably adequate levels as at 31 December 2013 while the Group had sufficient resources in meeting its short-term and long-term obligations.

During the Period, the net cash generated from operating activities and net cash generated from financing activities were approximately HK$96.0 million (year ended 30 September 2012: approximately HK$113.6 million) and approximately HK$161.3 million (year ended 30 September 2012: used in approximately HK$51.0 million) respectively.

Total bank borrowings increased to HK$30.2 million (year ended 30 September 2012: Nil) during the Period, and all the borrowings at 31 December 2013 were repayable within one year.

During the Period, the Group issued unlisted debentures of approximately HK$193.0 million (year ended 30 September 2012: Nil) at face value with issuing costs of approximately HK$11.0 million. The debentures are interest bearing at 6% of the face value per annum, unsecured and repayable on the second anniversary of the respective date of issue. As at 31 December 2013, the carrying value of the debentures were approximately HK$185.9 million (at 30 September 2012: Nil).

During the Period, the original convertible bonds with principal amount of approximately HK$150.0 million were converted to ordinary shares of the Company. The Company also issued new convertible bonds with principal amount of approximately HK$614.8 million to settle the consideration of the Acquisition. As at 31 December 2013, the carrying value of convertible bonds amounted to approximately HK$525.1 million (at 30 September 2012: approximately HK$123.3 million).

CAPITAL STRUCTURE

During the Period, there were increase in the capital structure through issuance of 9,495,834,903 new ordinary shares for Acquisition of Natural Tea and issuance of 833,333,315 new ordinary shares upon conversion of convertible bonds. The total number of issued share capital of the Company as at 31 December 2013 was 11,776,006,798 ordinary shares.

CAPITAL EXPENDITURE AND MATERIAL ACQUISITION

During the Period, besides the Acquisition of Natural Tea, the total capital expenditure and material acquisition of the Group for the expansion of various plants and erection of new buildings was approximately HK$127.5 million (year ended 30 September 2012: approximately HK$172.4 million).

In addition, we have paid approximately HK$207.9 million deposits for potential business combination during the Period (year ended 30 September 2012: Nil).

FOREIGN EXCHANGE EXPOSURE

Most assets, liabilities and transactions of the Group are denominated in RMB and Hong Kong dollars ("HKD"), except overseas sales which are denominated in USD. In view of the currency peg between HKD and USD and a relatively strong RMB at HK$1.00 equal to RMB0.79 (as at 31 December 2013), the fluctuations of foreign currencies did not have a significant impact on the performance of the Group.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2013 (at 30 September 2012: Nil).

EMPLOYMENT INFORMATION

At 31 December 2013, the total number of employees of the Group in Hong Kong, Macau and the PRC was 1,355 (at 30 September 2012: 1,390). The Group's emoluments policies are based on the performance of individual employees and on the basis of the salary trends in various regions, and are reviewed periodically.

For the Period, the total staff costs (including directors' emoluments) amounted to approximately HK$176.1 million (year ended 30 September 2012: approximately HK$70.9 million), the amount including HK$64.0 million related to the equity-settled share-based payments (year ended 30 September 2012: Nil). The Company maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

On 17 January 2013, Wide Lucky Asia Pacific Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), the Company as the Purchaser's guarantor and Ample Gold International Limited, Exalt Wealth Limited, Great Vantage Investments Limited, Shine Strategy Limited, Smart Fujian Group Limited, Templeton Strategic Emerging Markets Fund III, LDC and Teya Holdings Limited (collectively the "Vendors"), among others, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which the Purchaser has conditionally agreed to purchase from the Vendors, and the Vendors have conditionally agreed to sell to the Purchaser, the entire issued share capital of 132,278,632 ordinary shares of HK$0.1 each of China Natural Tea Holdings Company Limited (the "Target Company") (the "Sale Shares"), at a total consideration of HK$2,487.48 million, which would be satisfied partly in cash and partly by the allotment and issue of an aggregate of 9,495,834,903 shares of the Company (the "Consideration Shares") and the issue of HK$614.77 million zero/4% coupon convertible bonds (the "Convertible Bonds") at the conversion price of HK$0.1768 per conversion share. Subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement, the Target Company would become a wholly-owned subsidiary of the Purchaser and the Company upon completion of the acquisition of the Sale Shares.

Proposed Grant of Specific Mandate to Issue Shares

The Company would seek the grant of a specific mandate (the "Specific Mandate") from the shareholders of the Company (the "Shareholders") other than (i) Mr. Cai Zhenrong, parties acting in concert with him and their respective associates, and (ii) parties who were connected, involved in or interested in the Acquisition and the transactions contemplated thereunder, the tea plantation contracting rights transfer agreement (the "New Transfer Agreements"), the contracting agreement with Fujian Anxi Daping Green Food Technology Company Limited (the "New Contracting Agreement") and/or the Whitewash Waiver (as defined in the paragraph of "Application for Whitewash Waiver") (collectively the "Independent Shareholders") to allot and issue new ordinary shares of HK$0.01 each in the share capital of the Company (the "Shares") to satisfy the allotment and issue of the Consideration Shares and an aggregate of 3,477,186,869 Shares to the Vendors (the "Conversion Shares") which fell to be issued upon conversion of the Convertible Bonds.

Proposed Increase in Authorised Share Capital of the Company

As at 17 January 2013, the authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each. At the extraordinary general meeting of the Company to be convened (the "EGM") for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement, the transactions contemplated thereunder (including the Acquisition and the allotment and issue of the Consideration Shares and Conversion Shares), and the Whitewash Waiver, the Company would seek the approval of the Shareholders to increase the authorised share capital of the Company to HK$200,000,000 divided into 20,000,000,000 Shares of HK$0.01 each so that there would be adequate authorised share capital to issue the Consideration Shares and the Conversion Shares.

Application for Whitewash Waiver

As at 17 January 2013, Mr. Cai Zhenrong and parties acting in concert with him held 523,563,000 Shares representing approximately 34.47% of the total Shares in issue. Immediately following the allotment and issue of the Consideration Shares to the Vendors, the shareholding of Mr. Cai Zhenrong and parties acting in concert with him would increase to approximately 73.93% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares but before conversion or exercise of any Convertible Bonds, outstanding convertible bonds issued by the Company on 11 February 2010 and 20 April 2010 and outstanding share options granted by the Company. Under Rule 26.1 of the Code on Takeovers and Mergers (the "Takeovers Code") issued by the Securities and Futures Commission of Hong Kong (the "SFC"), Mr. Cai Zhenrong and parties acting in concert with him would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Mr. Cai Zhenrong and parties acting in concert with him, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code had been obtained from the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director (the "Executive").

An application would therefore be made by Mr. Cai Zhenrong to the Executive for a waiver (the "Whitewash Waiver") pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of Mr. Cai Zhenrong and parties acting in concert with him to make a mandatory general offer for all the Shares that had not already been owned or agreed to be acquired by them as a result of the Company allotting and issuing the Consideration Shares to Mr. Cai Zhenrong and/or parties acting in concert with him. The Whitewash Waiver, if granted, would be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM where voting on the relevant resolutions would be taken by poll, (ii) Mr. Cai Zhenrong and parties acting in concert with him not having acquired any voting rights of the Company for the six months before the execution of the Sale and Purchase Agreement and up to the date of the announcement dated 17 January 2013, and (iii) Mr. Cai Zhenrong and parties acting in concert with him not having any acquisitions or disposals of voting rights of the Company between the date of the announcement dated 17 January 2013 and completion of the issue of the Consideration Shares to the Vendors unless with the prior consent of the Executive.

Except for the disposal of 1,000,000 Shares by Mr. Choi Wing Toon on 20 July 2012 through the market, Mr. Cai Zhenrong and parties acting in concert with him had not acquired any voting rights of the Company or dealt with any relevant securities with the meaning given under Note 4 to Rule 22 of the Takeovers Code for the six months before the execution of the Sale and Purchase Agreement and up to the date of the announcement dated 17 January 2013.

The Executive might or might not grant the Whitewash Waiver. It was one of the conditions precedent to completion of the Acquisition that the Whitewash Waiver had been obtained. In the event that the Whitewash Waiver was not granted by the Executive or approved by the Independent Shareholders, the Sale and Purchase Agreement would lapse and the Acquisition would not proceed.

Despatch of Circular

A circular (the "Circular") containing, among other things, (i) further information regarding the Acquisition contemplated under the Sale and Purchase Agreement; (ii) the proposed grant of the Specific Mandate; (iii) the proposed increase in authorized share capital of the Company; (iv) the application for the Whitewash Waiver; (v) a letter from the independent board committee, comprising all the independent non-executive Directors, namely Mr. Lawrence Gonzaga, Ms. Choy So Yuk, *BBS, JP* and Mr. Wong Chi Hung, Stanley, established by the Company to advise the Independent Shareholders in relation to the Sale and Purchase Agreement, the transactions contemplated thereunder (including but not limited to the Acquisition, the issue of the Convertible Bonds, the allotment and issue of the Consideration Shares and the Conversion Shares, the transactions under the New Transfer Agreements and the New Contracting Agreement) and the Whitewash Waiver; (vi) a letter of advice from the joint independent financial advisers comprising AsiaVest Partners Limited, a corporation licensed to carry on Type 4, Type 6 and Type 9 regulated activities and RaffAello Capital Limited, a corporation licensed to carry on Type 6 regulated activity to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the transactions contemplated thereunder, the New Transfer Agreements, the New Contracting Agreement and the Whitewash Waiver; and (vii) the notice of the EGM, would be despatched to the Shareholders originally on or before 7 February 2013 in accordance with the Takeovers Code and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

However, as additional time was required for the Company to prepare and finalise the following documents and information (the "Incorporated Information") to be included in the Circular, the despatch date of the Circular was postponed to 28 June 2013:

(1) a letter from the Joint Independent Financial Advisers;

(2) an accountant's report of the Target Group for the last three financial years ended 31 December 2010, 2011 and 2012;

(3) the unaudited pro-forma financial information of the enlarged Group;

(4) valuation reports of the properties, machineries and equipment of the Group;

(5) a valuation report on biological assets of the Target Group; and

(6) a tea plantation resource assessment report of the Target Group.

On 22 July 2013, it was announced that all the resolutions proposed were duly passed by way of poll at the EGM as follows:

1. to approve the increase in authorized share capital of the Company.

2. (1) to approve, confirm and ratify the Sale and Purchase Agreement and/or the transactions contemplated thereunder; and

   (2) to authorize the Directors to do such acts in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder.

3. to approve the Whitewash Waiver.

Subsequent to the fulfilment of all conditions precedent under the Sale and Purchase Agreement, the completion of the Acquisition has taken place on 22 July 2013, and an aggregate of 9,495,834,903 Consideration Shares and the Convertible Bonds in the principal amount of HK$614.77 million have been issued by the Company to the Vendors on 22 July 2013 pursuant to the Sale and Purchase Agreement. As a result of the completion of the Acquisition, the Target Company has become an indirectly wholly-owned subsidiary of the Company.

Details of the above Acquisition were published in the Company's announcements dated 17 January 2013, 6 February 2013, 25 April 2013, 28 June 2013 and 22 July 2013 and the Circular dated 28 June 2013.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries during the Period.

ADDITIONAL INFORMATION

Placing of New Shares

On 17 January 2014, the Company allotted and issued an aggregate of 600,000,000 shares by way of placing to independent investors at a price of HK$0.18 per share.

DUAL LISTING

On 28 December 2006, the Company made a pre-application to the Korea Exchange (the "KRX") for the establishment of the Korea Depository Receipts Programme (the "KDR") on the KRX and the Company applied to the relevant authorities for the listing of not more than 300 million new shares (equivalent to 6 million KDRs) under the KDR, by way of public offering in KRX on 16 February 2007. The offering was approved by the Financial Supervisory Service of Korea on 9 November 2007. Subsequently the Company was successfully dual listing in both Hong Kong and Korea on 26 November 2007. For further details, please refer to the Company's announcements dated 27 December 2006, 16 February 2007, 27 June 2007, 23 October 2007 and 9 November 2007 together with the Company's circular dated 28 February 2007. The disclosure agent in Korea is Value C&I Consulting Co., Ltd.

CORPORATE GOVERNANCE

The Company has adopted most of the code provisions as stated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Board is committed to complying with the CG Code to the extent that the directors of the Company (the "Director(s)") consider it to be practical and applicable to the Company.

The corporate governance principles of the Company emphasize an effective Board, sound internal control, appropriate independence policy, and transparency and accountability to the Shareholders. The Board will continue to monitor and revise the Company's governance policies in order to ensure that such policies meet the general rules and standards required by the Listing Rules. The Company had complied with the CG Code throughout the Period with the following deviation:

Code Provision A.2.1

Up to the date of this report, no individual was appointed as chief executive of the Company (the "Chief Executive"). The role of the Chief Executive has been performed collectively by all the executive Directors, including the chairman of the Company (the "Chairman"). The Board considers that this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code during the Period.

BOARD

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business. The Directors are responsible for leadership and control of the Group.

A) Board Composition

The Board currently comprises five executive Directors and three independent non-executive Directors, serving the important functions of guiding the management.

The Board members during the Period and up to the date of this report were:

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

The biographical details of the Directors and the relationships among them are set out in "Directors' Biographies" on pages 39 to 40 of this report. Save as disclosed in the section headed "Directors' Biographies", none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

B) Role and Function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to the Shareholders, for the manner in which the affairs of the Group are managed and operated. As and when necessary, the Directors can access to the advice and services of the company secretary of the Company (the "Company Secretary"), and in the appropriate circumstances, seeking of independent professional advice at the Group's expense to ensure that the Board procedures, and all applicable rules and regulations are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board fully supports the senior management to discharge its duties and responsibilities in all circumstances. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company arising out of corporate activities of the Group has been arranged by the Company.

C) Meeting Records

There were 14 Board meetings held for the Period. The following was an attendance record of the Board meetings held:

Board Members	**Attendance at meetings held for the Period**
Executive Directors	
Mr. Cai Zhenrong *(Chairman)*	13/14
Mr. Cai Zhenyao	14/14
Mr. Cai Zhenying	12/14
Mr. Cai Yangbo *(Managing Director)*	14/14
Mr. Choi Wing Toon	14/14
Independent Non-executive Directors	
Mr. Lawrence Gonzaga	10/14
Ms. Choy So Yuk, *BBS, JP*	7/14
Mr. Wong Chi Hung, Stanley	10/14

There were 3 general meetings held on 22 February 2013, 22 July 2013 and 23 September 2013 which were the annual general meeting and 2 extraordinary general meetings of the Company respectively.

The following was an attendance record of the general meetings held.

Board Members	Attendance at meetings held for the Period
Executive Directors	
Mr. Cai Zhenrong *(Chairman)*	3/3
Mr. Cai Zhenyao	2/3
Mr. Cai Zhenying	1/3
Mr. Cai Yangbo *(Managing Director)*	2/3
Mr. Choi Wing Toon	3/3
Independent Non-executive Directors	
Mr. Lawrence Gonzaga	1/3
Ms. Choy So Yuk, *BBS, JP*	0/3
Mr. Wong Chi Hung, Stanley	0/3

D) Independent Non-executive Directors

During the Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that all three independent non-executive Directors are independent. The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

E) Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

During the Period and up to the date of this report, the Company had arranged to provide to all Directors with the "A Guide on Directors' Duties" issued by Companies Registry. Each of the Directors had noted and studied the above mentioned documents and that the Company had received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE

The Chairman is Mr. Cai Zhenrong while the Company does not at present have any individual with the title of "chief executive". The Chairman's responsibility is to manage the Board and the role of the Chief Executive has been performed collectively by all the executive Directors, including the Chairman.

The Board considers that this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders as a whole.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:–

- Audit Committee
- Remuneration Committee
- Nomination Committee

Each Board committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

Report of the Corporate Governance

A) Audit Committee

The Company has established an audit committee (the "Audit Committee") which consists of three independent non-executive Directors.

