2014

Annual Report

ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

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BOARD OF DIRECTORS

Executive Directors

Jia Bowei *(Chairman)*
Lam Kwan Sing *(Chief Executive Officer)*
Wang Jun

Independent Non-executive Directors

Yau Yan Ming Raymond
Hu Gin Ing
Liu Kam Lung

COMPANY SECRETARY

Chan Yuen Ying Stella

AUTHORISED REPRESENTATIVES

Lam Kwan Sing
Chan Yuen Ying Stella

AUDIT COMMITTEE

Yau Yan Ming Raymond *(Chairman)*
Hu Gin Ing
Liu Kam Lung

REMUNERATION COMMITTEE

Yau Yan Ming Raymond *(Chairman)*
Lam Kwan Sing
Hu Gin Ing
Liu Kam Lung

NOMINATION COMMITTEE

Yau Yan Ming Raymond *(Chairman)*
Lam Kwan Sing
Hu Gin Ing
Liu Kam Lung

CORPORATE GOVERNANCE COMMITTEE

Jia Bowei *(Chairman)*
Lam Kwan Sing
Wang Jun

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 904-5, 9/F
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

1808

COMPANY WEBSITE

www.1808.com.hk

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Enterprises Development Holdings Limited (the "Company"), I take pleasure to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

For the financial year ended 31 December 2014, the Group recorded an increase in consolidated net profit attributable to equity shareholders of the Company of approximately RMB11.47 million as compared to a net profit attributable to equity shareholders of the Company of approximately RMB8.79 million in the last corresponding year. The increase was primarily due to the realised gain on trading securities. The realised gain on trading securities for the current year was approximately RMB16.87 million. The Board does not recommend the payment of any final dividend for the 12 months ended 31 December 2014.

Although the old problems for the global economy are still present, the Group remains optimistic and positive about the global economy. Furthermore, the dramatic new social and economic policies announced in early 2015 in the PRC will bring new hopes and dreams for China economy. The Group has been actively exploring other business opportunities so as to diversify our business to bring return to our shareholders.

For enhancing the IT portfolio, in 2015, the Group entered into the acquisition agreement for acquiring the sale shares of Gravitas Group Limited. The principal businesses of the acquired group comprise mobile marketing projects and professional consultation services, mobile advertising services and mobile game development and publishing services.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders and business partners for their invaluable support to the Group. I am also grateful for our Directors, senior management and staff for their dedicated service and contributions.

Jia Bowei
Chairman

Hong Kong, 23 March 2015

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Jia Bowei (賈伯煒), aged 48, was appointed as an executive Director on 23 November 2011 and as the Chairman of the Company on 8 May 2013. He is also the chairman of the corporate governance committee of the Company (the "CG Committee"), and a director of certain subsidiaries of the Company. He has extensive experience in finance and management. He obtained a master's degree in business administration from Guanghua Management School of Peking University. Mr. Jia has over 26 years of working experience.

Mr. Lam Kwan Sing (林君誠), aged 45, was appointed as an executive Director on 13 February 2012 and as the Chief Executive Officer of the Company on 8 May 2013. He is a member of each of the CG Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company, and a director of certain subsidiaries of the Company. He was graduated from the City University of Hong Kong with a degree in Bachelor of Arts in Accountancy. He has more than 16 years of experience in the commercial and corporate finance field. Mr. Lam is currently a director of China National Resources, Inc., a company listed on NASDAQ since 2003, and an executive director of China Smarter Energy Group Holdings Limited (formerly known as Rising Development Holdings Limited) (stock code: 1004) and an independent non-executive director of Hao Tian Development Group Limited (stock code: 474), companies listed on the Stock Exchange.

Mr. Wang Jun (汪俊), aged 33, was appointed as an executive Director on 24 January 2014. He is a member of the CG Committee. He graduated from Chongqing Normal University majoring in finance. Mr. Wang held senior management positions in various private companies. He has extensive experience in public relations, leadership, management and business development strategies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yau Yan Ming Raymond (邱恩明), aged 46, was appointed as an independent non-executive Director on 6 October 2014. He is the chairman of each of the audit committee of the Company (the "Audit Committee"), the Remuneration Committee and the Nomination Committee. He has over 18 years of work experience in auditing, accounting, taxation, company secretarial, corporate finance and financial management, in both private and listed companies. Mr. Yau is an associate member of both the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Yau is also a fellow member of the Taxation Institute of Hong Kong. Mr. Yau holds a master degree in Science majoring in Japanese business studies and bachelor degree in Business Administration majoring in accounting in the United States of America. He is currently an independent non-executive director of Willie International Holdings Limited (stock code: 273), Chanceton Financial Group Limited (stock code: 8020), Tack Fiori International Group Limited (stock code: 928), and an executive director and the company secretary of Chinese Energy Holdings Limited (stock code: 8009), all of which are listed on the Stock Exchange. He was an independent non-executive director of Birmingham International Holdings Limited (stock code: 2309) for the period from October 2007 to May 2013, and an executive director and the chief executive officer of Capital VC Limited (stock code: 2324) for the period from March 2012 to May 2012 and for the period from May 2012 to January 2014 respectively. Mr. Yau is currently a president of M&A Department of China Best Group Holding Limited (Stock Code: 370), a company listed on the Stock Exchange.

BIOGRAPHIES OF DIRECTORS

Ms. Hu Gin Ing (胡競英), aged 56, was appointed as an independent non-executive Director on 12 March 2011. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Hu holds a master degree in business administration from Florida International University, United States of America ("U.S.A."), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in U.S.A. Ms. Hu currently holds the position of Corp. CFO, Global Finance, of Acer Incorporated (Taiwan stock code: 2353), a company listed on the Taiwan Stock Exchange. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She has been an independent director of Arich Enterprise Co. Ltd. (Taiwan stock code: 4173), a company listed on the Taiwan Stock Exchange since December 2012, and an independent non-executive director of United Pacific Industries limited (stock code: 176) since November 2013, an independent non-executive director of Carnival Group International Holdings Limited (stock code: 996) since December 2013, and an independent non-executive director of LVGEM (China) Real Estate Investment Company Limited (formerly known as New Heritage Holdings Limited) (stock code: 95) since May 2014, companies listed on the Stock Exchange. She was a director of Gigamedia Limited (shares of which are traded on NASDAQ in U.S.A. under the ticker symbol of GIGM) from July 2003 to October 2013, an independent director of Evendata Holding Company Limited, a company which was previously listed on the Taiwan Stock Exchange, from April 2011 to May 2013, and a non-executive director of SMI Culture Group Holdings Limited (formerly known as Qin Jia Yuan Media Services Company Limited) (stock code: 2366), a company listed on the Stock Exchange, from 27 August 2013 to 31 October 2014. She has over 20 years of experience in accounting and finance.

Mr. Liu Kam Lung (廖金龍), aged 51, was appointed as an independent non-executive Director on 28 January 2015. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He has over 24 years of experience in the financial industry. Mr. Liu obtained a Diploma of Business Administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1990. Mr. Liu was admitted as an associate of The Institute of Chartered Secretaries and Administrators of the United Kingdom, an associate of The Hong Kong Institute of Chartered Secretaries, an associate of Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants, a full member of the Society of Registered Financial Planners and an associate of the Taxation Institute of Hong Kong in 1993, 1994, 1995, 1999, 2009 and 2010 respectively.

Mr. Liu is currently the chief executive officer of China Rise Finance Group Company Limited, being a member of Symphony Holdings Limited (stock code: 1223), a non-executive director of Megalogic Technology Holdings Limited (stock code: 8242) and an independent non-executive director of Pak Tak International Limited (stock code: 2668), companies listed on the Stock Exchange.

Mr. Liu had been a non-executive director of Kith Holdings Limited (stock code: 1201) for the period from October 2010 to June 2013, and an executive director, finance director, company secretary and authorized representative of Megalogic Technology Holdings Limited (stock code: 8242) for the period from March 2011 to October 2014, companies listed on the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2014, the Group recorded a turnover of approximately RMB333,385,000 (2013: RMB181,267,000), of which turnover from (i) software maintenance and other services amounted to approximately RMB305,018,000 (2013: RMB160,559,000); (ii) sale of software products and others amounted to approximately RMB9,923,000 (2013: RMB7,812,000); and (iii) net realised and unrealised gains of approximately RMB18,444,000 (2013: RMB12,896,000) on trading securities.

Gross Profit

For the year ended 31 December 2014, the Group recorded a gross profit of approximately RMB71,279,000 (2013: RMB59,106,000). However, the gross profit ratio in software business was decreased due to the decrease in contract price to increase the market share of software business in the PRC.

Other Net Losses

For the year ended 31 December 2014, no other net losses was recognised (2013: net exchange loss of RMB891,000).

Distribution Expenses

For the year ended 31 December 2014, distribution expenses were approximately RMB20,632,000 (2013: RMB15,433,000). The increase in distribution expenses was mainly due to the increase in staff costs of the software business in the PRC during the year.

General and Administrative Expenses

For the year ended 31 December 2014, general and administrative expenses were approximately RMB28,074,000 (2013: RMB22,493,000). The increase in general and administrative expenses was mainly due to the increase in directors' remuneration and rental expenses during the year.

Finance Costs

For the year ended 31 December 2014, finance costs were approximately RMB868,000 (2013: RMB443,000). The increase in finance costs was due to the increase in borrowings and issued a promissory note during the year.

Profit for the Year

For the year ended 31 December 2014, the Group recorded a profit for the year of approximately RMB17,979,000 (2013: RMB16,005,000). The increase in profit for the year was due to the increase in the realised gain on trading securities.