Composition of the Audit Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

Role and Function

The Audit Committee is mainly responsible for:

i. discussing with the external auditor the nature and scope of audit before the audit commences;

ii. reviewing the draft Company's annual and interim accounts before submission to, and providing advice and comments to the Board;

iii. reviewing the external auditor's management letter and considering the appointment of external auditor, their audit fees and questions of resignation or dismissal;

iv. discussing problems and reservations arising from the annual and interim accounts and matters that the external auditor may wish to discuss (in the absence of the management, where necessary); and

v. assessing the risk environment and reviewing internal control procedure of the Group.

Meeting Record

The Audit Committee met 3 times during the Period, particular in reviewing the interim, second interim and annual results, and the internal control of the Group. The following was an attendance record of the Audit Committee meetings for the Period:

Audit Committee Members	**Attendance at meetings held for the Period**
Mr. Lawrence Gonzaga *(Chairman)*	3/3
Ms. Choy So Yuk, *BBS, JP*	3/3
Mr. Wong Chi Hung, Stanley	3/3

During the Period, the Audit Committee has discussed the auditing and financial reporting matters, the internal control and risk management systems, and the annual and interim accounts. The audited financial statements of the Group for the Period have been reviewed by the Audit Committee.

B) Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") which consists of three independent non-executive Directors.

Composition of the Remuneration Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

Role and Function

The Remuneration Committee is mainly responsible for:

i. reviewing any significant changes in human resources policies and structure made in line with the then prevailing trend and business requirements;

ii. making recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

iii. determining the specific 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 of the remuneration of non-executive Directors;

iv. considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

v. reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

vi. reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

vii. reviewing and approving compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

viii. ensuring that no Director or any of his associates is involved in deciding his own remuneration; and

ix. advising the Shareholders on how to vote in respect of any service contract of the Director which shall be subject to the approval of Shareholders (in accordance with the provisions of rule 13.68 of the Listing Rules).

Meeting Record

The Remuneration Committee met once during the Period. The following was an attendance record of the Remuneration Committee meeting for the Period:

Remuneration Committee Members	**Attendance at meetings held for the Period**
Mr. Lawrence Gonzaga *(Chairman)*	1/1
Ms. Choy So Yuk, *BBS, JP*	1/1
Mr. Wong Chi Hung, Stanley	1/1

During the Period, the Remuneration Committee has reviewed the remuneration package of the Board members and the senior management of the Company.

C) Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") which consists of three independent non-executive Directors.

Composition of the Nomination Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

Role and Function

The Nomination Committee is mainly responsible for:

i. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

ii. identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and

iii. assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the Chief Executive.

Board Diversity Policy

The Nomination Committee adopted the Board diversity policy on 29 May 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Meeting Record

The Nomination Committee met once during the Period. The following was an attendance record of the Nomination Committee meeting for the Period:

Nomination Committee Members	**Attendance at meetings held for the Period**
Mr. Lawrence Gonzaga *(Chairman)*	1/1
Ms. Choy So Yuk, *BBS, JP*	1/1
Mr. Wong Chi Hung, Stanley	1/1

During the Period, the Nomination Committee has reviewed the appointment of the Board members of the Company.

D) Corporate Governance Functions

The Board is responsible for performing the duties on corporate governance functions set out below:

i. developing and reviewing the Company's policies and practices on corporate governance and making recommendations;

ii. reviewing and monitoring the training and continuous professional development of Directors and senior management;

iii. reviewing and monitoring the Company's policies and practices on compliance and legal and regulatory requirements;

iv. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

v. reviewing the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Listing Rules and the disclosures in the Corporate Governance Report contained in the annual report of the Company.

AUDITOR'S REMUNERATION

During the Period, the remuneration paid and payable to the auditor of the Company, PKF Hong Kong ("PKF"), for the provision of the Group's audit services and non-audit services amounted to HK$5,897,000 and HK$164,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for the period. In preparing the consolidated financial statements for the Period, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and on a going concern basis. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware any material uncertainties relating to events or conditions which may cost significant doubt over the Group's ability to continue as a going concern. It is the auditor's responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion solely to the Shareholders, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditor's report.

INTERNAL CONTROL

During the Period, the Board complied with the code provision on internal control as set out in the CG code. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. During the Period, the Board has conducted a review of the effectiveness of the system of internal control of the Company and its principal subsidiaries with no material issues noted.

The Board also considered that there is adequate resources, qualifications and experience of staff in the Group to monitor the Group's accounting and financial reporting functions. The Company will ensure such matters are under review by the Board periodically and training programmes will be provided to the staff whenever necessary to ensure their knowledge and experience are adequate to discharge their duties.

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members, with Shareholders and management. On 30 September 2013, Mr. Chai Chung Wai ("Mr. Chai") resigned as the Company Secretary while Mr. Ip Wai Sing ("Mr. Ip") was appointed as the Company Secretary. According to rule 3.29 of the Listing Rules, Mr. Chai has taken no less than 15 hours of relevant professional training for the period ended 31 December 2013 whereas Mr. Ip will take no less than 15 hours of relevant professional training for the year ending 31 December 2014.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy (the "Policy") on 28 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

Shareholders or investors can enquire by putting their proposals with the Company through the following means:–

Hotline no.:	2549 0669
By post:	Room 2105, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong

INVESTOR RELATIONS

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to Shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the Company's website. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans.

Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication.

The Group's investor relation firm in Hong Kong is Porda Havas International Finance Communications Group while handling corporate relations in Korea is Value C&I Consulting Co., Ltd.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of its principal activities of the principal subsidiaries are set out in note 34 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Period.

SEGMENT INFORMATION

Details of the segment information of the Group for the Period are set out in note 8 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Period and the state of affairs of the Group as at that date are set out in the financial statements on pages 43 to 128.

The Board does not recommend the payment of a final dividend for the Period (year ended 30 September 2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 May 2014 to Friday, 16 May 2014, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 12 May 2014.

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the Company's share capital during the Period are set out in note 29 to the consolidated financial statements.

CONVERTIBLE BONDS AND WARRANTS

Details of the convertible bonds and warrants issued by the Company are set out in notes 26 and 30 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company issued a total of 9,495,834,903 fully paid shares as consideration shares, and total amount of HK$614.77 million of convertible bonds, which can be converted into 3,477,186,869 fully paid shares. The Company issued a total of 833,333,315 fully paid Shares upon conversion of convertible bonds.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Period are set out in note 33 to the consolidated financial statements and the consolidated statement of changes in equity on page 46 of this report.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company had distributable reserves of approximately HK$3,478.12 million. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company of approximately HK$3,046.59 million as at 31 December 2013, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Period, the percentage of sales attributable to the Group's five largest customers was less than 30%.

The percentage of purchase attributable to the Group's five largest supplier was 61.6%.

Neither the Directors, any of their associates nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Period.

DIRECTORS

The Directors during the Period and up to the date of this report were as follows:

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Wong Chi Hung, Stanley

In accordance with article 108 of the Company's articles of association, Mr. Cai Zhenyao, Mr. Choi Wing Toon and Ms. Choy So Yuk, *BBS, JP* will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 39 to 40 of this report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 1 August 2002, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

As at the date of this report, two independent non-executive Directors, namely Mr. Lawrence Gonzaga and Ms. Choy So Yuk, *BBS, JP* have re-entered into a letter of appointment with the Company for a terms of two years from 16 January 2013 to 15 January 2015, which can be terminated by either party giving not less than one month notice in writing to the other party.

One independent non-executive Directors, namely Mr. Wong Chi Hung, Stanley has entered into a letter of appointment with the Company for a term of two years from 31 July 2012 to 30 July 2014, which can be terminated by either party giving not less than one month notice in writing to the other party.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the Period.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR(S)

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Director(s) are as follows:

Mr. Wong Chi Hung, Stanley has been appointed as the independent non-executive director of China Pioneer Pharma Holdings Limited (stock code: 1345) since 16 October 2013.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the Period.

CONNECTED TRANSACTIONS

On 17 January 2013, Wide Lucky Asia Pacific Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), the Company as the Purchaser's guarantor, and Ample Gold International Limited, a company wholly-owned by Mr. Wong Hung Yu, Exalt Wealth Limited ("Exalt Wealth"), a company wholly-owned by Mr. Cai Zhenyao, Great Vantage Investments Limited, a company indirectly wholly-owned by China Merchants Securities Co., Ltd and listed on the Shanghai Stock Exchange (SHA: 600999), Shine Strategy Limited ("Shine Strategy"), a company wholly-owned by Mr. Ng Shui Yu ("Mr. Ng"), a director of China Natural Tea Holdings Company Limited（中國大自然茶業控股有限公司）(the "Target Company") and nephew of both Mr. Cai Zhenrong and Mr. Cai Zhenyao, Smart Fujian Group Limited ("Smart Fujian"), a company wholly-owned by Sincere Young Limited which in turn is wholly-owned by Greatlink Investment Group Limited which is wholly-owned by the Greatlink Trust, an irrevocable discretionary trust with Ms. Ng Yuen Nei ("Ms. Ng"), a former director of the Target Company and China Tea Holdings (BVI) Limited, the daughter-in-law of Mr. Cai Zhenrong and the wife of Mr. Cai Yanghang, named as the sole beneficiary, and the shareholder of the Target Company for the benefit of Mr. Cai Zhenrong, under the declaration of trust with Mr. Cai Zhenrong dated 9 October 2012, Templeton Strategic Emerging Markets Fund III, LDC and Teya Holdings Limited, a wholly-owned subsidiary of CCB International Asset Management Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited, a wholly-owned subsidiary indirectly held by China Construction Bank Corporation (the "Vendors"), among others, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which the Purchaser has conditionally agreed to purchase from the Vendors, and the Vendors have conditionally agreed to sell to the Purchaser, the 132,278,632 ordinary shares of HK$0.1 each in the share capital of the Target Company, the entire issued share capital (the "Sale Shares"), at a total consideration of HK$2,487.48 million, which will be satisfied partly in cash and partly by the allotment and issue of the 9,495,834,903 Shares by the Company for the sale and purchase of the Sale Shares and the issue of HK$614.77 million zero/4% coupon convertible bonds by the Company pursuant to the terms of the Sale and Purchase Agreement. Subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement, the Target Company shall become a wholly-owned subsidiary of the Purchaser and the Company upon completion of the acquisition of the Sale Shares in accordance with the Sale and Purchase Agreement (the "Acquisition").

Exalt Wealth, Shine Strategy, Smart Fujian, Mr. Cai Zhenrong, Mr. Cai Zhenyao, Mr. Ng and Ms. Ng are connected persons of the Company, and the Acquisition constitutes a connected transaction for the Company under rule 14A.13(1)(a) of the Listing Rules.

The reasons for the Acquisition were that the Group had been confronted with unfavourable operating challenges for the year ended 30 September 2011 arising from significant increase of raw material and purchase costs coupled with increasing market competition. Having considered the historical profitability, prospects and management expertise of the Target Company and its subsidiaries, the Directors are of the view that the Acquisition represents a good opportunity for the Group to realize its long-term business diversification strategy.

On 22 July 2013, the completion has taken place. Details of the above connected transaction have been set out in the announcements dated 17 January 2013, 6 February 2013, 25 April 2013, 29 April 2013, 28 June 2013 and 22 July 2013 respectively and the circular dated 28 June 2013 published by the Company.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 40 to the consolidated financial statements.

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

As at 31 December 2013, the interests and short positions of the Directors and Chief Executives or their respective associates 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 (Cap. 571, Laws of Hong Kong) (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register of interests required to be maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Long Positions

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Type of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Cai Zhenrong	Beneficial owner	Personal	466,041,000 (Note 1)	3.96%
	Corporate owner	Corporate	6,410,119,840 (Note 2)	54.43%
Mr. Cai Zhenyao	Beneficial owner	Personal	61,472,000 (Note 3)	0.52%
	Corporate owner	Corporate	1,838,545,947 (Note 4)	15.61%
Mr. Cai Zhenying	Beneficial owner	Personal	14,220,000 (Note 5)	0.12%

Name of Director	Capacity	Type of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Cai Yangbo	Beneficial owner	Personal	17,270,000 (Note 6)	0.14%
Mr. Choi Wing Toon	Beneficial owner	Personal	2,000,000 (Note 7)	0.01%
Mr. Lawrence Gonzaga	Beneficial owner	Personal	2,000,000 (Note 8)	0.01%
Ms. Choy So Yuk, *BBS, JP*	Beneficial owner	Personal	3,200,000 (Note 9)	0.02%
Mr. Wong Chi Hung, Stanley	Beneficial owner	Personal	1,000,000 (Note 8)	0.008%

Notes:

1. These Shares include 3,000,000 Shares which are the share options granted to Mr. Cai Zhenrong under the share option scheme adopted by the Company on 24 February 2012 (the “New Scheme”).

2. These Shares including 1,282,023,967 Conversion Shares have been held and beneficially owned by Smart Fujian Group Limited upon completion of the acquisition of the entire issued share capital of China Natural Tea Holdings Company Limited (the “Target Company”) (the “Acquisition”).

3. These Shares include 13,220,000 Shares which are the share options granted to Mr. Cai Zhenyao under the share option scheme adopted by the Company on 30 August 2002 and terminated on 24 February 2012 (the “Terminated Scheme”). These Shares also include 3,000,000 Shares which are the share options granted to Mr. Cai Zhenyao under the New Scheme.

4. These Shares including 367,709,189 Conversion Shares have been held and beneficially owned by Exalt Wealth Limited upon completion of the Acquisition. Exalt Wealth Limited is wholly-owned by Mr. Cai Zhenyao.

5. These Shares include 13,220,000 Shares and 1,000,000 Shares which are the share options granted to Mr. Cai Zhenying under the Terminated Scheme and the New Scheme respectively.

6. These Shares include 3,000,000 Shares which are the share options granted to Mr. Cai Yangbo under the New Scheme.

7. These Shares include 1,000,000 Shares which are the share options granted to Mr. Choi Wing Toon under the New Scheme.

8. These Shares are the share options granted to the Directors under the New Scheme.

9. These Share include 1,200,000 Shares and 2,000,000 Shares which are the share options granted to Ms. Choy So Yuk, *BBS JP* under the Terminated Scheme and the New Scheme respectively.

Save as disclosed above, as at 31 December 2013, none of the Directors and Chief Executives or their respective associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register of interests required to be maintained pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" and "Share option scheme", at no time during the Period was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

On 24 February 2012, the Company has passed the resolutions in a Shareholders' meeting for the termination of the share option scheme adopted on 30 August 2002 (the "Terminated Scheme") and the adoption of a new share option scheme (the "New Scheme"). Outstanding share options granted under the Terminated Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Terminated Scheme.

As at the date of this report, the total number of shares available for issue under the Terminated Scheme and the New Scheme are 361,060,000 and 1,175,000,000, representing approximately 2.92% and 9.49% of the issued share capital of the Company.

The following table discloses details of the Company's share options held by the Directors and employees of the Group and other participants pursuant to the Terminated Scheme and the New Scheme and movements in such holdings during the Period:

Name or category of participant	Date of grant	Exercise period	Exercise price (HK$)	Number of share option: Outstanding as at 1.10.2012	Granted during the Period	Lapsed during the Period	Exercised during the Period	Outstanding as at 31.12.2013
Mr. Cai Zhenrong	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	3,000,000 (Note)	–	–	3,000,000
Mr. Cai Zhenyao	1.3.2010	1.3.2010 – 28.2.2015	0.5200	13,220,000	–	–	–	13,220,000
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	3,000,000 (Note)	–	–	3,000,000
Mr. Cai Zhenying	1.3.2010	1.3.2010 – 28.2.2015	0.5200	13,220,000	–	–	–	13,220,000
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	1,000,000 (Note)	–	–	1,000,000
Mr. Cai Yangbo	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	3,000,000 (Note)	–	–	3,000,000
Mr. Choi Wing Toon	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	1,000,000 (Note)	–	–	1,000,000
Mr. Lawrence Gonzaga	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	2,000,000 (Note)	–	–	2,000,000
Ms. Choy So Yuk, *BBS, JP*	1.3.2010	1.3.2010 – 28.2.2015	0.5200	1,200,000	–	–	–	1,200,000
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	2,000,000 (Note)	–	–	2,000,000
Mr. Wong Chi Hung, Stanley	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	1,000,000 (Note)	–	–	1,000,000
Subtotal				27,640,000	16,000,000	–	–	43,640,000
Employees	11.5.2009	11.5.2009 – 10.5.2014	0.2550	123,920,000	–	–	–	123,920,000
Employees	1.3.2010	1.3.2010 – 28.2.2015	0.5200	66,100,000	–	–	–	66,100,000
Employees	4.4.2011	4.4.2011 – 3.4.2016	0.4000	3,400,000	–	(1,200,000)	–	2,200,000
Other participants	4.4.2011	4.4.2011 – 3.4.2016	0.4000	141,200,000	–	–	–	141,200,000
Employees	24.10.2013	24.10.2013 – 23.10.2018	0.2538	–	1,159,000,000 (Note)	–	–	1,159,000,000
Total				**362,260,000**	**1,175,000,000**	**(1,200,000)**	**–**	**1,536,060,000**

Note:

Closing price of the shares on the last trading day prior to the date of grant was HK$0.2550 per share.

During the Period, no options was exercised under the Terminated Scheme or New Scheme.

Details of the specific categories of share options are as follows:

Year	Date of grant	Exercise period	Exercise price HK$
2009	11.5.2009	11.5.2009 – 10.5.2014	0.2550
2010	1.3.2010	1.3.2010 – 28.2.2015	0.5200
2011	4.4.2011	4.4.2011 – 3.4.2016	0.4000
2013	24.10.2013	24.10.2013 – 23.10.2018	0.2538

If the share options remain unexercised after the exercise period from the date of grant, the share options will expire. Share options are forfeited if the employee leaves the Group before the share options vest.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2013, to the best knowledge of the Directors, the following person (other than a Director and Chief Executives) who had interests or short positions in the shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions

Ordinary Shares of HK$0.01 each of the Company

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Ms. Su Li Yuan	Spousal interest	6,876,160,840 (Note 1)	58.39%
Smart Fujian Group Limited	Beneficial interest	6,410,119,840 (Note 2)	54.43%
Ms. Lin Xiupei	Spousal interest	1,900,017,947 (Note 3)	16.13%

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Exalt Wealth Limited	Beneficial interest	1,838,545,947 (Note 3)	15.61%
Central Huijin Investment Ltd	Corporate interest	1,630,525,473 (Note 4)	13.84%
China Construction Bank Corporation	Corporate interest	1,630,525,473 (Note 4)	13.84%
Ms. Chan Ka Ki	Spousal interest	1,276,768,034 (Note 5)	10.84%
Mr. Ng Shui Yu	Corporate interest	1,276,768,034 (Note 5)	10.84%
Shine Strategy Limited	Beneficial interest	1,276,768,034 (Note 5)	10.84%
Templeton Asset Management Limited	Investment manager	815,278,974 (Note 6)	6.92%
Templeton Strategic Emerging Markets Fund III, LDC	Beneficial interest	815,278,974 (Note 6)	6.92%
CMS Agri-Consumer Fund, L.P.	Corporate interest	681,561,338 (Note 7)	5.79%
Great Vantage Investments Limited	Beneficial interest	681,561,338 (Note 7)	5.79%

Notes:

1. These Shares of which 466,041,000 Shares are held and beneficially owned by Mr. Cai Zhenrong, an executive Director. The remaining Shares of 6,410,119,840 including 1,282,023,967 Conversion Shares have been held and beneficially owned by Smart Fujian Group Limited upon completion of the Acquisition. Ms. Su Liyuan, as the spouse of Mr. Cai Zhenrong, is deemed to be interested in these 6,876,160,840 Shares under the SFO.

2. These Shares including 1,282,023,967 Conversion Shares have been held and beneficially owned by Smart Fujian Group Limited upon completion of the Acquisition.

3. These Shares comprise 61,472,000 Shares held and beneficially owned by Mr. Cai Zhenyao, an executive Director and 1,838,545,947 Shares held and beneficially owned by Exalt Wealth Limited. The 61,472,000 Shares include 13,220,000 Shares which are the share options granted to Mr. Cai Zhenyao under the Terminated Scheme. The 1,838,545,947 Shares including 367,709,189 Conversion Shares have been held and beneficially owned by Exalt Wealth Limited upon completion of the Acquisition. Exalt Wealth Limited is wholly-owned by Mr. Cai Zhenyao. Ms. Lin Xiupei, as the spouse of Mr. Cai Zhenyao, is deemed to be interested in these 1,900,017,947 Shares under the SFO.

4. These Shares including 743,519,616 Conversion Shares have been held and beneficially owned by Teya Holdings Limited, a wholly-owned subsidiary upon completion of the Acquisition. Teya Holdings Limited is indirectly held by China Construction Bank Corporation, which is held and beneficially owned by Central Huijin Investment Ltd.

5. These Shares including 255,353,607 Conversion Shares have been held and beneficially owned by Shine Strategy Limited upon completion of the Acquisition. Shine Strategy Limited is wholly-owned by Mr. Ng Shui Yu. Ms. Chan Ka Ki, as the spouse of Mr. Ng Shui Yu, is deemed to be interested in these 1,276,768,034 Shares under the SFO.

6. These Shares have included 371,776,045 Conversion Shares upon completion of the Acquisition.

7. These Shares including 310,791,970 Conversion Shares have been held and beneficially owned by Great Vantage Investments Limited upon completion of the Acquisition. Great Vantage Investments Limited is held by CMS Agri-Consumer Fund, L.P..

Save as disclosed above, as at 31 December 2013, no person, other than the Directors and Chief Executives whose interests are set out in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” above, had any interest or short positions in the shares of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

During the Period, no Directors or their respective associates (as defined in the Listing Rules) are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company’s issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 30 September 2012 and for the fifteen months ended 31 December 2013 were audited by PKF.

PKF will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of PKF as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Cai Zhenrong
Chairman

Hong Kong, 27 March 2014

Directors' Biographies

EXECUTIVE DIRECTORS

Mr. Cai Zhenrong, aged 66, is the founder, the Chairman and an executive Director of the Group. He is also a director of the subsidiaries of the Company. Mr. Cai Zhenrong is responsible for the overall strategic planning, business development and strategic investments of the Group. Mr. Cai Zhenrong has over 20 years of experience in the textile industry. He established East South Asia Trading Co. Ltd. in 1988 as an investment vehicle for the investment and establishment of Huafeng Knitting Co., Ltd. Shishi City, Fujian ("Huafeng Knitting"). Since the establishment of Huafeng Knitting, Mr. Cai Zhenrong has devoted a significant amount of time in the Philippines for the Group's business management and development. Mr. Cai Zhenrong is the brother of Mr. Cai Zhenyao and Mr. Cai Zhenying; the father of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Zhenyao, aged 59, is an executive Director and the finance director of the Group. He is also a director of one of the subsidiaries of the Company. Mr. Cai Zhenyao was the factory and operations manager in Fujian Province Shishi City Hanjiang Liantang Plastic and Metal Manufactory during the period from 1985 to 1988, and was the deputy general manager of Fujian Province Shishi City Hanjiang Liantang Xinda Knitting Manufactory during the period from 1988 to 1992. Mr. Cai Zhenyao has been responsible for the Group's overall organisational and finance systems management since joining the Group in 1993, including the establishment of employees benefits system, production management system, accounting and treasury system and internal control system. Mr. Cai Zhenyao is the brother of Mr. Cai Zhenrong and Mr. Cai Zhenying; the uncle of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Zhenying, aged 57, is an executive Director and the marketing director of the Group. He is also a director of one of the subsidiaries of the Company. Mr. Cai Zhenying was the sales manager of Fujian Province Shishi City Huangguanba Textile Company Limited during the period from 1988 to 1992. Mr. Cai Zhenying has been responsible for the Group's sales, marketing and promotion functions since joining the Group in 1993. Mr. Cai Zhenying is principally responsible for the formulation and administration of the marketing and promotion activities of the Group as well as customers' liaison for the Group. He has accumulated in-depth knowledge in relation to the fabric processing industry, the credit standing and the needs and preferences of the Group's customers. Mr. Cai Zhenying is the brother of Mr. Cai Zhenrong and Mr. Cai Zhenyao; the uncle of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Yangbo, aged 39, is a managing and executive Director. Mr. Cai Yangbo was appointed as the managing Director on 16 January 2010. He is also a director of the subsidiaries of the Company. Mr. Cai Yangbo was the deputy general manager of Fujian Province Shishi City Yongningzi Yingmingfeng Knitting Factory during the period from 1993 to 1996 and was principally responsible for production and business management. Mr. Cai Yangbo has been responsible for the overall production factory management and human resources of the Group since joining the Group in 1996. Mr. Cai Yangbo is the son of Mr. Cai Zhenrong; the nephew of Mr. Cai Zhenyao and Mr. Cai Zhenying.

Mr. Choi Wing Toon, aged 63, is an executive Director and the marketing and promotion manager of the Group. He is also a director of the subsidiaries of the Company. Mr. Choi Wing Toon was a proprietor engaged in fabrics trading and processing agency services prior to joining the Group. Mr. Choi Wing Toon has been responsible for the overseas sales and marketing activities of the Group since joining the Group in 1997. Mr. Choi Wing Toon is the cousin of Mr. Cai Zhenrong, Mr. Cai Zhenyao and Mr. Cai Zhenying.

Directors' Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lawrence Gonzaga, aged 39, was appointed as independent non-executive Director in August 2002. He is also the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Lawrence Gonzaga graduated from De La Salle University in the Philippines in 1993 with a bachelor of science degree in commerce majoring in business management. Mr. Lawrence Gonzaga has worked in a securities company in the Philippines for over 14 years. Mr. Lawrence Gonzaga is a member of the Market Technicians Association and holds the Chartered Market Technician designation.

Ms. Choy So Yuk, *BBS, JP* ("Ms. Choy"), aged 63, was appointed as an independent non-executive Director in August 2002. She is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy is also an independent non-executive director of Loudong General Nice Resources (China) Holdings Limited, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 988). Ms. Choy holds a wide variety of political, social and academic positions, such as a Deputy of the National People's Congress of China, a Member of the Fujian Provincial Committee of the Chinese People's Political Consultative Conference, and a director of Fujian Middle School. Ms. Choy was a member of the Legislative Council in Hong Kong from 1998 to 2008.

Mr. Wong Chi Hung, Stanley ("Mr. Wong"), aged 50, was appointed as independent non executive Director in 31 July 2012. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Bachelor's degree in Accounting from the University of Kent at Canterbury, the United Kingdom and an EMBA from the Peking University. He has been an independent non-executive director of Great Wall Motor Company Limited (Stock Code: 2333) and China Pioneer Pharma Holdings Limited (Stock Code: 1345) since 2010 and 2013 respectively. Mr. Wong has more than 27 years of experience in auditing, accounting and financial advisory services. In November 2009, Mr. Wong joined Hongri International Holdings Limited（紅日國際控股有限公司）as chief financial officer.

Independent Auditor's Report

大信梁學濂(香港)會計師事務所

PKF
Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PING SHAN TEA GROUP LIMITED (FORMERLY KNOWN AS HUAFENG GROUP HOLDINGS LIMITED)

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ping Shan Tea Group Limited (formerly known as Huafeng Group Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 128, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 October 2012 to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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, 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 International Standards on Auditing issued by the International Federation of 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 audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's loss and cash flows for the period from 1 October 2012 to 31 December 2013 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants
Hong Kong

27 March 2014

Consolidated Statement of Profit or Loss

For the period from 1 October 2012 to 31 December 2013

	Note	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
REVENUE	6	**882,575**	539,118
Cost of services provided and cost of sales		**(699,365)**	(478,493)
GROSS PROFIT		**183,210**	60,625
Changes in fair value of biological assets less costs to sell during the period/year	16	**3,950**	–
Other income	7	**7,713**	9,145
Selling and distribution expenses		**(36,915)**	(20,468)
Administrative expenses		**(183,237)**	(55,311)
Impairment loss on property, plant and equipment	15	**(5,026)**	(114,383)
Loss on disposal of investment properties		**–**	(48,189)
Other operating expenses		**(8,493)**	(6,392)
LOSS FROM OPERATIONS		**(38,798)**	(174,973)
Finance costs	10	**(37,081)**	(11,224)
Loss on modifications of convertible bonds	26	**–**	(1,943)
Loss on disposal of subsidiaries	36	**–**	(2,386)
LOSS BEFORE TAX		**(75,879)**	(190,526)
Income tax expense	11	**(3,828)**	(249)
LOSS FOR THE PERIOD/YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	12	**(79,707)**	(190,775)
LOSS PER SHARE	14		
Basic		**(HK1.56 cents)**	(HK13.19 cents)
Diluted		**N/A**	N/A

The notes on page 49 to 128 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the period from 1 October 2012 to 31 December 2013

	Note	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
LOSS FOR THE PERIOD/YEAR		**(79,707)**	(190,775)
Other comprehensive income:–			
Items that will not be reclassified to profit or loss:–			
Gains on properties revaluation		**27,608**	6,040
Deferred tax relating to gains on property revaluation	28(b)	**(6,902)**	(1,511)
		20,706	4,529
Items that may be subsequently reclassified to profit or loss:–			
Exchange differences on translating foreign operations		**32,561**	8,893
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	36	**–**	(5,631)
		32,561	3,262
OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR, NET OF TAX		**53,267**	7,791
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(26,440)**	(182,984)

The notes on page 49 to 128 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2013

	Note	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,035,557**	957,971
Biological assets	16	**323,820**	–
Intangible assets	17	**2,150,372**	6,201
Available-for-sale financial assets	18	**1,323**	1,290
Deposits paid	19	**410,445**	–
Other receivables and prepayments	20	**7,384**	67,920
Deferred tax assets	28	**738**	–
		3,929,639	1,033,382
CURRENT ASSETS			
Inventories	21	**209,335**	63,122
Trade receivables	22	**173,347**	154,688
Prepayments, deposits and other receivables		**177,607**	60,195
Pledged bank deposits	23	**37,800**	–
Fixed bank deposits		**–**	155,262
Cash and bank balances	23	**978,691**	261,004
		1,576,780	694,271
CURRENT LIABILITIES			
Bank loans, secured	24	**30,240**	–
Trade and bills payables	25	**102,496**	30,469
Receipts in advance, other payables and accruals	25	**439,427**	223,878
Amount due to a related party	25	**1,588**	–
Current tax liabilities		**27,311**	13,971
		601,062	268,318
NET CURRENT ASSETS		**975,718**	425,953
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,905,357**	1,459,335
NON-CURRENT LIABILITIES			
Convertible bonds	26	**525,151**	123,323
Debentures	27	**185,885**	–
Deferred tax liabilities	28	**46,566**	23,845
		757,602	147,168
NET ASSETS		**4,147,755**	1,312,167
CAPITAL AND RESERVES			
Share capital	29	**117,760**	14,468
Reserves	33	**4,029,995**	1,297,699
TOTAL EQUITY		**4,147,755**	1,312,167

Approved and authorised for issue by the Board of Directors on 27 March 2014.