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2014, the Group maintained cash and cash equivalents amounted to approximately RMB57,501,000 (2013: RMB49,337,000). As at 31 December 2014, the Group's current ratio was approximately 4.81 times (2013: 5.77 times); and the Group's net gearing ratio as at 31 December 2014 was not applicable (2013: not applicable), since the Group had cash in excess of interest bearing borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange

The Group's revenue is mainly denominated in Renminbi and no related hedge is required for the time being.

Pledge of Assets

As at 31 December 2014, except for the bank deposits were pledged to secure trade finance facilities to the Group, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings (2013: Nil).

Capital Structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including borrowings, and equity attributable to owners of the Company, comprising issued share capital, share premium, retained earnings and other reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

On 5 September 2014, the Company entered into a placing agreement with Skyway Securities Investment Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed with the Company to place 293,477,920 ordinary shares ("Placing Shares") on a fully underwritten basis to not less than six placees who are independent third parties at the placing price of HK$0.238 per Placing Share. The net price per Placing Share was approximately HK$0.229. On 25 September 2014, the Placing Agent placed 293,477,920 Placing Shares to not less than six placees. The placing provided a good opportunity to raise additional funds to meet the Company's funding needs. The net proceeds of approximately HK$67.25 million was used for general working capital of the Group (including trading of securities).

On 21 October 2014, the Company entered into a subscription agreement with Smart Jump Corporation (the "Subscriber") for the subscription by the Subscriber of 350,000,000 ordinary shares of the Company at HK$0.25 each (the "Subscription"). The net price per share was approximately HK$0.2461. On 17 December 2014, the Subscription was completed and an aggregate of 350,000,000 new shares of the Company were issued and allotted. The Subscription provided a good opportunity to raise additional funds to meet the Company's funding needs, to reduce debt by way of raising funds through equities and strengthen the shareholder base of the Company. The net proceeds of approximately HK$86.15 million were used for repayment of the debt of the Group and general working capital of the Group (including trading of securities).

Significant Investments

On 8 October 2014, the Company and HEC Capital Limited ("HEC") entered into a subscription agreement, pursuant to which HEC has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for, or procure its nominee to subscribe for, 8,000,000 new ordinary shares of HEC at the subscription price of approximately HK$6.00 per ordinary share of HEC for an aggregate consideration of HK$48 million, which has been satisfied by cash payment by the Company to HEC. The subscription shares represent approximately 0.79% of the issued share capital of HEC as enlarged by the subscription. The transaction was completed on 9 October 2014.

Save as disclosed above, the Group has not made any other significant investment for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisition and Disposal of Subsidiaries or Associated Companies

On 27 February 2014, Cosmic Honour Limited ("Cosmic"), a wholly-owned subsidiary of the Company, Safedom Technologies Holding Group Limited ("Safedom"), a company incorporated in the Cayman Islands with limited liability, Mr. Lee Sien (as Safedom's warrantor) and the Company (as Cosmic's warrantor) entered into an acquisition agreement (the "Agreement") pursuant to which, Safedom conditionally agreed to sell and Cosmic conditionally agreed to purchase sale shares and sale debts in Techno Wing Limited at initially an acquisition price of RMB1,155,000,000. The transactions contemplated under the Agreement constituted a very substantial acquisition for the Company and is subject to the approval by the shareholders of the Company. On 30 November 2014, the Agreement was lapsed.

Save as disclosed above, the Group has not made any other material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2014.

Subsequent Event

On 16 February 2015, the Company, Apex Center Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company, Gloss Rise Limited (the "Vendor 1"), Mr. Chu Wai Kit (the "Vendor 2") and Gravitas Group Limited (the "Target Company") entered into an acquisition agreement, pursuant to which the Purchaser has conditionally agreed to acquire and, the Vendor 1 and the Vendor 2 have conditionally agreed to sell the total of 5,000 ordinary shares of US$1.00 each in the Target Company ("Sale Shares") at consideration of HK$200,000,000, which will be satisfied as to (i) HK$160,000,000 by the issue of the promissory notes in the principal amount of HK$160,000,000 by the Company to the Vendor 1 for the 4,000 Sale Shares; and (ii) HK$40,000,000 by the issue of 307,692,307 new ordinary shares at the issue price of HK$0.13 per share by the Company to the Vendor 2 for the 1,000 Sale Shares. The Target Company and its subsidiaries are principally engaged in mobile marketing business. The transaction constitutes a major transaction of the Company, and completion of which is subject to fulfillment of certain conditions precedent.

Employees and Remuneration Policies

As at 31 December 2014, the Group employed 129 full time employees (31 December 2013: 118). The remuneration package of employees is determined by reference to their performance, experience, their positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains a mandatory provident fund scheme for all qualifying employees in Hong Kong.

Contingent Liabilities

As at 31 December 2014, there was no significant contingent liability (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Final Dividend

The Board did not recommend a final dividend for the year ended 31 December 2014 (2013: Nil).

BUSINESS REVIEW

The Group recorded a turnover of approximately RMB333,385,000 for the year ended 31 December 2014 (2013: RMB181,267,000) due to the continuing growing business in the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC. The Group also provides customised development of applications as a value-added service to customers, and sells self-developed firewall and other software products in the PRC. Moreover, the increase in the profit for the year was due to the realised gain on trading securities. The realised gain on trading securities for the current year was approximately RMB16.87 million.

OUTLOOK AND FUTURE BUSINESS STRATEGIES

We have a large client base in the PRC who use Oracle's databases and an experienced technical team which can provide prompt and effective services and develop services.

Apart from our existing Software Business, the Group entered into an acquisition agreement in February 2015 for a mobile marketing business (the "Acquisition").

In view of the rapid growing internet penetration and the expansion of smartphone market, the Directors consider that there will be a growing popularity of mobile marketing together with the surge in demand of various mobile applications.

In order to maintain the Group's sustainability and preservation of value over the longer term, the Group will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can bring return to the shareholders of the Company. The Directors consider the Acquisition is in line with the Group's business diversification strategy above and represents an attractive investment opportunity for the Group to further expand and diversify its business portfolio and tap into the mobile marketing industry with growth potential so as to generate diversified income and additional cashflow.

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA

	For the year ended 31 December				
	2014	**2013**	2012	2011	2010
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**333,385**	**181,267**	131,995	128,788	39,522
Cost of sales	**(262,106)**	**(122,161)**	(98,777)	(95,185)	(26,386)
Gross profit	**71,279**	**59,106**	33,218	33,603	13,136
Profit/(loss) from continuing operations	**17,979**	**16,005**	(29,923)	16,137	(285)
(Loss)/profit from discontinued operations	**–**	**–**	–	(5,214)	77,498
Profit/(loss) for the year	**17,979**	**16,005**	(29,923)	10,923	77,213
Profit attributable to non-controlling interests	**6,507**	**7,211**	–	–	–
Profit/(loss) for the year attributable to equity shareholders of the Company	**11,472**	**8,794**	(29,923)	10,923	77,213
Basic and diluted earnings/(losses) per share (RMB) – from continuing and discontinued operations	**0.0074**	**0.0060**	(0.0233)	0.01	0.13

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	At 31 December				
	2014	**2013**	2012	2011	2010
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**75,043**	**26,211**	28,393	31,520	33,303
Assets classified as held for distribution	**–**	**–**	–	–	3,223,865
Current assets	**321,703**	**198,643**	122,076	65,851	3,281,578
Liabilities classified as held for distribution	**–**	**–**	–	–	(2,517,214)
Current liabilities	**(66,830)**	**(34,455)**	(25,851)	(7,928)	(2,528,032)
Net current assets	**254,873**	**164,188**	96,225	57,923	753,546
Total assets less current liabilities	**329,916**	**190,399**	124,618	89,443	786,849
Non-current liabilities	**–**	**–**	–	(59,658)	(77,287)
Net assets	**329,916**	**190,399**	124,618	29,785	709,562
Total equity attributable to equity shareholders of the Company	**257,761**	**124,752**	124,618	29,785	709,562
Non-controlling interests	**72,155**	**65,647**	–	–	–
Total equity	**329,916**	**190,399**	124,618	29,785	709,562

	At 31 December				
	2014	**2013**	2012	2011	2010
Profitability ratios					
Return on shareholder's equity *(Note 1)*	**6.91%**	**10.16%**	(38.76%)	2.95%	11.51%
Return on assets *(Note 2)*	**5.78%**	**8.53%**	(24.15%)	0.64%	2.60%
Liquidity ratios					
Current ratio *(Note 3)*	**481.38%**	**576.53%**	472.23%	830.61%	129.81%
Receivables turnover days *(Note 4)*	**67.96**	**76.31**	77.60	53.35	53.02
Inventory turnover days *(Note 5)*	**1.73**	**4.19**	8.67	18.93	11.84
Payable turnover days *(Note 6)*	**31.36**	**19.48**	8.88	12.35	45.29
Capital adequacy ratios					
Net gearing ratio *(Note 7)*	**N/A**	**N/A**	N/A	50.65%	16.90%

(Note 1) Profit(loss) for the year divided by average total equity and multiplied by 100%.
(Note 2) Profit(loss) for the year divided by average total assets and multiplied by 100%.
(Note 3) Current assets divided by current liabilities and multiplied by 100%.
(Note 4) Balance of average trade receivables and bills divided by turnover of the year and multiplied by 365 days.
(Note 5) Average inventory balance divided by cost of sales of the year and multiplied by 365 days.
(Note 6) Balance of average trade payables and bills divided by cost of sales of the year and multiplied by 365 days.
(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total equity and multiplied by 100%.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance. During the year ended 31 December 2014, the Company was in compliance with all code provisions set out in the CG Code except for the deviations from code provisions A.4.1 and D.1.4 of the CG Code, which are explained below.