Cai Zhenyao
Director

Choi Wing Toon
Director

The notes on pages 49 to 128 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the period from 1 October 2012 to 31 December 2013

	Note	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Warrants reserve HK$'000	Share-based payment reserve HK$'000	Convertible bonds reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 October 2011		14,468	500,524	62,897	2,149	50,173	21,383	226,527	–	593,704	1,471,825
Comprehensive loss											
Loss for the year		–	–	–	–	–	–	–	–	(190,775)	(190,775)
Other comprehensive income											
Properties revaluation gain, net of tax		–	–	4,529	–	–	–	–	–	–	4,529
Exchange differences on translation of foreign operations		–	–	–	–	–	–	8,893	–	–	8,893
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		–	–	–	–	–	–	(5,631)	–	–	(5,631)
Total comprehensive income/(loss) for the year		–	–	4,529	–	–	–	3,262	–	(190,775)	(182,984)
Derecognition upon modification of convertible bonds	26	–	–	–	–	–	(21,383)	–	–	21,383	–
Recognition upon modification of convertible bonds	26	–	–	–	–	–	23,326	–	–	–	23,326
Lapse of share options granted in prior years		–	–	–	–	(1,618)	–	–	–	1,618	–
Lapse of warrants issued in prior years		–	–	–	(2,149)	–	–	–	–	2,149	–
Disposal of subsidiaries		–	–	(5,523)	–	–	–	–	–	5,523	–
At 30 September 2012 and 1 October 2012		14,468	500,524	61,903	–	48,555	23,326	229,789	–	433,602	1,312,167
Comprehensive loss											
Loss for the period		–	–	–	–	–	–	–	–	(79,707)	(79,707)
Other comprehensive income											
Properties revaluation gain, net of tax		–	–	20,706	–	–	–	–	–	–	20,706
Exchange differences on translation of foreign operations		–	–	–	–	–	–	32,561	–	–	32,561
Total comprehensive income/(loss) for the period		–	–	20,706	–	–	–	32,561	–	(79,707)	(26,440)
Issue of shares for business combination	35	94,958	2,269,505	–	–	–	–	–	–	–	2,364,463
Equity component of convertible bonds for business combination	26 & 35	–	–	–	–	–	278,899	–	–	–	278,899
Conversion of convertible bonds	26	8,334	144,018	–	–	–	(23,326)	–	–	–	129,026
Lapse of share options granted in prior years		–	–	–	–	(184)	–	–	–	184	–
Equity settled share-based transactions	31	–	–	–	–	89,640	–	–	–	–	89,640
Appropriation		–	–	–	–	–	–	–	12	(12)	–
At 31 December 2013		**117,760**	**2,914,047**	**82,609**	**–**	**138,011**	**278,899**	**262,350**	**12**	**354,067**	**4,147,755**

Note: The share premium account of the Group includes:–

(i) the premium arising from the issue of new shares; and

(ii) the difference between the nominal value of the share capital of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange therefor pursuant to a reorganisation scheme ("the Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 30 August 2002. Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in Appendix IV "Statutory and General Information" in the Company's prospectus dated 20 August 2002.

Consolidated Statement of Cash Flows

For the period from 1 October 2012 to 31 December 2013

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(75,879)**	(190,526)
Adjustments for:–		
Bank interest income	**(5,076)**	(2,850)
Actual interest on convertible bonds	**5,003**	888
Imputed interest on convertible bonds	**17,440**	8,128
Interest on cash consideration for business combination	**1,721**	–
Interest on debentures	**7,993**	–
Amortisation of issuing cost of debentures	**3,865**	–
Depreciation of property, plant and equipment	**82,939**	70,614
Other finance costs	**1,059**	2,208
Amortisation of intangible assets	**3,961**	1,226
Impairment loss on property, plant and equipment	**5,026**	114,383
Loss on disposals of property, plant and equipment	**6,415**	5,423
Property, plant and equipment written off	**76**	527
Changes in carrying value of biological assets	**17,334**	–
Loss on disposal of subsidiaries	**–**	2,386
Loss on modification of convertible bonds	**–**	1,943
Loss on disposals of investment properties	**–**	48,189
Equity-settled share-based payments	**89,640**	–
Operating profit before working capital changes	**161,517**	62,539
Changes in working capital:–		
Inventories	**(126,156)**	(6,914)
Trade and bills receivables	**54,077**	(2,541)
Prepayments, deposits and other receivables	**(44,708)**	34,337
Trade and bills payables	**(16,595)**	288
Receipts in advance, other payables and accruals	**69,470**	28,373
Amount due to a related party	**1,588**	–
Cash generated from operations	**99,193**	116,082
Income tax paid	**(3,182)**	(2,484)
Net cash generated from operating activities	**96,011**	113,598

Consolidated Statement of Cash Flows

For the period from 1 October 2012 to 31 December 2013

	Note	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire and deposits for acquisition of property, plant and equipment		**(127,526)**	(172,415)
Deposits for potential business combination		**(195,300)**	–
Proceeds from disposals of property, plant and equipment		**2,238**	1,359
Proceeds from disposals of investment properties		**–**	3,679
Net proceeds from disposal of subsidiaries	36	**–**	3,220
Net cash inflow from business combination	35	**611,479**	–
Decrease/(increase) in fixed bank deposits		**155,262**	(361)
Interest received		**5,076**	3,545
Net cash generated from/(used in) investing activities		**451,229**	(160,973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of debentures		**182,020**	–
Repayment of bank loans		**(12,500)**	(48,000)
Convertible bond interest paid		**(888)**	(752)
Other finance costs paid		**(1,059)**	(2,207)
Increase in pledged bank deposits		**(6,250)**	–
Net cash generated from/(used in) financing activities		**161,323**	(50,959)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**708,563**	(98,334)
Effect of foreign exchange rate changes		**9,124**	1,906
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR		**261,004**	357,432
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR		**978,691**	261,004
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**978,691**	261,004

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 2105, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Korea Exchange under the Korea Depository Receipts Programme.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordnance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Initial application IFRSs

In the current period, the Group initially applied the following new or revised standards and amendments ("New IFRSs") issued by the IASB:–

IAS 19 (2011)	Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 12	Recovery of Underlying Assets
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual improvements to IFRSs (2009-2011)	Amendments to IAS 1, IAS 16 and IAS 32

2. BASIS OF PREPARATION (continued)

(b) Initial application IFRSs (continued)

Expect for the items stated below the initial application of these new IFRSs have no significant impact in the current period financial information and did not necessitate retrospective adjustments of the comparatives presented in the consolidated financial statements:–

Amendments to IAS 1, Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption did not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 October 2012.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 15 and 16. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2. BASIS OF PREPARATION (continued)

(c) IFRSs in issue but not yet effective

The following IFRSs in issue at 31 December 2013 have not been applied in the preparation of the Group's consolidated financial statements for the period from 1 October 2012 to 31 December 2013 since they were not yet effective for the period:–

IFRS 9	Financial Instruments[3]
IFRIC 21	Levies[2]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets[2]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
Amendments to IFRS 10	Investment Entities[2]
Annual improvements to IFRSs (2010-2012)	Amendments to IFRS 8, IAS 16, IAS 24 and IAS 38[2] Amendments to IFRS 2 and IFRS 3[1]
Annual improvements to IFRSs (2011-2013)	Amendments to IFRS 13 and IAS 40[2] Amendments to IFRS 3[1]

1 Effective for the annual periods beginning on or after 1 January 2014
2 Effective for the annual periods beginning on or after 1 January 2015
3 No mandatory effective date

(d) Change of financial year and date

During the period, the Company changed its financial year end date from 30 September to 31 December in order to conform to the financial year end date of its principal operating subsidiaries. Accordingly, the current annual financial period covered a fifteen-month period from 1 October 2012 to 31 December 2013 and the comparatives covered a twelve-month period from 1 October 2011 to 30 September 2012.

(e) Change of the Company's name

Following a special resolution passed on 23 September 2013, the name of the Company was changed from Huafeng Group Holdings Limited to Ping Shan Tea Group Limited.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings which are carried at their fair values and biological assets which are carried at their fair values less costs to sell.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the consolidated financial statements.

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

(a) Basis of consolidation

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

Subsidiaries are all entities controlled by the Group. 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

All intra-group transaction, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

(b) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred to the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of the reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash–generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(c) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), which is also the Company's functional currency. The functional currency of the Company or its subsidiaries is the currency of the primary economic environment in which the Company or its subsidiaries operates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

Foreign currency transactions of the Company or its subsidiaries are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of reporting period and the exchange differences arising are recognised in the profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in the profit or loss, except for the exchange component of a gain or loss that is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised as a separate component of equity. Such translation differences are recognised in the profit or loss for the reporting period in which the foreign operation is disposed of.

(d) Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at fair values, based on periodic valuations by external independent professional valuers, 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 accumulated depreciation and impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs or revalued amounts, less their residual values, if any, on a straight-line basis over their estimated useful lives as follows:–

Leasehold land	over the lease terms
Buildings	the shorter of the lease terms and 10 to 40 years
Plant and machinery	5 – 15 years
Furniture, fixtures, office equipment and motor vehicles	3 – 10 years

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

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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.

(e) Biological assets

Biological assets comprise tea trees in forests, of which the Forestry Right Certificates have been issued to the Group for the purpose of tea plantation ("Tea Forest") involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or further processing.

Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period, with any change therein recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. The fair value less costs to sell at the time of harvest is deemed as the cost of agriculture produce.

If an active market exists for a biological asset or agricultural produce with reference to comparable species, growing condition and expended yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases

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

(i) Classification of assets leased to the Group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(u). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases (continued)

(iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(g) Technical know-how and trademark

Technical know-how and trademark acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of technical know-how and trademark. Technical know-how and trademark are amortised from the date they are available for use and the estimated useful lives are ten years and seven years respectively from the date they are available for use according to the agreements entered by the Group for acquisition of the technical know-how and trademark.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables. 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, 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 recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments (continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted instruments, they are measured at cost less any identified impairment losses at the end of each reporting period.

(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) 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, having been within three months of maturity at acquisition. 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.

(m) 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 IFRSs. 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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial liabilities and equity instruments (continued)

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.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:–

– the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight–line basis over the terms of the guarantee contracts.

Convertible bonds

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve.

The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated In convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the accumulated profits. No gain or loss is recognised in the profit or loss upon conversion or expiration of the option.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial liabilities and equity instruments (continued)

Convertible bonds (continued)

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity components is charged directly to equity.

The liability component (or part of the liability component) of the convertible bonds is derecognised when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expired.

A significant modification of the terms of the convertible bond is accounted for as a recognition of a new compound instrument and an extinguishment of the original compound instrument before maturity. The difference between the carrying amount of the original liability component extinguished and its fair value at the date of modification is recognised in profit or loss. The difference between the fair value at the date of modification of the original liability component extinguished and the fair value of the newly recognised liability component is recognised in the equity/convertible bond reserve. The carrying amount of the equity component of the original compound instrument extinguished is released from convertible bond reserve to retained profits.

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.

Equity instruments

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

Debentures

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition

Revenue from sales of raw teas, refined teas and other related products and manufactured goods is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that then significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the provision of fabric processing services is recognised when the services are rendered.

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

(o) 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.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and business consultants. Equity-settled share-based payments 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 those persons that provide the nature of business development to the Group are measured at the fair value of the services received 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 recognised as expenses.

(q) 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.

(r) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

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.

(v) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment reporting

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

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

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

Segment assets included all tangible, intangible, non-current and current assets with the exception of corporate assets. Segment liabilities included current and non-current liabilities attributable to the individual segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items may comprise financial and corporate assets, interest-bearing loans, other income, corporate and financing expenses, loss on modification of convertible bonds, loss on disposal of investment properties, and loss on disposal of subsidiaries.

(x) 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 consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS 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 consolidated financial statements apart from those involving estimations, which are dealt with below.

Legal titles of buildings and leasehold land in the People's Republic of China (the "PRC")

As stated in note 15 to the consolidated financial statements, the ownership certificates of certain buildings and leasehold land located in the PRC were not issued to the Group as at 31 December 2013. Despite the fact that the Group has not obtained the relevant ownership certificates, the directors determine to recognise those buildings and leasehold land located in the PRC as property, plant and equipment on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those buildings and leasehold land located in the PRC.

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) Estimated useful lives and residual values of property, plant and equipment, technical know-how and trademark

The Group determines the estimated useful lives and related depreciation charges and amortisation charges for the Group's property, plant and equipment, technical know-how and trademark based on the historical experience of the actual useful lives and residual values of property, plant and equipment, technical know-how and trademark of similar nature and functions. The Group will revise the depreciation charges and amortisation charges 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 or sold.

(b) Impairment of goodwill

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(c) Impairment of property, plant and equipment

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the Group is required to estimate the asset's recoverable amount. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

(d) Impairment of trade and other receivables

Impairment of trade receivables and other receivables is made based on assessment of their recoverability. The identification of impairment of trade receivables and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment loss or reversal of impairment in the period in which such an estimate has been changed.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to market conditions. Management reassesses these estimates at each reporting date.

(f) Fair values of buildings

The Group appointed an independent professional valuer to assess the fair values of the buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and are satisfied that the method of valuation is reflective of the current market conditions. Any change in estimates may affect the fair values of buildings significantly.

(g) Fair value of the liability component of convertible bonds

A suitable discount rate is determined by the directors in order to calculate the fair value of the liability component of convertible bonds. The directors have exercised their judgements and estimates with reference to the current market conditions. If different discount rate is adopted, the fair value of liability component of convertible bonds will change.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(h) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details are contained in note 28 to the consolidated financial statements.

(i) Fair value of biological assets

Biological assets are measured at fair value less costs to sell. In determining the fair value of the biological assets, the professional valuer has applied a discounted cash flow method of the income approach which requires a number of key assumptions and estimates to be made such as discount rate, tea leaves selling price, operating costs and lifecycle. Any change in the estimates may affect the fair value of the biological assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets.

(j) Fair values of share options granted

The Group appointed an independent professional valuer to assess the fair values of the share options granted. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and are satisfied that the method of valuation is reflective of the current market conditions. Any change in estimates may affect the fair values of the share options granted significantly.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Currency risk (continued)

The Group is exposed to currency risk primarily through business transactions, assets and liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the Group's entitles. The currencies giving rise to this risk are primarily HKD, RMB and Macau Pataca ("MOP").

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	At 31 December 2013				At 30 September 2012			
	HKD	USD	RMB	Total	HKD	USD	RMB	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances	10,013	10	9	10,032	1,245	25	–	1,270
Fixed bank deposits	–	–	–	–	–	155,262	–	155,262
Trade receivables	–	51,892	–	51,892	–	53,588	–	53,588
Deposits and other receivables	–	–	–	–	30,093	1,472	–	31,565
Intra-group balances	–	–	228,125	228,125	–	–	99,569	99,569
Trade and bills payables	(8)	(14,368)	(2,157)	(16,533)	–	(13,690)	(3,707)	(17,397)
	10,005	37,534	225,977	273,516	31,338	196,657	95,862	323,857

Since HKD is pledged to USD and MOP, material fluctuations in the exchange rates between HKD, USD and MOP are remote.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Currency risk (continued)

The following table summarises the currencies that the Group is exposed to currency risk after excluding those financial assets and liabilities which have remote exchange effects:–

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
HKD	**10,013**	1,223
USD	**–**	10
RMB	**225,977**	95,862
	235,990	97,095

The net financial assets denominated in HKD and USD are held by subsidiaries of which the functional currencies are RMB. The net financial assets denominated in RMB are held by a subsidiary of which the functional currency is MOP.

Should RMB and MOP at 31 December 2013 devalue by 10% against all foreign currencies, the carrying amount of the net financial assets exposed to currency risk at 31 December 2013 would be increased, and hence the equity at 31 December 2013 would be increased by HK$23,599,000 (at 30 September 2012: HK$9,710,000); and the loss for the period from 1 October 2012 to December 2013 would be decreased by HK$23,599,000 (year ended 30 September 2012: HK$9,710,000).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, with all other variables remain constant.

(b) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group has a credit policy in place and exposure to the credit risk is monitored on an ongoing basis.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The carrying amounts of financial assets as at 30 September 2012 and 31 December 2013, which represented the Group's significant exposure to credit risk, are as follows:–

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Trade receivables	**173,347**	154,688
Deposits and other receivables	**130,273**	96,084
Pledged bank deposits	**37,800**	–
Fixed bank deposits	**–**	155,262
Bank balances	**978,548**	257,406
	1,319,968	663,440

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due within 30 to 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The directors consider that the credit risk from fixed bank deposits, pledged bank deposits and bank balances is minimal as the balances are placed with financial institutions with high credit ratings.