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term and subject to re-election. The term of appointment of Ms. Hu Gin Ing, an independent non-executive Director, expired in year 2013 and thereafter she is not appointed for a specific term, but she is subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the "Articles").

Code provision D.1.4 of the CG Code requires that, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Jia Bowei, an executive Director and the Chairman of the Company, Ms. Hu Gin Ing, an independent non-executive Director, and Mr. Lam Ting Lok and Mr. Zhang Xiaoman, former independent non-executive Directors resigned on 6 October 2014 and 28 January 2015 respectively. However, they are subject to retirement by rotation at least once in every three years in accordance with the Articles. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Jia Bowei *(Chairman)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Wang Jun

Independent Non-Executive Directors

Mr. Yau Yan Ming Raymond
Ms. Hu Gin Ing
Mr. Liu Kam Lung

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 4 and 5 under the section headed "Biographies of Directors".

CORPORATE GOVERNANCE REPORT

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2014 to the Company.

The individual training record of each Director received for the year ended 31 December 2014 is set out below:

Name of Director	Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/director's duties
Executive Directors	
– Mr. Jia Bowei *(Chairman)*	✓
– Mr. Lam Kwan Sing *(Chief Executive Officer)*	✓
– Mr. Wang Jun *(Note 1)*	✓
Independent Non-executive Directors	
– Mr. Yau Yan Ming Raymond *(Note 2)*	✓
– Mr. Liu Kam Lung *(Note 3)*	✓
– Ms. Hu Gin Ing	✓

Notes:

1. Mr. Wang Jun was appointed as an executive Director on 24 January 2014.

2. Mr. Yau Yan Ming Raymond was appointed as an independent non-executive Director on 6 October 2014.

3. Mr. Liu Kam Lung was appointed as an independent non-executive Director on 28 January 2015.

Chairman and Chief Executive Officer

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Jia Bowei ("Mr. Jia") is the Chairman and Mr. Lam Kwan Sing ("Mr. Lam") is the Chief Executive Officer of the Company. Mr. Jia is in charge of the management of the Board and strategic planning of the Group. Mr. Lam is responsible for the day-to-day management of the Group's business. The Company considered that the division of responsibilities between the chairman and chief executive officer is clearly established.

Non-executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, finance and law. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his/her independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

Ms. Hu Gin Ing, an independent non-executive Director, was appointed for a term of one year from 12 March 2011, which was automatically renewable for successive term of one year upon the expiry of the said term. The term of appointment of Ms. Hu expired in year 2013 and thereafter she is not appointed for a specific term, but she is subject to retirement by rotation in accordance with the Articles.

Mr. Yau Yan Ming Raymond and Mr. Liu Kam Lung, independent non-executive Directors, were appointed for a term of one year from 6 October 2014 and 28 January 2015 respectively, which is automatically renewable for successive term of one year upon the expiry of the said terms. They are also subject to retirement by rotation in accordance with the Articles.

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 27 August 2013 (the "Policy") which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board delegated certain duties under the Policy to the Nomination Committee. The Nomination Committee will discuss and review the measurable objectives for implementing the Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results. During the year ended 31 December 2014, the Board held 6 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Directors	Number of attendance
Executive Directors	
– Mr. Jia Bowei *(Chairman)*	6/6
– Mr. Lam Kwan Sing *(Chief Executive Officer)*	6/6
– Mr. Wang Jun *(Note 1)*	6/6
– Mr. King Pak Fu *(Note 2)*	N/A
Independent Non-executive Directors	
– Mr. Lam Ting Lok *(Note 3)*	3/4
– Mr. Yau Yan Ming Raymond *(Note 4)*	2/2
– Mr. Liu Kam Lung *(Note 5)*	N/A
– Ms. Hu Gin Ing	4/6
– Mr. Zhang Xiaoman *(Note 6)*	6/6

Notes:

1. Mr. Wang Jun was appointed as an executive Director on 24 January 2014, and 6 Board meetings were held after his appointment.

2. Mr. King Pak Fu resigned as an executive Director on 24 January 2014, and no Board meeting was held before his resignation.

3. Mr. Lam Ting Lok resigned as an independent non-executive Director on 6 October 2014, and 4 Board meetings were held before his resignation.

4. Mr. Yau Yan Ming Raymond was appointed as an independent non-executive Director on 6 October 2014, and 2 Board meetings were held after his appointment.

5. Mr. Liu Kam Lung was appointed as an independent non-executive Director on 28 January 2015.

6. Mr. Zhang Xiaoman resigned as an independent non-executive Director on 28 January 2015.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

General Meetings

During the year ended 31 December 2014, 2 general meetings of the Company, being the 2014 annual general meeting ("2014 AGM") and the extraordinary general meeting held on 16 May 2014 and 12 December 2014 respectively, were held.

Name of Directors	Number of attendance
Executive Directors	
– Mr. Jia Bowei *(Chairman)*	2/2
– Mr. Lam Kwan Sing *(Chief Executive Officer)*	2/2
– Mr. Wang Jun *(Note 1)*	2/2
– Mr. King Pak Fu *(Note 2)*	N/A
Independent Non-executive Directors	
– Mr. Lam Ting Lok *(Note 3)*	1/1
– Mr. Yau Yan Ming Raymond *(Note 4)*	1/1
– Mr. Liu Kam Lung *(Note 5)*	N/A
– Ms. Hu Gin Ing	2/2
– Mr. Zhang Xiaoman *(Note 6)*	2/2

Notes:

1. Mr. Wang Jun was appointed as an executive Director on 24 January 2014, and 2 general meetings were held after his appointment.

2. Mr. King Pak Fu resigned as an executive Director on 24 January 2014, and no general meeting was held before his resignation.

3. Mr. Lam Ting Lok resigned as an independent non-executive Director on 6 October 2014, and 1 general meeting was held before his resignation.

4. Mr. Yau Yan Ming Raymond was appointed as an independent non-executive Director on 6 October 2014, and 1 general meeting was held after his appointment.

5. Mr. Liu Kam Lung was appointed as an independent non-executive Director on 28 January 2015.

6. Mr. Zhang Xiaoman resigned as an independent non-executive Director on 28 January 2015.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The Company established the Nomination Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Yau Yan Ming Raymond (as chairman), Ms. Hu Gin Ing and Mr. Liu Kam Lung, and one executive Director, namely Mr. Lam Kwan Sing.

The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the CG Code.

The function of the Nomination Committee are to review and monitor the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; to review the Policy, and review the measurable objectives that the Board has set for implementing the Policy, and the progress on achieving the objective; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

During the year ended 31 December 2014, the Nomination Committee held 2 meetings to assess the independence of the independent non-executive Directors; to consider the re-election of Directors; to review the composition of the Board; and to consider and make recommendation to the Board on the appointment of Director(s).

Name of Members	**Number of attendance**
– Mr. Lam Ting Lok *(former chairman) (Note 1)*	1/1
– Mr. Yau Yan Ming Raymond *(chairman) (Note 2)*	N/A
– Mr. Lam Kwan Sing	2/2
– Ms. Hu Gin Ing	2/2
– Mr. Zhang Xiaoman *(Note 3)*	1/2
– Mr. Liu Kam Lung *(Note 4)*	N/A

Notes:

1. Mr. Lam Ting Lok ceased to act as the chairman on 6 October 2014, and 1 meeting was held before his resignation.

2. Mr. Yau Yan Ming Raymond was appointed as the chairman on 6 October 2014, and no meeting was held after his appointment.

3. Mr. Zhang Xiaoman ceased to act as a member on 28 January 2015.

4. Mr. Liu Kam Lung was appointed as a member on 28 January 2015.

During the year ended 31 December 2014, apart from the meetings held for the above, the Nomination Committee by passing of written resolutions made recommendation to the Board on the appointment of Director(s).

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Yau Yan Ming Raymond (as chairman), Ms. Hu Gin Ing and Mr. Liu Kam Lung, and one executive Director, namely Mr. Lam Kwan Sing.

The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the CG Code.

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

During the year ended 31 December 2014, the Remuneration Committee held 2 meetings to review the remuneration of Directors and senior management; and to consider and make recommendation to the Board on the remuneration of new Director(s).

Name of Members	Number of attendance
– Mr. Lam Ting Lok *(form chairman) (Note 1)*	1/1
– Mr. Yau Yan Ming Raymond *(chairman) (Note 2)*	N/A
– Mr. Lam Kwan Sing	2/2
– Ms. Hu Gin Ing	2/2
– Mr. Zhang Xiaoman *(Note 3)*	1/2
– Mr. Liu Kam Lung *(Note 4)*	N/A

Notes:

1. Mr. Lam Ting Lok ceased to act as the chairman on 6 October 2014, and 1 meeting was held before his resignation.

2. Mr. Yau Yan Ming Raymond was appointed as the chairman on 6 October 2014, and no meeting was held after his appointment.

3. Mr. Zhang Xiaoman ceased to act as a member on 28 January 2015.

4. Mr. Liu Kam Lung was appointed as a member on 28 January 2015.

During the year ended 31 December 2014, apart from the meetings held for the above, the Remuneration Committee by passing of written resolutions made recommendation to the Board on the remuneration of new Director(s).

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in notes 8 and 9 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Yau Yan Ming Raymond (as chairman), Ms. Hu Gin Ing and Mr. Liu Kam Lung.

The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2014, the Audit Committee held 2 meetings. Each committee meeting has been supplied with necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted.