The directors consider that the credit risk from deposits and other receivables is minimal as there are no indications for deterioration of creditworthiness of counter parties and the recoverability are reasonably assured.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The default risk of the industry and country in which customers operate also has an influence on credit risk but to lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as at 31 December 2013, that 4.25% (at 30 September 2012: 3.42%) and 14.88% (at 30 September 2012: 13.61%) of total trade receivables was due from the largest customer and five largest customers respectively.

The Group did not provide any financial guarantees which would expose the Group to credit risk.

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-adjusted capital ratio.

Maturities of the financial liabilities of the Group as at 30 September 2012 and 31 December 2013 were as follows:–

	At 31 December 2013				
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**1 to 2 years HK$'000**	**2 to 5 years HK$'000**
Bank loans, secured	**30,240**	**31,880**	**31,880**	**–**	**–**
Trade and bills payables	**102,496**	**102,496**	**102,496**	**–**	**–**
Other payables and accruals	**438,124**	**438,124**	**438,124**	**–**	**–**
Amount due to a related party	**1,588**	**1,588**	**1,588**	**–**	**–**
Convertible bonds	**525,151**	**637,068**	**11,149**	**289,099**	**336,820**
Debentures	**185,885**	**215,864**	**–**	**215,864**	**–**
	1,283,484	**1,427,020**	**585,237**	**504,963**	**336,820**

	At 30 September 2012				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000
Trade payables	30,469	30,469	30,469	–	–
Other payables and accruals	223,878	223,878	223,878	–	–
Convertible bonds	123,323	150,000	–	–	150,000
	377,670	404,347	254,347	–	150,000

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

The Group's interest rate risk arises primarily from secured bank loans, liability component of convertible bonds, debentures, consideration payable included in other payables and accruals, fixed bank deposits, other interest-bearing receivable, pledged bank deposits and bank balances. Except for liability component of convertible bonds, debentures, consideration payable included in other payables and accruals, fixed bank deposits and other interest-bearing receivable which are held at fixed interest rates, all bank balances are held at variable rates. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at 30 September 2012 and 31 December 2013:–

	At 31 December 2013		At 30 September 2012	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate financial assets				
Other receivable	**1.75%**	**53,200**	1.75%	53,200
Fixed bank deposits	**–**	**–**	1.20%	155,262
Fixed rate financial liabilities				
Debentures	**6.38% – 9.63%**	**(185,885)**	–	–
Consideration payable included in other payables and accruals	**4%**	**(96,925)**	–	–
Convertible bonds – liability component	**7.058% – 7.709%**	**(525,151)**	5.90%	(123,323)
Variable rate financial assets				
Bank balances	**0.01% – 0.35%**	**978,548**	0.01% – 0.35%	257,406
Pledged bank deposits	**0.35%**	**37,800**	–	–
Variable rate financial liabilities				
Bank loans, secured	**7.50% – 7.69%**	**(30,240)**	–	–
		231,347		342,545

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the period from 1 October 2012 to 31 December 2013 would be decreased and respective retained profits would be increased by approximately HK$9,861,000 (year ended 30 September 2012: HK$2,570,000).

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk (continued)

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

(e) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. REVENUE

The Group's revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and goods sold to customers, after allowances for trade discounts and returns.

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Provision of fabric processing services	**526,593**	429,219
Sale of fabrics, yarns and blankets	**93,653**	109,899
Sales of raw teas, refined teas and other related products	**262,329**	–
	882,575	539,118

7. OTHER INCOME

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Bank interest income	**5,076**	2,850
Subcontracting income	**–**	515
Government grants	**2,294**	1,968
Rental income	**–**	2,301
Others	**343**	1,511
	7,713	9,145

8. SEGMENT INFORMATION

The Group has three (year ended 30 September 2012: two) reportable segments as follows:–

– Provision of fabric processing services and manufacture and sale of fabrics

– Manufacture and sale of yarns and blankets

– Raw teas, refined teas and other related products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated other income, unallocated corporate expenses, finance costs, loss on modification of convertible bonds, loss on disposal of investment properties, loss on disposal of subsidiaries and impairment loss on property, plant and equipment. Segment assets do not include fixed bank deposits, pledged bank deposits, cash and bank balances and unallocated corporate assets. Segment liabilities do not include secured bank loans, current tax liabilities, deferred tax liabilities, convertible bonds, debentures and unallocated corporate liabilities.

8. SEGMENT INFORMATION (continued)

Information about the Group's reportable segments are as below:

	Provision of fabric processing services and manufacture and sale of fabrics		Manufacture and sale of yarns and blankets		Raw teas, refined teas and other related products		Consolidated	
	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
REVENUE								
Revenue from external customers	**532,600**	444,228	**87,646**	94,890	**262,329**	–	**882,575**	539,118
Segment profit/(loss)	**35,526**	36,455	**(49,360)**	(49,550)	**98,755**	–	**84,921**	(13,095)
Impairment loss on property, plant and equipment							**(5,026)**	(114,383)
Loss on disposal of investment properties							**–**	(48,189)
Unallocated other income							**7,713**	9,145
Unallocated corporate expense							**(126,406)**	(8,451)
Loss from operations							**(38,798)**	(174,973)
Finance costs							**(37,081)**	(11,224)
Loss on modification of convertible bonds							**–**	(1,943)
Loss on disposal of subsidiaries							**–**	(2,386)
Loss before tax							**(75,879)**	(190,526)
Income tax expense							**(3,828)**	(249)
Loss for the period/year							**(79,707)**	(190,775)

8. SEGMENT INFORMATION (continued)

	Provision of fabric processing services and manufacture and sale of fabrics		Manufacture and sale of yarns and blankets		Raw teas, refined teas and other related products		Consolidated	
	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000	**At 31 December 2013 HK$'000**	At 30 September 2012 HK$'000	**At 31 December 2013 HK$'000**	At 30 September 2012 HK$'000	**At 31 December 2013 HK$'000**	At 30 September 2012 HK$'000
Assets								
Segment assets	**785,810**	749,893	**469,787**	507,262	**3,169,466**	–	**4,425,063**	1,257,155
Unallocated corporate assets							**1,081,356**	470,498
Consolidated total assets							**5,506,419**	1,727,653
Liabilities								
Segment liabilities	**229,648**	185,968	**75,796**	64,918	**120,527**	–	**425,971**	250,886
Unallocated corporate liabilities							**932,693**	164,600
Consolidated total liabilities							**1,358,664**	415,486

	Provision of fabric processing services and manufacture and sale of fabrics		Manufacture and sale of yarns and blankets		Raw teas, refined teas and other related products		Unallocated		Consolidated	
	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000	**Period from 1 October 2012 to 31 December 2013 HK$'000**	Year ended 30 September 2012 HK$'000	**Period from 1 October 2012 to 31 December 2013 HK$'000**	Year ended 30 September 2012 HK$'000	**Period from 1 October 2012 to 31 December 2013 HK$'000**	Year ended 30 September 2012 HK$'000	**Period from 1 October 2012 to 31 December 2013 HK$'000**	Year ended 30 September 2012 HK$'000
Other segment information:										
Capital expenditure	**17,217**	155,673	**16,400**	16,742	**289,177**	–	**32**	–	**322,826**	172,415
Depreciation and amortisation	**52,447**	45,545	**30,526**	26,232	**3,876**	–	**51**	63	**86,900**	71,840
Property, plant and equipment written off	**76**	527	**-**	–	**-**	–	**-**	–	**76**	527
Loss on disposals of plant and equipment	**6,415**	5,423	**-**	–	**-**	–	**-**	–	**6,415**	5,423
Impairment loss on property, plant and equipment	**-**	–	**-**	–	**-**	–	**5,026**	114,383	**5,026**	114,383

8. SEGMENT INFORMATION (continued)

Geographical information

Revenue by geographical location is as below:–

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
The Philippines	**212,994**	191,826
The PRC	**617,835**	301,921
Australia	**9,234**	9,851
The United States of America	**19,618**	14,751
Canada	**1,347**	4,054
Taiwan	**21,547**	16,715
Consolidated total	**882,575**	539,118

In presenting the geographical information, revenue is based on the locations of the customers. All of the Group's non-current assets are located in the PRC.

Revenue from major customers

There are no major customers individually contributing over 10% of the Group's revenue for the year ended 30 September 2012 and period from 1 October 2012 to 31 December 2013.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of emoluments of the directors of the Company disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance are as follows:–

For the period from 1 October 2012 to 31 December 2013

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement benefits scheme contributions	Equity-settled share-based payments	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Cai Zhenrong	–	433	–	–	231	664
Mr. Cai Zhenyao	–	467	–	–	231	698
Mr. Cai Zhenying	–	379	–	–	77	456
Mr. Cai Yangbo	–	2,250	–	–	231	2,481
Mr. Choi Wing Toon	–	405	54	19	77	555
	–	3,934	54	19	847	4,854
Independent non-executive directors						
Ms. Choy So Yuk, *JP*	150	–	–	–	154	304
Mr. Lawrence Gonzaga	150	–	–	–	154	304
Mr. Wong Chi Hung Stanley	150	–	–	–	77	227
	450	–	–	–	385	835
Total	450	3,934	54	19	1,232	5,689

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

For the year ended 30 September 2012

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total emoluments HK$'000
Executive directors						
Mr. Cai Zhenrong	–	360	–	–	–	360
Mr. Cai Zhenyao	–	304	–	–	–	304
Mr. Cai Zhenying	–	304	–	–	–	304
Mr. Cai Yangbo	–	1,800	–	–	–	1,800
Mr. Choi Wing Toon	–	324	27	13	–	364
	–	3,092	27	13	–	3,132
Independent non-executive directors						
Ms. Choy So Yuk, *JP*	120	–	–	–	–	120
Mr. Lawrence Gonzaga	120	–	–	–	–	120
Mr. Wong Siu Hong (resigned on 31 July 2012)	100	–	–	–	–	100
Mr. Wong Chi Hung Stanley (appointed on 31 July 2012)	20	–	–	–	–	20
	360	–	–	–	–	360
Total	360	3,092	27	13	–	3,492

There was no arrangement under which a director waived or agreed to waive any emoluments during the year ended 30 September 2012 and period from 1 October 2012 to 31 December 2013.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

The five highest paid individuals in the Group during the period included nil (year ended 30 September 2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining five (year ended 30 September 2012: three) individuals are set out below:–

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**286**	1,583
Equity-settled share-based payments	**20,255**	–
Retirement benefits scheme contributions	**5**	26
	20,546	1,609

The emoluments fell within the following bands:–

	Number of individuals	
	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Nil to HK$1,000,000	**–**	3
HK$3,500,001 to HK$4,000,000	**3**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–
	5	3

During the year ended 30 September 2012 and period from 1 October 2012 to 31 December 2013, no emoluments were paid or payable by the Group to any of the directors or five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10. FINANCE COSTS

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Actual interest on convertible bonds	**5,003**	888
Imputed interest on convertible bonds	**17,440**	8,128
Interest on cash consideration payable for business combination	**1,721**	–
Interest on debentures	**7,993**	–
Amortisation of issuing costs for debentures	**3,865**	–
Other finance costs	**1,059**	2,208
	37,081	11,224

11. INCOME TAX EXPENSE

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Current tax – the PRC enterprise income tax		
Provision for the period/year	**3,569**	2,039
Deferred tax (Note 28)	**259**	(1,790)
	3,828	249

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong for the year ended 30 September 2012 and period from 1 October 2012 to 31 December 2013.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations.

11. INCOME TAX EXPENSE (continued)

Pursuant to the International Business Companies Act, 1984 (the "IBC Act") of the British Virgin Islands (the "BVI"), international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiaries incorporated in the BVI are not subject to tax.

The National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which has been effective since 1 January 2008. According to the New CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. Pursuant to the relevant PRC tax rules and regulations, the Group's income derived from the teas plantation is subject to preferential income tax rates of 0% – 12.5%.

Pursuant to the New CIT Law and its implementation rules, the gross amount of dividends received by the Company's subsidiaries incorporated in Hong Kong and the BVI from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5% and 10% respectively. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

A reconciliation of income tax expense applicable to loss before tax using the applicable rate for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:–

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Loss before tax	**(75,879)**	(190,526)
Tax at the PRC enterprise income tax rate of 25%	**(18,970)**	(47,632)
Tax effect of income that is not taxable	**(74,433)**	(60,624)
Tax effect of expenses that are not deductible	**120,879**	109,600
Tax effect of preferential tax rates for tea plantation in the PRC	**(23,648)**	–
Effect of different tax rates of subsidiaries	**–**	(1,095)
Income tax expenses	**3,828**	249

12. LOSS FOR THE PERIOD/YEAR

The Group's loss for the period/year is stated after charging the following:–

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Amortisation:–		
Technical know-how (included in cost of services provided and costs of sales)	**1,563**	1,226
Trademark (included in selling and distribution expenses)	**2,398**	–
	3,961	1,226
Auditor's remuneration for:–		
Annual audit	**2,000**	1,250
Accountants' Report on acquisition as disclosed in note 35	**2,291**	–
Interim review	**1,480**	–
Others	**290**	–
	6,061	1,250
Cost of inventories sold	**247,782**	135,670
Depreciation	**82,939**	70,614
Exchange loss, net	**691**	274
Loss on disposals of property, plant and equipment	**6,415**	5,423
Operating lease charges on land and buildings	**3,190**	1,438
Staff costs (excluding directors' remuneration (Note 9)):		
Salaries, bonus and allowances	**86,742**	61,273
Retirement benefits scheme contributions	**20,525**	6,490
Equity-settled share-based payments	**63,957**	–
	171,224	67,763
Property, plant and equipment written off	**76**	527
Other equity-settled share-based payments	**24,451**	–

The cost of inventories sold includes staff costs, depreciation and operating leases charges of approximately HK$122,477,000 (year ended 30 September 2012: HK$37,321,000) which are included in the amounts disclosed separately above.

12. LOSS FOR THE PERIOD/YEAR (continued)

Note:–

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,000 before 1 June 2012 and HK$1,250 on or after 1 June 2012 respectively, per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

13. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 30 September 2012 and period from 1 October 2012 to 31 December 2013.