Name of Members	**Number of attendance**
– Mr. Lam Ting Lok *(former chairman) (Note 1)*	2/2
– Mr. Yau Yan Ming Raymond *(chairman) (Note 2)*	N/A
– Ms. Hu Gin Ing	2/2
– Mr. Zhang Xiaoman *(Note 3)*	2/2
– Mr. Liu Kam Lung *(Note 4)*	N/A

Notes:

1. Mr. Lam Ting Lok ceased to act as the chairman on 6 October 2014, and 2 meetings were held before his resignation.

2. Mr. Yau Yan Ming Raymond was appointed as the chairman on 6 October 2014, and no meeting was held after his appointment.

3. Mr. Zhang Xiaoman ceased to act as a member on 28 January 2015.

4. Mr. Liu Kam Lung was appointed as a member on 28 January 2015.

During the year ended 31 December 2014, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out annually.

CORPORATE GOVERNANCE COMMITTEE

The Company established the CG Committee with written terms of reference on 16 March 2012 and currently consists of three executive Directors, namely Mr. Jia Bowei (as chairman), Mr. Lam Kwan Sing and Mr. Wang Jun.

Terms of reference adopted by the CG Committee is aligned with the code provisions set out in the CG Code. The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2014, the CG Committee held 1 meeting to review the training and continuous professional development of Directors; and to review the Company's compliance with the CG Code.

Name of Members	Number of attendance
– Mr. Jia Bowei *(chairman)*	1/1
– Mr. Lam Kwan Sing	1/1
– Mr. Wang Jun	1/1

INVESTMENT COMMITTEE

The Company established an investment committee (the "Investment Committee") with written terms of reference on 2 April 2012 and currently consists of two executive Directors, namely Mr. Jia Bowei and Mr. Lam Kwan Sing.

The functions of the Investment Committee are to set investment policies in compliance with the Listing Rules and make all investment decisions based on reports, advices and recommendations from professional financial advisers in accordance with the Group's investment objectives and policies and to address and deal with such other matters relating to investments as directed by the Board from time to time.

EXTERNAL AUDITORS

KPMG resigned as auditors of the Company with effect from 17 July 2012 and HLB Hodgson Impey Cheng Limited were appointed as auditors of the Company on 17 July 2012 to fill the casual vacancy so arising. Save as aforesaid, there has been no other change of auditors in the past three years.

The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguard independence of the auditors, and it has:

- determined the framework for the type and authorisation of non-audit services for which the external auditors may provide; and

- agreed with the Board on the policy relating to the hiring of employees or former employees of the external auditors and monitored the applications of such policy.

During 2014, the fees paid to the Company's external auditors for providing audit and non-audit services (mainly included interim review and acting as reporting accountants in connection with the proposed acquisition) were approximately RMB713,000 and RMB792,000 respectively.

The Group has not employed any staff who was formerly involved in the Group's statutory audit.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment.

Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Mr. Lam Kwan Sing, an executive Director and the Chief Executive Officer of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and the Companies Law (2013 Revision) of the Cayman Islands. The procedures shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of the forthcoming annual general meeting of the Company will be vote by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;

- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Mr. Lam Ting Lok, the former chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, attended the 2014 AGM to answer questions of the meeting and collect views of shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2014, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

INTERNAL CONTROL

Management had implemented a system of internal control to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2014, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2014.

DIRECTORS' REPORT

The Board of Directors has pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 35 to 98.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Thursday, 21 May 2015 ("2015 AGM"), the register of members of the Company will be closed from Wednesday, 20 May 2015 to Thursday, 21 May 2015, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 19 May 2015.

DISTRIBUTABLE RESERVES

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB212,214,000 (2013: RMB103,440,000).

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles 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 existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 10 and 11 of this report.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2013: Nil).

FIXED ASSETS

Details of movements in fixed assets are set out in note 13 to the consolidated financial statements.

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors	
– Mr. Jia Bowei *(Chairman)*	
– Mr. Lam Kwan Sing *(Chief Executive Officer)*	
– Mr. Wang Jun	(appointed on 24 January 2014)
– Mr. King Pak Fu	(resigned on 24 January 2014)
Independent Non-executive Directors	
– Mr. Lam Ting Lok	(resigned on 6 October 2014)
– Mr. Yau Yan Ming Raymond	(appointed on 6 October 2014)
– Mr. Liu Kam Lung	(appointed on 28 January 2015)
– Ms. Hu Gin Ing	
– Mr. Zhang Xiaoman	(resigned on 28 January 2015)

In accordance with the Article 86(3) of the Articles, Mr. Yau Yan Ming Raymond and Mr. Liu Kam Lung, being Directors appointed after the 2014 AGM, shall retire from office as Directors and, being eligible, offer themselves for re-election at the 2015 AGM.

In accordance with Article 87 of the Articles, Mr. Wang Jun and Ms. Hu Gin Ing shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the 2015 AGM.

DIRECTORS' SERVICE CONTRACTS

Ms. Hu Gin Ing, an independent non-executive Director, signed an appointment letter issued the Company on 11 March 2011 for an initial term of one year commenced on 12 March 2011, which was automatically renewable for successive term of one year upon the expiry of the said term. The terms of appointment of Ms. Hu expired in year 2013, and thereafter she is not appointed for a specific term. Ms. Hu is subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Yau Yan Ming Raymond, an independent non-executive Director, signed an appointment letter issued by the Company on 6 October 2014 for an initial term of one year commencing on 6 October 2014, which is automatically renewable for successive term of one year upon the expiry of the said term. The appointment of Mr. Yau can be terminated by one month's advance notice in writing by either party. Mr. Yau is subject to retirement at the next following annual general meeting of the Company after his appointment and thereafter subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Liu Kam Lung, an independent non-executive Director, signed an appointment letter issued by the Company on 28 January 2015 for an initial term of one year commencing on 28 January 2015, which is automatically renewable for successive term of one year upon the expiry of the said term. The appointment of Mr. Liu can be terminated by one month's advance notice in writing by either party. Mr. Liu is subject to retirement at the next following annual general meeting of the Company after his appointment and thereafter subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Lam Kwan Sing, an executive Director, entered into a service agreement with the Company on 13 February 2012. He has no fixed term of service with the Company but he is subject to retirement by rotation at least once in every three years in accordance with the Articles. The appointment of Mr. Lam can be terminated by one month's advance notice in writing by either party.

Mr. Wang Jun, an executive Director, entered into a service agreement with the Company on 24 January 2014 for a term of three years commencing from 24 January 2014. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles. The appointment of Mr. Wang can be terminated by one month's advance notice in writing by either party.

None of the Directors who are proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

SHARE OPTION SCHEME

The Company has approved the adoption of the Share Option Scheme (the "Scheme") on 18 December 2006. Pursuant to the Scheme, the Board may, at its discretion, grant options to any directors or eligible parties (as defined in the Scheme) for subscription of the Company's shares as incentive to retain talents in the Group. The Company has not granted any option since adoption of the Scheme.

The principal terms of the Scheme are summarised as follows:

(1) The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company shall not exceed 10% in the nominal value of the aggregate of shares in issue on 11 January 2007, i.e. the date of listing of the shares of the Stock Exchange, being 60,000,000 shares, unless the Company obtains a fresh approval from the shareholders, and which must not in aggregate exceed 30% of the shares in issue from time to time.

    As at the date of this report, the total number of shares available for issue under the Scheme is 60,000,000 shares, which represents 2.84% of the existing issued shares.

(2) The total number of shares which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company to each grantee in any 12-month period shall not exceed 1% of the shares in issue for the time being.

(3) The subscription price shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(4) An option may be exercised in accordance with the terms of the Scheme at any time after the date the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may exercise will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(5) Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(6) Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 18 December 2006.

Details of the Scheme are set out in the Prospectus of the Company dated 28 December 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2014, none of the Directors or chief executives of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2014, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

1. Aggregate long position in the shares and underlying shares of the Company

Name	Nature of interest	*Notes*	Number of ordinary shares of the Company held	Approximate percentage of the Company's issued share capital
Affluent Start Holdings Investment Limited	Beneficial owner	*1*	604,355,000	28.63
King Pak Fu	Interest of controlled corporation	*1*	604,355,000	28.63

Name	Nature of interest	*Notes*	Number of ordinary shares of the Company held	Approximate percentage of the Company's issued share capital
Superbowl Development Limited	Beneficial owner	*2*	200,000,000	9.47
Chen Jianjun	Interest of controlled corporation	*2*	200,000,000	9.47
Smart Jump Corporation	Beneficial owner	*3*	350,000,000	16.58

Notes:

(1) The entire issued share capital of Affluent Start Holdings Investment Limited ("Affluent Start") is beneficially owned by Mr. King Pak Fu. Therefore, Mr. King is deemed to be interested in these 604,355,000 ordinary shares of the Company held by Affluent Start.

(2) The entire issued share capital of Superbowl Development Limited ("Superbowl") is beneficially owned by Mr. Chen Jianjun. Therefore, Mr. Chen is deemed to be interested in these 200,000,000 ordinary shares of the Company held by Superbowl.

(3) The entire issued share capital of Smart Jump Corporation is held by Fu Securities Limited, which is in turn wholly-owned by Freeman United Investments Limited, which is in turn wholly-owned by Ambition Union Limited, which is owned as to 76% by Freeman United Investments Limited and 24% by Freeman Corporation Limited (65.2% equity interest of which are held by Freeman Financial Investment Corporation, which is in turn wholly-owned by Freeman Financial Corporation Limited).

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2014, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2014.

DIRECTORS' REPORT

SUBSIDIARIES

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

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2014 are set out in note 24 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2014 are set out in note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for 91% in value of total purchases during the year ended 31 December 2014, while contracts with the Group's largest supplier by value, accounted for 78% in value of total purchases during the year ended 31 December 2014. Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover during the year ended 31 December 2014.