14. LOSS PER SHARE

The calculation of basic loss per share is based on the following:–

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Loss		
Loss for the purpose of calculating basic loss per share	**(79,707)**	(190,775)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,124,258,288**	1,446,838,580

Diluted loss per share has not been disclosed as the effects of all potential ordinary shares are anti-dilutive for the year ended 30 September 2012 and period from 1 October 2012 to 31 December 2013.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation						
At 1 October 2011	104,072	399,428	588,929	10,612	34,694	1,137,735
Additions	68,579	45,455	124,882	43	2,170	241,129
Transfers	–	–	887	–	(887)	–
Disposals	–	–	(23,642)	–	–	(23,642)
Disposal of subsidiaries	(3,568)	(10,199)	(12,327)	(492)	(71)	(26,657)
Write off	–	–	(1,234)	–	–	(1,234)
Deficit on revaluation	–	(17,411)	–	–	–	(17,411)
Exchange differences	1,530	2,977	3,664	(6)	255	8,420
At 30 September 2012 and 1 October 2012	170,613	420,250	681,159	10,157	36,161	1,318,340
Additions from business combination (Note 35)	8,824	6,878	3,040	12,033	66,798	97,573
Additions	8,563	938	15,314	84	27	24,926
Transfers	–	828	–	–	(828)	–
Disposals	–	–	(11,862)	–	–	(11,862)
Write-off	–	–	(807)	–	–	(807)
Deficit on revaluation	–	(5,017)	–	–	–	(5,017)
Exchange differences	4,990	10,711	15,709	326	1,170	32,906
At 31 December 2013	**192,990**	**434,588**	**702,553**	**22,600**	**103,328**	**1,456,059**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation						
At 1 October 2011	8,056	–	213,381	6,707	–	228,144
Charge for the year	3,655	23,728	42,344	887	–	70,614
Disposals	–	–	(16,860)	–	–	(16,860)
Disposal of subsidiaries	(935)	(327)	(11,936)	(456)	–	(13,654)
Write off	–	–	(707)	–	–	(707)
Write-back on revaluation	–	(23,451)	–	–	–	(23,451)
Exchange differences	702	50	897	7	–	1,656
At 30 September 2012 and 1 October 2012	11,478	–	227,119	7,145	–	245,742
Charge for the period	4,709	32,367	43,742	2,121	–	82,939
Disposals	–	–	(2,283)	–	–	(2,283)
Write-off	–	–	(587)	–	–	(587)
Write-back on revaluation	–	(32,625)	–	–	–	(32,625)
Exchange differences	328	258	4,997	209	–	5,792
At 31 December 2013	**16,515**	**–**	**272,988**	**9,475**	**–**	**298,978**
Accumulated impairment						
At 1 October 2011	–	–	–	–	–	–
Impairment loss	–	–	114,383	–	–	114,383
Exchange difference	–	–	244	–	–	244
At 30 September 2012 and 1 October 2012	–	–	114,627	–	–	114,627
Impairment loss	–	–	5,026	–	–	5,026
Disposals	–	–	(926)	–	–	(926)
Write-off	–	–	(144)	–	–	(144)
Exchange difference	–	–	2,941	–	–	2,941
At 31 December 2013	**–**	**–**	**121,524**	**–**	**–**	**121,524**
Net book Value						
At 31 December 2013	**176,475**	**434,588**	**308,041**	**13,125**	**103,328**	**1,035,557**
At 30 September 2012	159,135	420,250	339,413	3,012	36,161	957,971

15. PROPERTY, PLANT AND EQUIPMENT (continued)

An analysis of cost or valuation of the above assets is as follows:–

	Leasehold land	Buildings	Plant and machinery	Furniture, fixtures, office equipment and motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At cost	170,613	–	681,159	10,157	36,161	898,090
At valuation	–	420,250	–	–	–	420,250
At 30 September 2012	170,613	420,250	681,159	10,157	36,161	1,318,340
At cost	192,990	–	702,553	22,600	103,328	1,021,471
At valuation	–	434,588	–	–	–	434,588
At 31 December 2013	**192,990**	**434,588**	**702,553**	**22,600**	**103,328**	**1,456,059**

At 31 December 2013, the Group's buildings were revalued by BMI Appraisals Limited ("BMI"), an independent firm of professional valuers, at open market value of approximately HK$434,588,000 (at 30 September 2012: HK$420,250,000). The resulting revaluation surplus of approximately HK$27,608,000 (at 30 September 2012: HK$6,040,000) has been credited to the properties revaluation reserve.

Had the Group's buildings been stated at cost less accumulated depreciation and impairment losses, their carrying amounts as at 31 December 2013 would have been approximately HK$358,812,000 (at 30 September 2012: HK$351,097,000).

There were certain buildings of approximately HK$398,748,000 (at 30 September 2012: HK$391,970,000) for which the Group are in the process of obtaining the relevant building ownership certificates. The directors do not foresee any major obstacles to issuing the certificates of the above-mentioned buildings to the Group.

The Group's leasehold land represent land use rights outside Hong Kong under medium-term leases.

The directors considered that there was an indication of impairment for property, plant and equipment as the Group's operating result was worse than expected. BMI was appointed to assess the recoverable amounts of property, plant and equipment, which were based on the fair values less costs to sell. As a result, an impairment loss of HK$5,026,000 (year ended 30 September 2012: HK$114,383,000) was made for the period from 1 October 2012 to 31 December 2013.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's leasehold land with net book value of approximately HK$168,299,000 (at 30 September 2012: HK$150,774,000) represent payments for land use rights in the PRC.

The Group's leasehold land with net book value of approximately HK$8,176,000 (at 30 September 2012: HK$8,361,000) represent leasing a reservoir situated in the PRC from 石獅市鴻山鎮東園村村民委員會.

At 31 December 2013, the Group's leasehold land included certain leasehold land of approximately HK$102,813,000 (at 30 September 2012: HK$94,571,000) for which the Group were in the process of obtaining the relevant land use rights certificates. The directors do not foresee any major obstacles to complete the transfer of the legal title of the above-mentioned land use rights to the Group.

At 31 December 2013, the Group's leasehold land with net book value of HK$8,967,000 (at 30 September 2012: Nil) was pledged to banks to secure bank loans of HK$30,240,000 (Note 24).

Fair value measurement of properties

(a) *Fair value hierarchy*

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of properties (continued)

(a) Fair value hierarchy (continued)

	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
Recurring fair value measurement				
Buildings in the PRC	434,588	–	–	434,588

During the period from 1 October 2012 to 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's buildings in the PRC were revalued as at 31 December 2013. The valuations were carried out by an independent firm of surveyors, BMI, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. For all buildings, their current use equates to the highest and best use. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

BMI has declared its independence and competence and has performed its valuation work independently according to HKIS Valuation Standards issued by Hong Kong Institute of Surveyors. The directors are satisfied that BMI is independent and competent to determine the fair values of the buildings.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:–

Buildings in the PRC	HK$'000
At 1 October 2012	420,250
Additions from business combination (Note 35)	6,878
Additions	938
Transfer from construction in progress	828
Depreciation charge for the period	(32,367)
Surplus on revaluation	27,608
Exchange adjustment	10,453
At 31 December 2013	434,588

Surplus on revaluation and exchange adjustment of buildings located in the PRC are recognised in other comprehensive income in "properties revaluation reserve" and "translation reserve", respectively.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of properties (continued)

(b) Information about Level 3 fair value measurements

The fair values of the buildings located in the PRC are determined by depreciated replacement cost approach. Details of key unobservable inputs used in valuing the buildings are as follows:–

	Key unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value measurements
Buildings	Construction cost per square metre	RMB650 to RMB1,900	The estimated fair value increases when the construction cost per square metre increases
	Useful lives of buildings	10 years to 40 years	The estimated fair value increases when the useful life of the building increases

16. BIOLOGICAL ASSETS

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
At the beginning of period/year	**–**	–
Addition through business combination (Note 35)	**340,140**	–
Plantation cost	**47,628**	–
Changes in fair value less costs to sell	**3,950**	–
Decrease due to harvest	**(68,912)**	–
Exchange adjustment	**1,014**	–
At the end of period/year	**323,820**	–

16. BIOLOGICAL ASSETS (continued)

(a) Nature of activities

Biological assets represent tea trees in forests located in the PRC, of which the Forestry Right Certificates have been issued to the Group for the purpose of tea plantation ("Tea Forest"). As at 31 December 2013, the Group owned Tea Forest with total cultivable area of 29,592.7 Mu. The Group recognises the Tea Forest as a biological asset when, and only when:–

– The Group controls the Tea Forest as a result of past event, which is evidenced by issuance of Forestry Right Certificate by the relevant PRC authority for the purpose of tea plantation;

– It is probable that future economic benefits associated with the Tea Forest will flow to the Group; and

– The fair value or cost of the Tea Forest can be measured reliably.

According to the Forestry Right Certificates issued by the relevant PRC authority, the Group is granted a right to perform tea plantation and harvest within the cultivable area of 29,592.7 Mu for 30 to 40 years.

At 31 December 2013, certain Tea Forest of approximately HK$138,216,000 with total cultivable area of 12,631 Mu was pledged to secure bank loans of HK$30,240,000 (Note 24).

The aggregate gains or losses arising from biological assets and agricultural produce during the period since recognition of the Tea Forest as biological assets and completion of business combination on 22 July 2013 as stated in note 35 were as follows:

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Gain on initial recognition of agricultural produce harvested at fair value less costs to sell	**21,284**	–
Loss arising from change in fair value less costs to sell of biological assets	**(17,334)**	–
	3,950	–

16. BIOLOGICAL ASSETS (continued)

(a) Nature of activities (continued)

The estimated quantity and fair value less costs to sell of agricultural produce, representing tea leaves before further processing into raw teas, harvested from tea trees during the reporting period since completion of business combination on 22 July 2013 as stated in note 35 were as follows:–

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Estimated fair value less costs to sell	**68,912**	–
Estimated quantity (kg)	**14,452,790**	–

The Group is exposed to a number of risks related to tea trees plantation:–

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. The directors are not aware of any environmental liabilities as at 31 December 2013.

(ii) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of tea leave. When possible the Group manages this risk by controlling its harvest volume, according to market conditions. Management performs regular industry trend analysis to ensure the Group's pricing policy is comparable to the market and the projected harvesting volumes are consistent with the expected demand.

(iii) Climate and other risks

The Group's tea plantation is exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has procedures in place aimed at monitoring and mitigating those risks, including regular Tea Forest inspections and pesticide preventions.

16. BIOLOGICAL ASSETS (continued)

(b) Fair value measurement of biological assets

	Fair value at 31 December 2013	Fair value measurement as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
Recurring fair value measurement				
Biological assets	323,820	–	–	323,820

During the period from 1 October 2012 to 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's biological assets were revalued as at 31 December 2013. The valuations were carried out by an independent firm of valuers, BMI, who has among their staff with recent experience in the location and category of biological asset being valued. The Group's management has discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

BMI has declared its independence and competence and has performed its valuation work independently according to International Valuation Standards issued by the International Valuation Standards Council. The directors are satisfied that BMI is independent and competent to determine the fair value of the biological assets.

Information about Level 3 fair value measurements

	Valuation technique	Key unobservable inputs	Value/range	Inter-relationship between key unobservable inputs and fair value measurements
Biological assets	Multi-period excess earnings method, one of the income approach, which is based on the discounted future cash flows to be generated by the biological assets	Discount rate, determined by Weighted Average Cost Of Capital ("WACC")	18.88%	The estimated fair value decreases when the discount rate increases
		Expected growth rate	3%	The estimated fair value increases when the expected growth rate increases
		Expected life	20 years	The estimated fair value increases when the expected life increases
		Maximum yield of tea leaves per Mu	500 to 1,450 kg	The estimated fair value increases when maximum yield per Mu increases
		Average market price of tea leaves per kg	RMB2.38 to RMB15.60	The estimated fair value increases when the average market price of tea leaves per kg increases

16. BIOLOGICAL ASSETS (continued)

(b) Fair value measurement of biological assets (continued)

Information about Level 3 fair value measurements (continued)

The fair values biological assets located in the PRC were determined under income approach by discounting a projected cash flow series associated with the assets using a discount rate. The valuation takes into account market prices of tea leaves.

BMI has adopted an income approach in valuing the Tea Forest. The followings are the major assumptions used in the valuation:–

(i) The yield per tree, which represents the harvest level of the tea trees, is affected by the age, species and health of the tea trees, as well as the climate, location, soil condition, topography and infrastructure. In general, yield per tree increases from ages 2 to 5 and remains stable for remaining years;

(ii) The direct production cost, which represents the direct costs necessary to bring the tea leaves to their sale form, includes fertiliser costs, picking fee and management cost of tea farmers. The direct production cost variables are determined with reference to actual costs incurred for areas that have been previously harvested and cost information for comparable areas with regards to areas that have not been harvested previously;

(iii) The valuation adopted the market sales prices prevailing as of the end of the reporting periods for each type of tea leaves produced by the Group as the assumed market price;

(iv) The market price variables and direct production cost variables in each projected year will increase with reference to the expected inflation rate of 3% in the PRC;

(v) Cash flows are calculated from the current rotation of tea trees only, without taking into account the projected revenue or costs related to the re-establishment of new tea trees or any future business activities that may impact the future price or yield of tea leaves harvested from the Group's tea trees;

(vi) There are no material changes in the existing political, legal, technological, fiscal, economic conditions, climate and any other unfavourable natural conditions;

(vii) The interest rates will not differ materially from those presently prevailing;

(viii) The tea trees are grown with balanced nutrition such that the tea leaves can be harvested in reasonable quality; and

(ix) The availability of finance will not be a constraint on the cultivation of tea trees.

16. BIOLOGICAL ASSETS (continued)

(b) Fair value measurement of biological assets (continued)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in one of the key unobservable inputs, with all other variables held constant, of Group's loss before tax :-

Key unobservable inputs	Percentage increase/ (decrease) in key unobservable inputs	(Increase)/ decrease in loss before tax HK$'000
Discount rate	10%	(21,250)
	(10%)	23,750
Expected growth rate	10%	5,000
	(10%)	(5,000)
Expected life	10%	53,750
	(10%)	(55,000)
Maximum yield of tea leaves per Mu	10%	58,750
	(10%)	(58,750)
Average market price of tea leaves per kg	10%	71,250
	(10%)	(71,250)

17. INTANGIBLE ASSETS

	Trademark HK$'000	Technical know-how HK$'000	Goodwill HK$'000 (Note)	Total HK$'000
Cost				
At 1 October 2011	–	12,202	2,882	15,084
Exchange differences	–	87	–	87
At 30 September 2012 and 1 October 2012	–	12,289	2,882	15,171
Addition from business combination (Note 35)	41,419	–	2,106,498	2,147,917
Exchange differences	161	311	–	472
At 31 December 2013	41,580	12,600	2,109,380	2,163,560
Accumulated amortisation				
At 1 October 2011	–	7,686	–	7,686
Charge for the year	–	1,226	–	1,226
Exchange differences	–	58	–	58
At 30 September 2012 and 1 October 2012	–	8,970	–	8,970
Charge for the period	2,398	1,563	–	3,961
Exchange differences	17	240	–	257
At 31 December 2013	2,415	10,773	–	13,188
Carrying amount				
At 31 December 2013	**39,165**	**1,827**	**2,109,380**	**2,150,372**
At 30 September 2012	–	3,319	2,882	6,201

17. INTANGIBLE ASSETS (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Raw teas, refined teas and other related products:		
China Natural Tea Holdings Company Ltd	**2,106,498**	–
Provision of fabric processing services:		
United Glory Development Limited	**2,882**	2,882
	2,109,380	2,882

Raw teas, refined teas and other related products

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using an estimated long term growth rate of 2.97%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 21.84%. The discount rate used is pre-tax and reflects the specific risks relating to the relevant segment.

Provision of fabric processing services

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (year ended 30 September 2012: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 7.66% (year ended 30 September 2012: 7.85%). The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
United equity securities, at cost	**1,323**	1,290

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Unlisted equity securities with carrying amount of HK$1,323,000 (at 30 September 2012: HK$1,290,000) were carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

19. DEPOSITS PAID

	For potential business combination	Property, plant and equipment	Biological assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 October 2011	–	68,232	–	68,232
Transfer to property, plant and equipment	–	(68,579)	–	(68,579)
Exchange differences	–	347	–	347
At 30 September 2012 and 1 October 2012	–	–	–	–
Additions from business combination (Note 35)	12,600	31,330	67,463	111,393
Additions for the period	195,300	102,600	–	297,900
Exchange differences	–	890	262	1,152
At 31 December 2013	**207,900**	**134,820**	**67,725**	**410,445**

(a) On 2 December 2013, the Group entered into a non-legally binding memorandum of understanding ("MoU A") with a company incorporated in the BVI ("Vendor A"). Pursuant to the MoU A, Vendor A intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target A") incorporated in Hong Kong with limited liability, which after certain reorganisation will own a tea plantation base of approximately 1,500 Mu, certain retail shops and franchised retail shops in Fujian Province, the PRC.

Subject to further negotiation between the Group and Vendor A and the results of the due diligence on Target A and its subsidiaries, the proposed consideration for the potential business combination is RMB160,000,000 (approximately HK$201,600,000). As at 31 December 2013, the Group paid RMB85,000,000 (approximately HK$107,100,000) as deposits for such potential business combination.

(b) On 10 December 2013, the Group entered into another non-legally binding memorandum of understanding ("MoU B") with a company incorporated in the BVI ("Vendor B"). Pursuant to the MoU B, Vendor B intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target B") incorporated in Hong Kong with limited liability, which after certain reorganisation will own a sophisticated tea packaging business in Fujian Province, the PRC.

Subject to further negotiation between the Group and Vendor B and the results of the due diligence on Target B and its subsidiaries, the proposed consideration for the potential business combination is RMB140,000,000 (approximately HK$176,400,000). As at 31 December 2013, the Group paid RMB80,000,000 (approximately HK$100,800,000) as deposits for such potential business combination.

20. OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Other receivable (Note (i))	**–**	53,200
Lease prepayment (Note (ii))	**5,250**	14,720
Prepayments for subcontracting charges for cultivation	**2,134**	–
	7,384	67,920

(i) The Group's other receivable as at 30 September 2012 represented the remaining unsettled consideration for the disposal of its two subsidiaries, Elite League Investment Limited ("Elite") and its subsidiary, Lingfeng Dyeing & Wearing Co., Ltd. Shishi City ("Lingfeng") on 1 September 2011. The other long-term receivable is secured by 50% equity interest of Elite, repayable in 3 years and charged at a fixed interest rate of 1.75% per annum. As at 31 December 2013, the amount is reclassified as current assets as the amount is due within one year.

(ii) Lease prepayment represented approximately HK$13,125,000 (at 30 September 2012: HK$22,399,000) of total lease charge paid for a land located in the PRC for production purpose up to August 2015, of which the current portion of approximately HK$7,875,000 (at 30 September 2012: HK$7,680,000) was classified as current assets under prepayments, deposits and other receivables.

21. INVENTORIES

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Consumables	**32,181**	30,849
Raw materials	**18,705**	17,378
Work in progress	**432**	3,178
Finished goods	**158,017**	11,717
	209,335	63,122

22. TRADE RECEIVABLES

The Group normally allows credit terms to well-established customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

An aging analysis of trade receivables as at the end of reporting period, based on the date of recognition of the service income or goods sold, is as follows:–

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
0 – 30 days	**41,298**	50,076
31 – 60 days	**41,875**	39,191
61 – 90 days	**44,664**	35,522
91 – 120 days	**24,769**	21,333
Over 120 days	**20,741**	8,566
	173,347	154,688

As of 31 December 2013, trade receivables of approximately HK$21,615,000 (at 30 September 2012: HK$8,780,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:–

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Less than 1 month past due	**12,166**	4,959
1 to 2 months past due	**3,685**	1,150
2 to 3 months past due	**1,148**	964
Over 3 months past due	**4,616**	1,707
	21,615	8,780

22. TRADE RECEIVABLES (continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:–

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
USD	**51,892**	53,588
RMB	**121,455**	101,100
	173,347	154,688

23. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

At 31 December 2013, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$978,512,000 (at 30 September 2012: approximately HK$260,000,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 December 2013, the pledged deposits of the Group amounted to HK$37,800,000 (at 30 September 2012: Nil) were pledged to secure bills payable of HK$69,300,000 (Note 25).

24. BANK LOANS, SECURED

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Secured short-term loans	**30,240**	–

Notes:–

(i) The applicable interest rate per annum as at 31 December 2013 ranged from 7% to 7.5% per annum.

(ii) As at 31 December 2013, the above secured bank loans were secured by land use rights held by the Group of HK$8,967,000 (Note 15), certain Tea Forest held by the Group of HK$138,216,000 (Note 16) with total cultivable area of 12,631 Mu and guaranteed by the senior management of the Group, Mr. Cai Yanghang (Note 40).

As at 31 December 2013, the Group's secured bank loans of HK$30,240,000 are subject to the fulfillment of the following financial covenant: to maintain a maximum debt to assets ratio of a subsidiary of the Tea Group of 70%. If the Group was to breach the above covenant, the secured bank loans would become payable on demand. The Group regularly monitors the compliance with this financial covenant.

In the opinion of the directors, none of the financial covenants had been breached as at 31 December 2013.

25. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Trade payables	**33,196**	30,469
Bills payables	**69,300**	–
	102,496	30,469
Receipts in advance, other payables and accruals	**439,427**	223,878
Amount due to a related party – Note	**1,588**	–
	543,511	254,347

Note: The amount is due to Mr. Cai Yanghang, senior management of the Group, which is unsecured, interest free and repayable on demand.

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

The Group's bills payables are usually due within 180 days.

Aging of trade and bills payables

An aging analysis of the trade and bills payables as at the end of reporting period, based on the date of receipt of consumables or goods purchased, is as follows:–

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
0 – 30 days	**19,781**	14,649
31 – 60 days	**7,541**	9,981
61 – 90 days	**51,295**	5,212
Over 90 days	**23,879**	627
	102,496	30,469

At 31 December 2013, bills payable of HK$69,300,000 were secured by the Group's pledged deposits of HK$37,800,000 (Note 23) and guarantees provided by Mr. Cai Yanghang, senior management of the Group (Note 40).

26. CONVERTIBLE BONDS

On 9 October 2009, the Company and Tanrich Capital Limited (the "Placing Agent") entered into a placing agreement in relation to the placing of convertible bonds (the "Placing Agreement"). Pursuant to the Placing Agreement, the Company issued the three-year 1% coupon convertible bonds (the "Convertible Bonds") up to an aggregate principal amount of HK$150 million. Based upon the initial conversion price of HK$0.28 per conversion share, a total of 535,714,277 shares (with an aggregate nominal value of approximately HK$5,357,000) would be allotted and issued upon the exercise of all the conversion rights attached to the Convertible Bonds.

The placing of the Convertible Bonds (the "First Tranche Bonds") in the principal amount of HK$60,000,000 under the Placing Agreement was completed on 11 February 2010. Based on the conversion price of HK$0.28, a maximum number of 214,285,710 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the First Tranche Bonds in full.

The placing of the Convertible Bonds (the "Second Tranche Bonds") in the principal amount of HK$90,000,000 under the Placing Agreement was completed on 20 April 2010. Based on the conversion price of HK$0.28, a maximum number of 321,428,567 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the Second Tranche Bonds in full.

Any outstanding amount of the Convertible Bonds can be converted at any time after the date of issue of the Convertible Bonds at a conversion price of HK$0.28.

On 10 April 2012, a supplemental deed poll was executed by the Company. Details of the modification of the First Tranche Bonds and the Second Tranche Bonds (the "modified Convertible Bonds") are set out as follows:–

(i) conversion price was reduced from HK$0.28 to HK$0.18;

(ii) coupon rate was reduced to 0% per annum; and

(iii) the final maturity date was extended to 11 February 2016.

The modification resulted in the extinguishment of the financial liability of First Tranche Bonds and Second Tranche Bonds and the recognition of its new financial liability and equity components. The fair value of the new liability immediately following the modification was approximately HK$120,423,000. The financial liability was determined using an effective interest rate of 5.90%.

As a result of the modification, a loss of approximately HK$1,943,000 was recognised during the year ended 30 September 2012, which represented the amount by which the fair value of the original liability component exceeded the carrying amount of the original liability component derecognised at the date of modification.

26. CONVERTIBLE BONDS (continued)

The following table details the exercise of conversion rights attaching to the modified Convertible Bonds during the period from 1 October 2012 to 31 December 2013:–

Date of conversion	Principal amount converted HK$'000	No. of shares allotted and issued
First Tranche Bonds		
25 February 2013	4,000	22,222,220
12 July 2013	20,000	111,111,110
5 August 2013	12,000	66,666,665
17 September 2013	20,000	111,111,110
8 October 2013	4,000	22,222,220
	60,000	333,333,325
Second Tranche Bonds		
21 December 2012	2,000	11,111,111
7 January 2013	11,000	61,111,110
23 January 2013	3,000	16,666,665
12 July 2013	38,000	211,111,109
5 August 2013	16,000	88,888,885
17 September 2013	20,000	111,111,110
	90,000	499,999,990
	150,000	833,333,315

All of the modified Convertible Bonds were converted into ordinary shares during the period from 1 October 2012 to 31 December 2013.

26. CONVERTIBLE BONDS (continued)

On 22 July 2013, the Company issued two tranches of convertible bonds with principal amount of HK$336,820,000 ("Third Tranche Bonds") and HK$277,950,000 ("Fourth Tranche Bonds") respectively, aggregated to HK$614,770,000, for business combination (Note 35). The following details the above convertible bonds issued to the bondholders:–

Third Tranche Bonds

Name of bondholders	Principal amount HK$'000	Coupon rate (p.a.)	Maturity date	Conversion price per share HK$
Exalt Wealth Limited ("Exalt Wealth")	65,010	0%	21 July 2017	0.1768
Smart Fujian Group Limited ("Smart Fujian")	226,660	0%	21 July 2017	0.1768
Shine Strategy Limited ("Shine Strategy")	45,150	0%	21 July 2017	0.1768
	336,820			

Fourth Tranche Bonds

Name of bondholders	Principal amount HK$'000	Coupon rate (p.a.)	Maturity date	Conversion price per share HK$
Teya Holdings Limited ("Teya")	131,450	4%	31 December 2015	0.1768
Templeton Strategic Emerging Markets Fund III, LDC ("Templeton")	65,730	4%	31 December 2015	0.1768
Great Vantage International Limited ("Great Vantage")	54,950	4%	31 December 2015	0.1768
Ample Gold International Limited ("Ample Gold")	25,820	4%	31 December 2015	0.1768
	277,950			

26. CONVERTIBLE BONDS (continued)

The Third and Fourth Tranche Bonds can be converted into ordinary shares at any time after the date of issue. The conversion price of HK$0.1768 is subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues. Details of the convertible bonds are set out in the circular of the Company dated 28 June 2013.

The principal amounts of the convertible bonds have been split into the liability component and equity component and the movements are as follows:–

Liability component

	First Tranche Bonds	Second Tranche Bonds	Third Tranche Bonds	Fourth Tranche Bonds	Total Bonds
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 October 2011	55,075	82,253	–	–	137,328
Interest expense before modification	355	533	–	–	888
Imputed interest before modification	2,202	3,026	–	–	5,228
Interest paid before modification	(301)	(451)	–	–	(752)
Transfer of unpaid interest to other payables upon modification	(355)	(533)	–	–	(888)
Derecognition of original liability component	(56,976)	(84,828)	–	–	(141,804)
Recognition of new liability component upon modification	48,169	72,254	–	–	120,423
Imputed interest after modification	1,160	1,740	–	–	2,900
At 30 September 2012 and 1 October 2012	49,329	73,994	–	–	123,323
Liability component at initial recognition	–	–	248,774	259,637	508,411
Imputed interest	2,461	3,242	8,584	3,153	17,440
Actual interest	–	–	–	5,003	5,003
Conversion of convertible bonds	(51,790)	(77,236)	–	–	(129,026)
At 31 December 2013	**–**	**–**	**257,358**	**267,793**	**525,151**

26. CONVERTIBLE BONDS (continued)

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Analysed as:		
Non-current liabilities	**525,151**	123,323

Equity component

	First Tranche Bonds HK$'000	**Second Tranche Bonds** HK$'000	**Third Tranche Bonds** HK$'000	**Fourth Tranche Bonds** HK$'000	**Total Bonds** HK$'000
At 1 October 2011	9,007	12,376	–	–	21,383
Derecognition of original equity component upon modification	(9,007)	(12,376)	–	–	(21,383)
Recognition of new liability component upon modification	9,331	13,995	–	–	23,326
At 30 September 2012 and 1 October 2012	9,331	13,995	–	–	23,326
Equity component at initial recognition	–	–	155,178	123,721	278,899
Conversion of convertible bonds	(9,331)	(13,995)	–	–	(23,326)
At 31 December 2013	**–**	**–**	**155,178**	**123,721**	**278,899**

The interest charged of First Tranche Bonds for the last period before modification is calculated by applying an effective interest rate of 7.847% per annum to the liability component.

The interest charged of Second Tranche Bonds for the last period before modification is calculated by applying an effective interest rate of 7.317% per annum to the liability component.

The interest charged of the modified Convertible Bonds for the period/year is calculated by applying an effective interest rate of 5.90% per annum to the liability component.

The interest charged of Third Tranche Bonds for the period is calculated by applying an effective interest rate of 7.709% per annum to the liability component.

The interest charged of Fourth Tranche Bonds for the period is calculated by applying an effective interest rate of 7.058% per annum to the liability component.

27. DEBENTURES

During the period from 1 October 2012 to 31 December 2013, the Company issued unlisted debentures of HK$193,000,000 to independent third parties at face value with issuing costs of HK$10,980,000. The debentures are interest bearing at 6% per annum, unsecured and repayable on the second anniversary of the respective dates of issue. The debentures were initially recognised at HK$193,000,000 less issuing costs of HK$10,980,000 and subsequently measured at amortised cost using the effective interest method.

28. DEFERRED TAX LIABILITIES

(a) An analysis of deferred tax in the consolidated statement of financial position is as follows:–

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Deferred tax assets	**738**	–
Deferred tax liabilities	**(46,566)**	(23,845)
	(45,828)	(23,845)

(b) The following are the major deferred tax liabilities/(assets) recognised by the Group:

	Loss available for offsetting against future taxable profit HK$'000	**Fair value change of biological assets** HK$'000	**(Accelerated)/ decelerated tax allowance** HK$'000	**Revaluating of buildings** HK$'000	**Investment properties** HK$'000	**Others** HK$'000	**Total** HK$'000
At 30 September 2011	–	–	(6,569)	24,549	7,525	–	25,505
Charge to other comprehensive income for the year	–	–	–	1,511	–	–	1,511
Charge/(credit) to profit or loss for the year (Note 11)	–	–	5,772	–	(7,562)	–	(1,790)
Disposal of subsidiaries (Note 36)	–	–	782	(2,341)	–	–	(1,559)
Exchange differences	–	–	15	126	37	–	178
At 30 September 2012 and 1 October 2012	–	–	–	23,845	–	–	23,845
Additions from business combination (Note 35)	(2,884)	7,740	10,085	–	–	(789)	14,152
Charge to other comprehensive income for the period	–	–	–	6,902	–	–	6,902
Charge/(credit) to profit or loss for the period (Note 11)	2,872	(2,188)	(473)	–	–	48	259
Exchange differences	12	14	36	605	–	3	670
At 31 December 2013	**–**	**5,566**	**9,648**	**31,352**	**–**	**(738)**	**45,828**

28. DEFERRED TAX LIABILITIES (continued)

(c) At the end of reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$1,092,791,000 (At 30 September 2012: HK$5,681,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

	At 31 December 2013		At 30 September 2012	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**20,000,000,000**	**200,000**	10,000,000,000	100,000

	Period from 1 October 2012 to 31 December 2013		Year ended 30 September 2012	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Ordinary shares, issued and fully paid:				
At the beginning of period/year	**1,446,838,580**	**14,468**	1,446,838,580	14,468
Issue of shares for business combination (Note 35)	**9,495,834,903**	**94,958**	–	–
Conversion of convertible bonds (Note 26)	**833,333,315**	**8,334**	–	–
At the end of period/year	**11,776,006,798**	**117,760**	1,446,838,580	14,468

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained profits and other reserves).

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The only externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

30. WARRANTS

On 21 January 2010, the Company and the Placing Agent entered into a placing agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 247,900,000 warrants (the "Warrants"). The issue price per warrant is HK$0.01 and the subscription price is HK$0.385. Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 247,900,000 new shares will be issued and allotted.

The Warrants were placed on 17 March 2010 and the subscription period is from the date of issue of the Warrants to the expiry of the second anniversary of the issue of the Warrants. The proceeds from the placing of the Warrants were HK$2,149,000, net of issuance expenses. During the year ended 30 September 2011, no warrants were exercised. During the year ended 30 September 2012, all unexercised warrants were lapsed.

31. SHARE-BASED PAYMENTS

Equity-settled share option schemes

On 24 February 2012, the Company has passed the resolutions in a shareholders' meeting for the termination of the share option scheme adopted on 30 August 2002 and the adoption of an new share option scheme (the "Scheme"). Outstanding share options granted under the Terminated Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Terminated Scheme.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the Company's directors (including independent non-executive directors), employees of the Group, suppliers of goods or services, customers, persons or entities providing research, development or other technological support to the Group, and any non-controlling shareholders in the Company's subsidiaries. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

31. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares on the date of the offer of the grant.