Save as disclosed above, none of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

HUMAN RESOURCES AND STAFF REMUNERATION

The Group has a dedicated management team with extensive experience and extensive service, and has a technological talent team with high technological standard and abundant practicable experience. They are the force for the rapid growth and expansion of the Group since its establishment.

For the year ended 31 December 2014, total staff cost for the year was approximately RMB27,921,000, of which contributions to defined contribution retirement schemes were approximately RMB2,470,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

The Company's subsidiaries in the PRC provide retirement, medical, employment injury, unemployment and maternity benefits to its employees in accordance with a state-managed social welfare scheme operated by the local government of the PRC, and the relevant PRC rules and regulations. At the same time, the employees of the Company's subsidiaries in the PRC are members of a long-term dormitory provident fund scheme operated by the local government of the PRC. According to the scheme, the Group provides dormitory provident fund to the employees in the PRC in accordance with the relevant PRC rules and regulations.

DIRECTORS' REPORT

Certain executive Directors and members of the senior management of the Group, being non-PRC citizens, may elect not to participate in the state-managed social welfare scheme operated by the local government of the PRC. If there is any change in the PRC rules and regulations with respect to the retirement scheme upon which the Group is required to contribute to the social welfare scheme for non-PRC citizens, the Group shall comply with such new rules and regulations within the time limit prescribed by the relevant authorities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yau Yan Ming Raymond (as chairman), Ms. Hu Gin Ing and Mr. Liu Kam Lung.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2014.

AUDITORS

KPMG resigned as auditors of the Company on 17 July 2012, and HLB Hodgson Impey Cheng Limited was appointed as auditors of the Company to fill the vacancy arising from the resignation of KPMG on 17 July 2012. Save as disclosed above, there was no change in auditor during the past three years.

A resolution will be submitted to the 2015 AGM to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

On behalf of the Board
Enterprise Development Holdings Limited
Jia Bowei
Chairman

Hong Kong, 23 March 2015

INDEPENDENT AUDITORS' REPORT

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

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

TO THE SHAREHOLDERS OF
ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Enterprise Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 98, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 23 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	*3*	**333,385**	181,267
Cost of sales		**(262,106)**	(122,161)
Gross profit		**71,279**	59,106
Other revenue	*4*	**66**	201
Other net losses	*5*	**–**	(891)
Distribution expenses		**(20,632)**	(15,433)
General and administrative expenses		**(28,074)**	(22,493)
Other operating expenses		**(49)**	(20)
Profit from operations		**22,590**	20,470
Finance costs	*6(i)*	**(868)**	(443)
Profit before taxation	*6*	**21,722**	20,027
Income tax expense	*7*	**(3,743)**	(4,022)
Profit for the year	*10*	**17,979**	16,005
Attributable to:			
Equity shareholders of the Company		**11,472**	8,794
Non-controlling interests		**6,507**	7,211
Profit for the year		**17,979**	16,005
Basic and diluted earnings per share (RMB)	*12*	**0.0074**	0.0060

The notes on pages 42 to 98 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *RMB'000*	2013 *RMB'000*
Profit for the year	**17,979**	16,005
Other comprehensive income/(expenses) for the year (after tax)		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of overseas operations	**291**	(224)
Total comprehensive income for the year	**18,270**	15,781
Attributable to:		
Equity shareholders of the Company	**11,762**	8,574
Non-controlling interests	**6,508**	7,207
Total comprehensive income for the year	**18,270**	15,781

The notes on pages 42 to 98 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	13	**1,819**	2,177
Intangible assets	14	**2,815**	4,147
Goodwill	16	**19,541**	19,541
Available-for-sale securities	17	**49,788**	–
Pledged bank deposits	22	**734**	–
Deferred tax assets	25	**346**	346
		75,043	26,211
Current assets			
Inventories	18	**1,239**	1,239
Trade and other receivables	19	**192,434**	119,277
Amounts due from non-controlling interests	20	**393**	–
Trading securities	21	**70,136**	28,790
Cash and cash equivalents	22	**57,501**	49,337
		321,703	198,643
Current liabilities			
Trade and other payables	23	**51,230**	24,359
Borrowings	24	**11,321**	5,127
Income tax payables	7	**4,279**	4,969
		66,830	34,455
Net current assets		**254,873**	164,188
Total assets less current liabilities		**329,916**	190,399
Net assets		**329,916**	190,399
Capital and reserves			
Share capital	26(b)	**18,194**	13,109
Reserves	26(c)	**239,567**	111,643
Total equity attributable to equity shareholders of the Company		**257,761**	124,752
Non-controlling interests		**72,155**	65,647
Total equity		**329,916**	190,399

Approved and authorised for issue by the Board of Directors on 23 March 2015.

Jia Bowei
Director

Lam Kwan Sing
Director

The notes on pages 42 to 98 form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Amounts due from subsidiaries	*15*	**198,955**	112,856
Current assets			
Deposits and other receivables	*19*	**2,411**	227
Cash and cash equivalents	*22*	**26,870**	276
		29,281	503
Current liabilities			
Other payables and accrued expenses	*23*	**712**	369
Net current assets		**28,569**	134
Total assets less current liabilities		**227,524**	112,990
Net assets		**227,524**	112,990
Capital and reserves			
Share capital	*26(b)*	**18,194**	13,109
Reserves	*26(c)*	**209,330**	99,881
Total equity		**227,524**	112,990

Approved and authorised for issue by the Board of Directors on 23 March 2015.

Jia Bowei
Director

Lam Kwan Sing
Director

The notes on pages 42 to 98 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Other reserve	PRC statutory reserve	Exchange reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 26(b)	Note 26(c)(i)		Note 26(c)(ii)	Note 26(c)(iii)				
Balance at 1 January 2013	13,109	128,032	–	1,741	321	(18,585)	124,618	–	124,618
Change in equity for 2013:									
Profit for the year	–	–	–	–	–	8,794	8,794	7,211	16,005
Other comprehensive expense	–	–	–	–	(220)	–	(220)	(4)	(224)
Total comprehensive (expense)/income for the year	–	–	–	–	(220)	8,794	8,574	7,207	15,781
Changes in ownership interest in a subsidiary without loss of control	–	–	(8,440)	–	–	–	(8,440)	58,440	50,000
Transfer from retained profits	–	–	–	1,218	–	(1,218)	–	–	–
Balance at 31 December 2013 and 1 January 2014	13,109	128,032	(8,440)	2,959	101	(11,009)	124,752	65,647	190,399
Change in equity for 2014:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**11,472**	**11,472**	**6,507**	**17,979**
Other comprehensive income	**–**	**–**	**–**	**–**	**290**	**–**	**290**	**1**	**291**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**290**	**11,472**	**11,762**	**6,508**	**18,270**
Shares issued	**5,085**	**119,247**	**–**	**–**	**–**	**–**	**124,332**	**–**	**124,332**
Shares issue expenses	**–**	**(3,085)**	**–**	**–**	**–**	**–**	**(3,085)**	**–**	**(3,085)**
Transfer from retained profits	**–**	**–**	**–**	**303**	**–**	**(303)**	**–**	**–**	**–**
Balance at 31 December 2014	**18,194**	**244,194**	**(8,440)**	**3,262**	**391**	**160**	**257,761**	**72,155**	**329,916**

The notes on pages 42 to 98 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
Operating activities			
Profit before taxation		**21,722**	20,027
Adjustments for:			
– Depreciation		**1,167**	1,118
– Amortisation of intangible assets		**1,332**	1,815
– Interest income		**(63)**	(199)
– Net losses on disposal of property, plant and equipment		**40**	47
– Finance costs		**868**	443
Changes in working capital:			
Decrease in inventories		**–**	330
Increase in trading securities		**(41,346)**	(2,887)
Increase in amounts due from non-controlling interests		**(393)**	–
Increase in trade and other receivables		**(73,157)**	(41,940)
Increase in trade and other payables		**26,807**	19,140
Cash used in operations		**(63,023)**	(2,106)
PRC income taxes paid		**(4,433)**	(3,674)
Net cash used in operating activities		**(67,456)**	(5,780)
Investing activities			
Acquisition of property, plant and equipment		**(849)**	(1,001)
Payment for purchase of available-for-sale securities		**(49,788)**	–
Proceeds from disposal of property, plant and equipment		**2**	134
Increase in pledged bank deposits		**(734)**	–
Interest received		**63**	199
Net cash used in investing activities		**(51,306)**	(668)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from new borrowings		**20,190**	13,615
Repayment of borrowings		**(14,000)**	(24,463)
Finance costs paid		**(804)**	(388)
Proceeds from issue of new shares		**124,332**	–
Payments of transaction costs on issue of new shares		**(3,085)**	–
Capital contribution from non-controlling interests		**–**	50,000
Net cash generated from financing activities		**126,633**	38,764
Net increase in cash and cash equivalents		**7,871**	32,316
Cash and cash equivalents at 1 January		**49,337**	17,267
Effect of foreign exchange rate changes		**293**	(246)
Cash and cash equivalents at 31 December	*22*	**57,501**	49,337

The notes on page 42 to 98 form part of these consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Enterprise Development Holdings Limited ("the Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 January 2007.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and related Interpretations, promulgated by the International Accounting Standards Board ("IASB"). These financial statements also complied with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for the current financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi ("RMB"), and rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as trading securities (see note 1(f)) are stated at their fair value as explained in the accounting policies.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discuss below:

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Group does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating units ("CGU") whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's financial statements as the Group does not have impaired non-financial assets.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries and non-controlling interests

Subsidiaries are 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 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

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 year between non-controlling interests and the equity shareholders of the Company.

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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(j)).