Details of the options granted are as follows:–

Date of grant	Vesting date	Exercise period	Exercise price HK$
5 December 2008	5 December 2008	5 December 2008 to 4 December 2011	0.125
11 May 2009	11 May 2009	11 May 2009 to 10 May 2014	0.255
1 March 2010	1 March 2010	1 March 2010 to 28 February 2015	0.520
4 April 2011	4 April 2011	4 April 2011 to 3 April 2016	0.400
24 October 2013	24 October 2013	24 October 2013 to 23 October 2018	0.2538

If the options remain unexercised after an exercise period from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

31. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

Details of the share options outstanding during the period/year are as follows:–

	Period from 30 September 2012 to 31 December 2013		Year ended 30 September 2012	
	Number of share options	**Weighted Average Exercise price HK$**	Number of share options	Weighted Average Exercise price HK$
Outstanding at the beginning of the period/year	**362,260,000**	**0.381**	397,660,000	0.359
Granted during the period/year	**1,175,000,000**	**0.2538**	–	N/A
Lapsed during the period/year	**(1,200,000)**	**0.400**	(35,400,000)	0.125
Outstanding at the end of the period/year	**1,536,060,000**	**0.2838**	362,260,000	0.381
Exercisable at the end of the period/year	**1,536,060,000**	**0.2838**	362,260,000	0.381

The options outstanding at the end of the period have a weighted average remaining contractual life of 3.99 years (Year ended 30 September 2012: 2.58 years) and the exercise prices range from HK$0.2538 to HK$0.52 (Year ended 30 September 2012: HK$0.255 to HK$0.520). The estimated fair value of the options granted on 24 October 2013 is approximately HK$89,640,000 ("Option 2013").

For Option 2013, the fair value was calculated by BMI using the Binomial Model. The inputs into the model were as follows:–

	Option 2013
Fair value at measurement date	**HK$89,640,000**
Weighted average share price	**HK$0.2470**
Weighted average exercise price	**HK$0.2538**
Expected volatility	**43.05%**
Expected life	**5 years**
Risk fee rate	**0.93%**
Expected dividend yield	**2.45%**

31. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years for Option 2013.

During the period from 1 October 2012 to 31 December 2013, certain share options granted to those persons that provide business development services to the Group were incentives for helping the Group expanding its business network, exploring and acquiring new business opportunities and projects. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options valued on grant date.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Investments in subsidiaries	**1,080,452**	133,900
Due from subsidiaries (note)	**3,968,957**	1,417,168
Other current assets	**1,125**	430
Due to subsidiaries (note)	**(726,563)**	(629,151)
Convertible bonds	**(525,151)**	(123,323)
Debentures	**(185,885)**	–
Other current liabilities	**(17,056)**	(3,325)
NET ASSETS	**3,595,879**	795,699
Capital and reserves		
Share capital	**117,760**	14,468
Reserves	**3,478,119**	781,231
TOTAL EQUITY	**3,595,879**	795,699

Note:–

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

33. RESERVES

(a) Group

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

(b) Company

	Share premium HK$'000 (Note 33(c)(i))	Warrants reserve HK$'000 (Note 30)	Share-based payment reserve HK$'000 (Note 33(c)(iii))	Convertible bonds reserve HK$'000 (Note 26)	Retained profits HK$'000	Total HK$'000
At 1 October 2011	633,071	2,149	50,173	21,383	74,863	781,639
Total comprehensive loss for the year	–	–	–	–	(23,734)	(23,734)
Derecognition of original equity component of convertible bonds (Note 26)	–	–	–	(21,383)	21,383	–
Recognition of new equity component upon modification of convertible bonds (Note 26)	–	–	–	23,326	–	23,326
Lapsed of share options granted in prior years	–	–	(1,618)	–	1,618	–
Lapsed of warrants issued in prior years	–	(2,149)	–	–	2,149	–
At 30 September 2012 and 1 October 2012	633,071	–	48,555	23,326	76,279	781,231
Total comprehensive loss for the period	–	–	–	–	(61,848)	(61,848)
Issue of shares for business combination (Note 35)	2,269,505	–	–	–	–	2,269,505
Equity component of convertible bonds for business combination (Notes 26 and 35)	–	–	–	278,899	–	278,899
Conversion of convertible bonds (Note 26)	144,018	–	–	(23,326)	–	120,692
Lapsed of share options granted in prior years	–	–	(184)	–	184	–
Equity-settled share-based transactions	–	–	89,640	–	–	89,640
At 31 December 2013	3,046,594	–	138,011	278,899	14,615	3,478,119

33. RESERVES (continued)

(b) Company (continued)

Loss attributable to owners of the Company included a loss of approximately HK$61,848,000 (Year ended 30 September 2012: approximately HK$23,734,000) which has been dealt with in the consolidated financial statements of the Company.

(c) Nature and purpose of reserves

(i) Share premium

The share premium account of the Company includes: (i) the premium arising from the new issue of shares; and (ii) the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

(ii) Properties revaluation reserve

The properties revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3(d) to the consolidated financial statements.

(iii) Share-based payment reserve

The share-based payment reserve of the Company and the Group arise on the grant of share options to the directors, employees and other business associates under the Schemes. Further information about share-based payments to the directors, employees and other business associates was set out in note 31 to the consolidated financial statements. The fair value of the actual or estimated number of unexercised share options granted to the directors and employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 3(p) to the consolidated financial statements.

(iv) Translation reserve

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

34. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2013 are as follows:–

Name	Place of incorporation/ registration and operation	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Directly held				
Treasure Wealth Assets Limited	BVI	600 ordinary shares of US$1 each	100%	Investment holding
Indirectly held				
Huafeng Knitting Co., Ltd. Shishi City, Fujian	PRC	Registered capital and paid-up capital of RMB105,000,000	100%	Provision of fabric processing services, manufacture and sale of fabrics
Powerful China Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Provision of administrative services to group companies
Huafeng Trading Macao Commercial Offshore Limited	Macau	MOP100,000	100%	Provision of fabric processing services
Fujian Fenghua Textile Co., Ltd.	PRC	Registered capital and paid-up capital of US$25,000,000	100%	Manufacture and sale of yarns
Jiangxi Fenghua Textile Co., Ltd.	PRC	Registered capital and paid-up capital of HK$55,000,000	100%	Provision of fabric processing services
Shishi Huarun Knitting & Dyeing Co., Ltd.	PRC	Registered capital and paid-up capital of US$10,000,000	100%	Manufacture and sale of blankets
Fujian Anxi Daping Green Food Technology Co., Ltd	PRC	Registered capital and paid-up capital of RMB1,200,000	100%	Sales of raw teas in the PRC

34. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Fujian Nature Tea Science and Technology Co., Ltd	PRC	Registered capital and paid-up capital of HK$193,663,000	100%	Sales of refined teas and/or other related products in the PRC
Quanzhou Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB1,000,000	100%	Sales of refined teas and/or other related products in the PRC
Xiamen Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB1,000,000	100%	Sales of refined teas and/or other related products in the PRC
Fujian Huidian Packing Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Liaoning Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Shaanxi Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Chongqing Shengfang Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC

The above list contains the particulars of subsidiaries, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

35. BUSINESS COMBINATION

On 22 July 2013, the Group completed the acquisition of the entire equity interest in China Natural Tea Holdings Company Limited and its subsidiaries (collectively referred to as the "Tea Group") from Ample Gold, Exalt Wealth, Great Vantage, Shine Strategy, Smart Fujian, Templeton and Teya, at a total consideration of HK$2,487.48 million. The consideration is satisfied by:–

– Cash consideration of HK$193,850,000, of which 50% was settled at the completion of the acquisition, and the remaining 50% will be settled six months after the completion of the acquisition and bear interest at 4% per annum;

– Allotment and issue of 9,495,834,903 consideration shares at issue price of HK$0.1768 per share; and

– Issue of convertible bonds with principal amount of HK$614,770,000.

Tea Group is engaged in the operation of sales of raw teas and refined teas and other related products.

The directors believe that through the acquisition of the Tea Group, it offers business opportunities of the Group in enhancing brands and developing market channels that would further enhance the Group's income and strengthen the Group's market position.

The fair value of net assets acquired in the above acquisition were as follows:–

	Notes	HK$'000
Net assets acquired:–		
Property, plant and equipment	15	97,573
Biological assets	16	340,140
Intangible assets	17	41,419
Deposits paid	19	111,393
Prepayment		2,129
Deferred tax assets	28	3,673
Inventories		19,281
Trade and bills receivables		70,315
Deposits, prepayments and other receivables		8,664
Pledged bank deposits		31,378
Cash and bank balances		708,404
Trade and bills payables		(88,070)
Other payables and accruals		(34,109)
Bank loans, secured		(42,674)
Current tax liabilities		(12,566)
Deferred tax liabilities	28	(17,825)
		1,239,125

35. BUSINESS COMBINATION (continued)

	HK$'000
Goodwill on acquisition of interest in subsidiaries	2,106,498
	3,345,623
Consideration for acquisition of subsidiaries	
Satisfied by:–	
– Convertible bonds	787,310
– Consideration shares	2,364,463
– Cash consideration	193,850
Total	3,345,623
Net cash inflow arising from business combination:–	
Cash consideration	(193,850)
Consideration payable included in other payables and accruals	96,925
Cash consideration paid	(96,925)
Cash and bank balances acquired	708,404
	611,479

The consideration shares were measured at fair value based on the closing price of HK$0.249 on 22 July 2013, the date of acquisition.

The goodwill of HK$2,106,498,000 arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in a competitive market. Other important elements included expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill is the deductible for income tax purpose.

Acquisition related costs amounting to approximately HK$12,950,000 were included in administrative expenses in the profit or loss.

The Tea Group contributed net profits of approximately HK$96,573,000 and revenue of approximately HK$262,329,000 to the Group's profit and revenue for the period from 1 October 2012 to 31 December 2013 respectively for the period between the date of acquisition and the end of the reporting period.

35. BUSINESS COMBINATION (continued)

Had the acquisition been completed on 1 October 2012, the Group's profit and revenue for the period from 1 October 2012 to 31 December 2013 would be approximately HK$69,106,000 and HK$1,299,593,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that would actually have been impacted had the acquisition been completed on 1 October 2012, nor was it intended to be a projection of future results.

36. DISPOSALS OF SUBSIDIARIES

On 28 February 2012, the Group disposed of its two subsidiaries, Wealth Key Investments Ltd. and its subsidiary, Huafeng Textile (Lianyungang) Co., Ltd.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	13,003
Bank and cash balances	230
Trade payables	(62)
Other payables and accruals	(145)
Deferred tax liabilities	(1,559)
Net assets disposed of	11,467
Release of foreign currency translation reserve	(5,631)
Direct cost to the disposal	50
Loss on disposal of subsidiaries	(2,386)
Total consideration – satisfied by cash	3,500
Net cash inflow arising on disposal:	
Cash consideration received	3,500
Cash paid for direct cost	(50)
Cash and cash equivalents disposed of	(230)
	3,220

37. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 30 September 2012, the Group disposed of its investment properties. According to the agreement, the Group did not need to refund to the buyer the rental deposits received in advance from the tenants in the previous financial period amounted to approximately HK$1,534,000 (2011: Nil). The Group recognised such amount in profit or loss at the date of disposal.

(b) As disclosed in note 35, on 22 July 2013, the Group completed the acquisition of the entire equity interest in the Tea Group. The consideration is partially satisfied by the allotment and issue of 9,495,834,903 consideration shares at issue price of HK$0.1768 per share, and issue of convertible bonds with principal amount of HK$614,770,000.

(c) As disclosed in note 26, during the period from 1 October 2012 to 31 December 2013, the First Tranche Bonds and Second Tranche Bonds with principal amounts of HK$150,000,000 were converted into 833,333,315 ordinary shares of the Company.

(d) As disclosed in note 31, on 24 October 2013, the Group granted 1,175,000,000 share options with fair value of approximately HK$89,640,000 to certain directors, employees and business consultants. The share options were vested on the grant date.

38. CONTINGENT LIABILITIES

As at 30 September 2012 and 31 December 2013, neither the Group nor the Company had any significant contingent liabilities.

39. COMMITMENTS

(a) Operating lease arrangements

As lessee

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases for leasehold land and buildings payable as follows:

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Within one year	**1,326**	1,434
In the second to fifth years, inclusive	**36**	1,267
	1,362	2,701

Operating lease payments represent rentals payable by the Group for certain of its offices, factory and warehouse. Leases are negotiated for terms ranging from 2 to 3 years (at 30 September 2012: 2 to 3 years) and rentals are fixed over the lease terms and do not include contingent rentals.

39. COMMITMENTS (continued)

(b) Capital commitments

At the end of reporting period, the Group had the following capital commitments:–

	At 31 December 2013 HK$'000	At 30 September 2012 HK$'000
Authorised but not contracted for:–		
Potential business combination	**170,100**	–
Contracted but not provided for:–		
Construction of buildings	**28,449**	2,012
Purchase of plant and machinery	**145**	141
Purchase of land and buildings	**54,051**	1,317
Purchase of biological assets	**67,725**	–
	150,370	3,470
	320,470	3,470

(c) Other commitments

At the end of the reporting period, the Group had outstanding commitment in respect of purchase of raw materials amounting to HK$24,779,000 (at 30 September 2012: Nil).

40. RELATED PARTY TRANSACTIONS

At 31 December 2013, the Group's secured bank loans of HK$30,240,000 and bills payables of HK$69,300,000 were guaranteed by Mr. Cai Yanghang, senior management of the Group.

As disclosed in note 25, at 31 December 2013, the Group had amount due to Mr. Cai Yanghang, senior management of the Group, of HK$1,588,000 (at 30 September 2012: Nil) which is unsecured, interest free and repayable on demand.

40. RELATED PARTY TRANSACTIONS (continued)

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the directors as disclosed in note 9 is as follows:–

	Period from 1 October 2012 to 31 December 2013 HK$'000	Year ended 30 September 2012 HK$'000
Salaries, allowances and other benefits in kind	**3,997**	3,092
Discretionary bonus	**54**	27
Contributions to defined contribution plan	**20**	13
Equity-settled share-based payments	**847**	–
	4,918	3,132

41. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2014, the Company issued convertible notes in an aggregate principal amount of HK$253,000,000 to Asia Equity Value Limited (the "Subscriber"). Assuming full conversion of the convertible notes at the initial conversion price of HK$0.21 per share, a total of 1,204,761,905 ordinary shares will be allotted and issued, representing approximately 10.23% of total issued share capital as at 31 December 2013. In connection with, and as a condition to, the issue of the convertible notes, the Company issued warrants in an aggregate value equal to the HK$131,560,000 conferring rights to subscribe for the shares to the Subscriber at conversion price of HK$0.26 per share. The warrants shall entitle the Subscriber to subscribe for a total of 506,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company, representing approximately 4.30% of the issued share capital of the Company as at 31 December 2013.

On 17 January 2014, the Company placed 600,000,000 placing shares through Guoco Capital Limited (the "Placing Agent") to no fewer than six placees at a price of HK$0.18 per share. The aggregate gross proceeds from the placing was HK$108,000,000, and the net proceeds was approximately HK$107.600,000 which is intended to be applied for potential business combination as identified by the Group from time to time. The placing shares represent approximately 5.10% of the issued share capital of the Company as at 31 December 2013.

On 24 February 2014, a wholly owned subsidiary of the Company (the "Purchaser") entered into a non-legally binding memorandum of understanding with a company incorporated in the BVI (the "Vendor") pursuant to which the Vendor intended to dispose of and the Purchaser intended to acquire 100% of the issued share capital of a company to be incorporated in the British Virgin Islands with limited liability (the "Target Company") which after certain reorganisation will own the tea plantation of approximately 30,000 mu in Anhui Province, the PRC.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2014.

43. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2013, the directors consider the immediate and ultimate holding company of the Group to be Smart Fujian Group Limited, a company incorporated in the BVI.