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(s)(v) and 1(s)(vi).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(j)). Dividend income from equity securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(s)(v) and 1(s)(vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

(g) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

–	Machinery, equipment and tools	20 years
–	Motor vehicles and other fixed assets	3-8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except for the customer contracts, which are amortised when the economic benefits of the assets are expected to be consumed. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Firewall patents	10 years
–	Customer relationships	4 years

Both the useful life and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group's intangible assets that are determined to have an indefinite useful life comprise trademarks.

(i) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, impairment loss is determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

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

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(j)).

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

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

(ii) Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(q) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the 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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract.

(iii) Sales of standard software and hardware

Sales of standard software and hardware are recognised when the Group has delivered the products to customers; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(iv) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related maintenance and other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a straight-line basis over the service period.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition (continued)

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and RMB respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties (continued)

(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.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors ("Board") 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.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. Net realisable value could change significantly as a result of market conditions. Management reassess the estimation at the end of each reporting period.

(b) Impairment losses on trade and other receivables

As explained in note 30(a), impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would have a significant impact in profit or loss.

(c) Deferred tax assets

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Impairment for non-current assets

The management determines the impairment loss on assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(d) Impairment for non-current assets (continued)

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the fair value less cost to sell and the value in use of the CGU to which these assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are the provision of integrated business software solutions and trading of listed securities (note 3(b)). The amount of each significant category of revenue recognised during the year is as follows:

	2014	2013
	RMB'000	*RMB'000*
Software maintenance and other services	**305,018**	160,559
Sale of software products and others	**9,923**	7,812
Net realised and unrealised gains on trading securities	**18,444**	12,896
	333,385	181,267

(b) Segment reporting

The Group manages its business by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC") and Hong Kong.

- Trading and investment business: Trading securities listed on the Stock Exchange.

3. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “adjusted profit before taxation”. To arrive at adjusted profit before taxation, the Group’s earnings are adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted profit before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

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

3. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2014 and 2013 is set out below.

	Software business		Trading and investment business		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**314,941**	168,371	**16,871**	2,023	**331,812**	170,394
Investment income and net losses	**–**	–	**1,573**	10,873	**1,573**	10,873
Reportable segment revenue	**314,941**	168,371	**18,444**	12,896	**333,385**	181,267
Reportable segment profit (adjusted profit before taxation)	**19,827**	20,499	**17,972**	12,841	**37,799**	33,340
Interest income from bank deposits	**63**	199	**–**	–	**63**	199
Interest expense	**714**	443	**96**	–	**810**	443
Depreciation and amortisation for the year	**2,338**	2,908	**–**	–	**2,338**	2,908
Reportable segment assets	**234,439**	184,491	**70,144**	29,061	**304,583**	213,552
Additions to non-current segment assets during the year	**675**	715	**–**	–	**675**	715
Reportable segment liabilities	**56,043**	22,230	**–**	–	**56,043**	22,230

3. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2014 *RMB'000*	2013 *RMB'000*
Revenue		
Reportable segment revenue	**333,385**	181,267
Profit before taxation		
Reportable segment profit	**37,799**	33,340
Unallocated head office and corporate expenses	**(16,077)**	(13,313)
Consolidated profit before taxation	**21,722**	20,027
Assets		
Reportable segment assets	**304,583**	213,552
Deferred tax assets	**346**	346
Unallocated head office and corporate assets	**91,817**	10,956
Consolidated total assets	**396,746**	224,854
Liabilities		
Reportable segment liabilities	**56,043**	22,230
Unallocated head office and corporate liabilities	**10,787**	12,225
Consolidated total liabilities	**66,830**	34,455

3. TURNOVER AND SEGMENT REPORTING (continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's reportable segment revenue; and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Reportable segment revenue		**Specified non-current assets**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**314,941**	167,772	**23,851**	25,527
Hong Kong	**18,444**	13,495	**324**	338
	333,385	181,267	**24,175**	25,865

For the year ended 31 December 2014, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2013: Nil).

4. OTHER REVENUE

	2014	2013
	RMB'000	*RMB'000*
Interest income from bank deposits	**63**	199
Other	**3**	2
	66	201

5. OTHER NET LOSSES

	2014	2013
	RMB'000	*RMB'000*
Net exchange losses	–	891

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(i) Finance costs

	2014	2013
	RMB'000	*RMB'000*
Interest expenses on borrowings wholly repayable within five years	**810**	443
Interest expenses on promissory note	**58**	–
	868	443

(ii) Staff costs

	2014	2013
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**25,451**	16,008
Contributions to defined contribution retirement schemes *(note 28)*	**2,470**	1,509
	27,921	17,517

6. PROFIT BEFORE TAXATION (continued)

(iii) Other items

	2014 *RMB'000*	2013 *RMB'000*
Cost of inventories *(note 18)*	**8,105**	4,496
Auditors' remuneration – audit services	**713**	718
Depreciation	**1,167**	1,118
Amortisation of intangible assets	**1,332**	1,815
Reversal of write-down of inventories	**–**	(263)
Operating lease charges in respect of properties	**5,054**	2,470
Net losses on disposal of property, plant and equipment	**40**	47

7. INCOME TAX EXPENSE

(i) Income tax expense in the consolidated statement of profit or loss represents:

	2014 *RMB'000*	2013 *RMB'000*
Current tax – PRC		
– Provision for the year	**(3,661)**	(3,980)
– (Under-provision)/Over-provision in respect of prior years	**(82)**	24
	(3,743)	(3,956)
Deferred tax		
– Origination and reversal of temporary difference *(note 25)*	**–**	(66)
	(3,743)	(4,022)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made for the year as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year.

7. INCOME TAX EXPENSE (continued)

(i) Income tax expense in the consolidated statement of profit or loss represents: (continued)

The provision for the PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25%.

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for 2014 and 2013 as it was awarded high-technology status by the tax authority.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2014 and 2013.

(ii) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2014 *RMB'000*	2013 *RMB'000*
Profit before taxation	**21,722**	20,027
Notional tax on profit before taxation, calculated at rate applicable to the Group's profit in the tax jurisdiction concerned (2014 and 2013: 25%)	**(5,431)**	(5,007)
Effect of tax on loss in holding companies	**–**	(89)
Effect of non-deductible expenses	**(2,974)**	(244)
Effect of non-taxable income	**3,035**	2,128
Effect of tax loss not recognised	**–**	(2,040)
Effect of tax concessions	**1,709**	1,206
(Under-provision)/Over-provision in respect of prior years	**(82)**	24
Actual tax expense	**(3,743)**	(4,022)

7. INCOME TAX EXPENSE (continued)

(iii) Taxation in the consolidated statement of financial position represents:

	2014 RMB'000	2013 RMB'000
At 1 January	**4,969**	4,687
Provision for income tax for the year	**3,743**	3,956
Amounts paid	**(4,433)**	(3,674)
At 31 December	**4,279**	4,969

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

Name of directors	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2014 Total RMB'000
Executive directors				
Mr. Jia Bowei *(Chairman)*	–	2,971	13	2,984
Mr. King Pak Fu *(note (a))*	–	40	1	41
Mr. Lam Kwan Sing *(Chief Executive Officer)*	–	975	13	988
Mr. Wang Jun *(note (c))*	–	483	9	492
Independent non-executive directors				
Mr. Lam Ting Lok *(note (d))*	155	–	–	155
Ms. Hu Gin Ing	190	–	–	190
Mr. Yau Yan Ming Raymond *(note (e))*	48	–	–	48
Mr. Zhang Xiaoman *(note (f))*	190	–	–	190
Total	583	4,469	36	5,088

8. DIRECTORS' REMUNERATION (continued)

Name of directors	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	2013 Total *RMB'000*
Executive directors				
Mr. Jia Bowei *(Chairman)*	479	1,077	12	1,568
Mr. King Pak Fu *(note (a))*	–	479	12	491
Mr. Lam Kwan Sing *(Chief Executive Officer)*	–	311	12	323
Mr. Tsang To *(note (b))*	–	170	4	174
Independent non-executive directors				
Mr. Lam Ting Lok *(note (d))*	192	–	–	192
Ms. Hu Gin Ing	192	–	–	192
Mr. Zhang Xiaoman *(note (f))*	192	–	–	192
Total	1,055	2,037	40	3,132

Notes:

(a) Mr. King Pak Fu resigned as an executive director on 24 January 2014.

(b) Mr. Tsang To resigned as an executive director on 8 May 2013.

(c) Mr. Wang Jun was appointed as an executive director on 24 January 2014.

(d) Mr. Lam Ting Lok resigned as an independent non-executive director on 6 October 2014.

(e) Mr. Yau Yan Ming Raymond was appointed as an independent non-executive director on 6 October 2014.

(f) Mr. Zhang Xiaoman resigned as an independent non-executive director on 28 January 2015.

There were no amounts paid during the year (2013: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: one) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2013: four) individuals are as follows:

	2014 *RMB'000*	2013 *RMB'000*
Basic salaries, allowances and other benefits	**2,200**	2,564
Retirement scheme contributions	**45**	61
	2,245	2,625
Number of senior management	**3**	4

The above individuals' emoluments are within the band of Nil to HK$1,000,000.

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join (2013: Nil).

10. PROFIT FOR THE YEAR

The consolidated profit for the year attributable to equity shareholders of the Company includes a loss of approximately RMB7,388,000 (2013: RMB6,502,000) which has been dealt with in the financial statements of the Company (note 26(a)).

11. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2014 (2013: Nil), nor has any dividend been proposed since the end of the reporting period.

12. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB11,472,000 (2013: RMB8,794,000) and the weighted average of 1,560,569,973 (2013: 1,467,389,600) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014 *Number of shares*	2013 *Number of shares*
Ordinary shares issued at 1 January	**1,467,389,600**	1,467,389,600
Effect of placing of new shares *(note 26(b)(i))*	**78,796,811**	–
Effect of subscription shares issued *(note 26(b)(ii))*	**14,383,562**	–
Weighted average number of ordinary shares at 31 December	**1,560,569,973**	1,467,389,600

There were no dilutive potential ordinary shares in issue as at 31 December 2014 (2013: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	The Group		
	Machinery, equipment and tools	Motor vehicles and other fixed assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2013	1,345	3,960	5,305
Exchange adjustments	(5)	–	(5)
Additions	207	794	1,001
Disposals	(389)	(698)	(1,087)
At 31 December 2013 and 1 January 2014	1,158	4,056	5,214
Exchange adjustments	1	1	2
Additions	689	160	849
Disposals	(1,203)	–	(1,203)
At 31 December 2014	645	4,217	4,862
Accumulated depreciation:			
At 1 January 2013	(1,166)	(1,661)	(2,827)
Exchange adjustments	2	–	2
Charge for the year	(311)	(807)	(1,118)
Written back on disposals	370	536	906
At 31 December 2013 and 1 January 2014	(1,105)	(1,932)	(3,037)
Charge for the year	(374)	(793)	(1,167)
Written back on disposals	1,161	–	1,161
At 31 December 2014	(318)	(2,725)	(3,043)
Net book value:			
At 31 December 2014	327	1,492	1,819
At 31 December 2013	53	2,124	2,177

14. INTANGIBLE ASSETS

	The Group				
	Customer relationships *RMB'000*	Customer contracts *RMB'000*	Trademarks *RMB'000*	Firewall patents *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2013, 31 December 2013 and 31 December 2014	7,262	3,015	2,815	665	13,757
Accumulated amortisation:					
At 1 January 2013	(4,115)	(3,015)	–	(665)	(7,795)
Charge during the year	(1,815)	–	–	–	(1,815)
At 31 December 2013 and 1 January 2014	(5,930)	(3,015)	–	(665)	(9,610)
Charge during the year	(1,332)	–	–	–	(1,332)
At 31 December 2014	(7,262)	(3,015)	–	(665)	(10,942)
Net book value:					
At 31 December 2014	**–**	**–**	**2,815**	**–**	**2,815**
At 31 December 2013	1,332	–	2,815	–	4,147

The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss.

Trademarks

The valuation of the trademarks is based on the relief-from-royalty method and uses cash flow projections based on financial estimates covering a five-year period, the expected sales deriving from the trademarks in the software business and a discount rate of approximately 23.1% (2013: 26.9%). The cash flows beyond the five-year period are extrapolated using a steady 3% (2013: 3%) growth rate. Management has considered the above assumptions and valuation and also taken into account the business plan going forward.

During the year ended 31 December 2014 and 2013, management of the Group determined that there was no impairment of trademarks.

15. INVESTMENTS IN SUBSIDIARIES

The non-current amounts due from subsidiaries are unsecured, interest free and no fixed terms of repayments.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Particulars of issued share capital/paid up capital	Principal activities
Winsino Investments Limited	BVI	100%	–	1 share of USD1 each	Investment holding
Lofty Swan Investments Limited	BVI	100%	–	1 share of USD1 each	Investment holding
Expert Access Limited	BVI	–	100%	1 share of USD1 each	Investment holding
Easy Talent Limited	Cayman Islands	–	60%	10 shares of USD1 each	Investment holding
Liang Hui Holdings Limited	BVI	–	60%	1 share of USD1 each	Investment holding
Oriental LegendMaker Technology Ltd. ("OLM")	HK	–	60%	1 share of HKD1 each	Investment holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") *(Note (i) and (ii))*	PRC	–	60%	Registered capital RMB110,000,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") *(Note(ii))*	PRC	–	60%	Registered capital RMB30,000,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM") *(Note(ii))*	PRC	–	60%	Registered capital RMB10,000,000	Provision of integrated business software solutions

Notes:

(i) This entity is wholly foreign owned enterprise established in the PRC.

(ii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

15. INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the information relating to Beijing OLM, Chengdu OLM and Shanghai OLM, the subsidiaries of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Beijing OLM		Chengdu OLM		Shanghai OLM	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
NCI percentage	**40%**	40%	**40%**	40%	**40%**	40%
Current assets	**190,936**	136,134	**51,386**	46,911	**49,217**	38,659
Non-current assets	**34,652**	35,761	**13,878**	13,629	**453**	535
Current liabilities	**(106,199)**	(65,588)	**(9,999)**	(6,524)	**(20,280)**	(11,751)
Net assets	**119,389**	106,307	**55,265**	54,016	**29,390**	27,443
Carrying amounts of NCI	**47,755**	42,523	**22,106**	21,606	**11,756**	10,977
Turnover	**290,633**	143,306	**12,938**	11,357	**47,912**	50,091
Profit for the year	**13,082**	10,126	**1,247**	1,254	**1,946**	4,724
Total comprehensive income	**13,082**	10,126	**1,247**	1,254	**1,946**	4,724
Profit allocated to NCI	**5,233**	4,221	**499**	737	**779**	2,260
Dividend paid to NCI	**–**	–	**–**	–	**–**	–
Cash flows from operating activities	**(10,255)**	(26,135)	**(75)**	661	**(5,536)**	12,653
Cash flows from investing activities	**(327)**	(519)	**(278)**	110	**(50)**	26
Cash flows from financing activities	**–**	50,133	**–**	–	**6,000**	(11,000)

16. GOODWILL

Impairment tests for CGU containing goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment as follows:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Software business – PRC	**19,541**	19,541

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% (2013: 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 approximately 22.4% (2013: 23.1%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2014 and 2013, management of the Group determined that there was no impairment of goodwill.

17. AVAILABLE-FOR-SALE SECURITIES

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Unlisted equity securities, at cost	**49,788**	–

Investments in unlisted securities issued by private entities are held for an identified long term strategic purpose so the Group does not intend to dispose them in the foreseeable future. The available-for-sale securities are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimate are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2014, the Group subscribed 8,000,000 new shares in HEC Capital Limited ("HEC"), an unlisted private company incorporated in the Cayman Islands, which represented approximately 0.79% of the issued share capital of HEC as enlarged by the subscription, at a cash consideration of HK$48,000,000 (equivalent to approximately RMB37,982,000). The principal activities of HEC and its subsidiaries are engaged in investment holding, property investment, money lending, securities brokerage and other financial services.

During the year ended 31 December 2014, the Group acquired 2% equity interest in an unlisted private company incorporated in the BVI, by issuance of a credit instrument in the principal amount of HK$14,920,000 (equivalent to approximately RMB11,806,000). The principal activities of the unlisted private company and its subsidiaries are engaged in investment holding.

17. AVAILABLE-FOR-SALE SECURITIES (continued)

The management reviews the latest investees' financial positions, observable data such as net asset value per share and consequently considers no objective evidence of impairment was identified at 31 December 2014. Accordingly, the directors of the Company consider no impairment should be recognised during the year ended 31 December 2014.

18. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Standard software	**1,234**	1,234
Low value consumables	**5**	5
	1,239	1,239

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Carrying amount of inventories sold recognised in cost of sales	**8,105**	4,759
Reversal of write-down of inventories recognised in cost of sales	**–**	(263)
	8,105	4,496

19. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
	Note	**2014** *RMB'000*	2013 *RMB'000*	**2014** *RMB'000*	2013 *RMB'000*
Trade receivables	*(i)*	**84,054**	40,092	**–**	–
Prepayments made to suppliers	*(ii)*	**86,357**	72,142	**–**	–
Deposits and other receivables		**22,023**	7,043	**2,411**	227
		192,434	119,277	**2,411**	227

All of the trade and other receivables are expected to be recovered within one year.

(i) As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	The Group	
	2014 *RMB'000*	2013 *RMB'000*
Within 1 month	**52,936**	22,893
Over 1 month but less than 3 months	**13,357**	11,916
Over 3 months but less than 1 year	**16,914**	4,401
Over 1 year but less than 2 years	**712**	695
Over 2 years	**135**	187
	84,054	40,092

(ii) These prepayments are unsecured, interest free and will be used to offset against future purchases from suppliers.

(iii) There was no provision for impairment loss in respect of trade receivables from third party customers as at 31 December 2014 (2013: Nil).

19. TRADE AND OTHER RECEIVABLES (continued)

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**67,309**	31,230
Less than 1 month past due	**196**	2,599
Over 1 to 3 months past due	**14,272**	3,967
Over 3 months to 1 year past due	**2,099**	2,090
Over 1 year to 2 years past due	**6**	107
Over 2 years past due	**172**	99
	16,745	8,862
	84,054	40,092

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

The amounts due are trade in nature, unsecured, interest free and receivables within 1 month based on invoice date.

21. TRADING SECURITIES

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Listed equity securities at fair value		
– in Hong Kong	**70,136**	28,790

Details of the equity investee of which the carrying amount exceeds 10% of the total assets of the Group at 31 December 2014 were as follows:

Name of Company	**Place of incorporation**	**Class of shares held**	**Proportion of the nominal value issued ordinary shares held by the Group**
Heritage International Holdings Limited	Bermuda	Ordinary shares	0.9%

The fair value of all equity securities are based on their current bid prices in an active market.

22. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

An analysis of the balance of cash and cash equivalents is set out below:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash on hand	**80**	205	**–**	–
Deposits on demand	**58,155**	49,132	**26,870**	276
Cash and bank deposits *(note(a))*	**58,235**	49,337	**26,870**	276
Pledged bank deposits *(note(b))*	**(734)**	–	**–**	–
Cash and cash equivalents in the balance sheet	**57,501**	49,337	**26,870**	276

(a) Included in cash and bank deposits were RMB30,372,000 (2013: RMB40,895,000) placed in financial institutions in the PRC and remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(b) At 31 December 2014, the bank deposits were pledged to secured trade finance facilities to the Group, have a maturity period more than one year and are therefore classified as non-current assets.

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade creditors	**34,632**	10,403	**–**	–
Non-trade payables and accrued expenses	**13,732**	13,565	**712**	369
Other taxes/payable	**2,866**	391	**–**	–
	51,230	24,359	**712**	369

All of the trade and other payables are expected to be settled within one year.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Due within 1 month or on demand	**797**	10,386
Due after 1 month but within 3 months	**33,487**	–
Due after 3 months but within 6 months	**90**	–
Due after 6 months but within 1 year	**246**	–
Due after 1 year but within 2 years	**–**	5
Over 2 years	**12**	12
	34,632	10,403

24. BORROWINGS

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Unsecured borrowings	**1,321**	1,127
Secured bank loan	**10,000**	4,000
	11,321	5,127

At 31 December 2014, the bank loan bears interest at 7% (2013: 7.2%) per annum and secured by corporate guarantee of a PRC subsidiary. The unsecured borrowing bears interest at 5% (2013: 5%) per annum. All borrowings are repayable within one year or on demand.

25. DEFERRED TAXATION

(a) Deferred tax assets

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

The Group	**Write-down of inventory** *RMB'000*
At 1 January 2013	412
Charged to profit or loss	(66)
At 31 December 2013 and 2014	**346**

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB16,241,000 (2013: RMB16,241,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(b) Deferred tax liabilities not recognised

At 31 December 2014, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB23,409,000 (2013: RMB13,027,000). Deferred tax liabilities of approximately RMB1,170,000 (2013: RMB651,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26. SHARE CAPITAL AND RESERVES

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

The Company

	Attributable to equity shareholders of the Company				
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Exchange reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2013	13,109	128,032	132	(18,090)	123,183
Loss for the year *(note 10)*	–	–	–	(6,502)	(6,502)
Other comprehensive expenses	–	–	(3,691)	–	(3,691)
Total comprehensive expenses for the year	–	–	(3,691)	(6,502)	(10,193)
Balance at 31 December 2013	13,109	128,032	(3,559)	(24,592)	112,990
Balance at 1 January 2014	**13,109**	**128,032**	**(3,559)**	**(24,592)**	**112,990**
Loss for the year *(note 10)*	**–**	**–**	**–**	**(7,388)**	**(7,388)**
Other comprehensive income	**–**	**–**	**675**	**–**	**675**
Total comprehensive income/(expenses) for the year	**–**	**–**	**675**	**(7,388)**	**(6,713)**
Shares issued	**5,085**	**119,247**	**–**	**–**	**124,332**
Share issue expenses	**–**	**(3,085)**	**–**	**–**	**(3,085)**
Balance at 31 December 2014	**18,194**	**244,194**	**(2,884)**	**(31,980)**	**227,524**

26. SHARE CAPITAL AND RESERVES (continued)

(b) Share capital

	Notes	**2014** Number of shares	**2014** Amount HK$	2013 Number of shares	2013 Amount HK$
Authorised:					
Ordinary shares of HK$0.01 each		**3,000,000,000**	**30,000,000**	3,000,000,000	30,000,000
Issued and fully paid:					
At 1 January		**1,467,389,600**	**14,673,896**	1,467,389,600	14,673,896
Issue of placing shares	*(i)*	**293,477,920**	**2,934,779**	–	–
Issue of subscription shares	*(ii)*	**350,000,000**	**3,500,000**	–	–
At 31 December		**2,110,867,520**	**21,108,675**	1,467,389,600	14,673,896
			RMB equivalent		*RMB equivalent*
			18,193,831		13,109,046

26. SHARE CAPITAL AND RESERVES (continued)

(b) Share capital (continued)

(i) Issue of placing shares

Pursuant to a placing agreement dated on 5 September 2014, a total of 293,477,920 ordinary shares of HK$0.01 each were issued at the placing price of HK$0.238 per placing share (the "Placing"). The Placing has resulted in an increase in the share capital and share premium account by HK$2,934,779 (equivalent to approximately RMB2,322,585) and HK$66,912,966 (equivalent to approximately RMB52,954,921) respectively.

(ii) Issue of subscription shares

Pursuant to a subscription agreement dated on 21 October 2014, a total of 350,000,000 ordinary shares of HK$0.01 each were issued at the price of HK$0.25 per subscription share. The issue of subscription shares has resulted in an increase in the share capital and share premium account by HK$3,500,000 (equivalent to approximately RMB2,762,200) and HK$84,000,000 (equivalent to approximately RMB66,292,800) respectively.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) PRC statutory reserve

Transfers from retained profits to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to make good previous year's losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC wholly-owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity shareholders.

26. SHARE CAPITAL AND RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside of the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(d) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing borrowings less cash and capital is defined as the total equity. As at 31 December 2014, the Group had cash in excess of interest-bearing borrowings. It is the management's intention to restrict the ratio below 50% in the long run. To achieve this end, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or raise new debts.

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

27. COMMITMENTS

(i) Capital commitments

The Group has no significant capital commitment as at 31 December 2014 and 2013.

27. COMMITMENTS (continued)

(ii) Operating lease commitments

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

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Less than one year	**4,223**	5,475
Between one and two years	**1,997**	4,164
Between two and three years	**–**	1,684
	6,220	11,323

The Group leased a number of properties under operating leases during the year. None of the leases include contingent rentals.

28. RETIREMENT BENEFITS

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. Details of the schemes of the subsidiaries are as follows:

Administrator	**Beneficiary**	**Contribution rate**
Beijing Municipal Government	Employees of Beijing OLM	20%
Shanghai Municipal Government	Employees of Shanghai OLM	22%
Chengdu Municipal Government, Sichuan Province	Employees of Chengdu OLM	20%
Hangzhou Municipal Government, Zhejiang Province	Employees of Beijing OLM Hangzhou Branch	14%
Guangzhou Municipal Government, Guangdong Province	Employees of Beijing OLM Guangzhou Branch	12%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

28. RETIREMENT BENEFITS (continued)

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

29. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, details of transactions between the Group and its related parties are disclosed below:

	2014	2013
	RMB'000	*RMB'000*
Non-controlling interests		
– Provision for software maintenance and other services	**1,344**	625

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

(b) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Short-term employee benefits	**8,590**	5,656
Post-employment benefits	**166**	40
	8,756	5,696

29. RELATED PARTY TRANSACTIONS (continued)

(c) Contribution to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 28. As at 31 December 2014, there was no material outstanding contribution to post-employment benefit plans (2013: Nil).

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and equity price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

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 take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Customers of software business are usually required to settle the payment based on the agreed schedule in according to the sales contract. Customers with balances overdue are normally requested to settle all outstanding balances before further service is provided. Normally, the Group does not obtain collateral from its customers.

At the end of each reporting period, the Group has no significant concentrations of credit risk with any of its customers.

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentrations of credit risk as 45% (2013: 59%) and 45% (2013: 59%) of the trade and other receivable were prepayments made to the Group's largest supplier and the five largest suppliers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

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

(b) Liquidity risk

The individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the board of directors of the respective subsidiaries. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

Contractual maturities of financial liabilities

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's and the Company's non-derivative financial liabilities including estimated interest payments:

The Group

	2014				
	Carrying amount *RMB'000*	**Contractual undiscounted cash flow** *RMB'000*	**6 months or less or on demand** *RMB'000*	**More than 6 months but less than 1 year** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*
Non-derivative financial liabilities					
Borrowings	**11,321**	**(12,088)**	**(12,088)**	**–**	**–**
Trade and other payables excluding advance from customers	**51,021**	**(51,021)**	**(51,021)**	**–**	**–**
	62,342	**(63,109)**	**(63,109)**	**–**	**–**

	2013				
	Carrying amount *RMB'000*	Contractual undiscounted cash flow *RMB'000*	6 months or less or on demand *RMB'000*	More than 6 months but less than 1 year *RMB'000*	More than 1 year but less than 2 years *RMB'000*
Non-derivative financial liabilities					
Borrowings	5,127	(5,471)	(5,471)	–	–
Trade and other payables excluding advance from customers	23,972	(23,972)	(23,972)	–	–
	29,099	(29,443)	(29,443)	–	–

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

Contractual maturities of financial liabilities (continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's and the Company's non-derivative financial liabilities including estimated interest payments: (continued)

The Company

	2014				
	Carrying amount *RMB'000*	Contractual undiscounted cash flow *RMB'000*	6 months or less or on demand *RMB'000*	More than 6 months but less than 1 year *RMB'000*	More than 1 year but less than 2 years *RMB'000*
Non-derivative financial liabilities					
Other payables and accrued expenses	712	(712)	(712)	–	–

	2013				
	Carrying amount *RMB'000*	Contractual undiscounted cash flow *RMB'000*	6 months or less or on demand *RMB'000*	More than 6 months but less than 1 year *RMB'000*	More than 1 year but less than 2 years *RMB'000*
Non-derivative financial liabilities					
Other payables and accrued expenses	369	(369)	(369)	–	–

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Other than bank balances and pledged bank deposits with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances and pledged bank deposits are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

(i) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments at the end of each reporting period is as follows:

	2014		2013	
	Effective weighted average interest rates % *(annual)*	***RMB'000***	Effective weighted average interest rates % *(annual)*	*RMB'000*
Fixed rate instruments				
Borrowings	**5.00**	**(1,321)**	5.00	(1,127)
Variable rate instruments				
Cash and cash equivalents	**0.35**	**57,501**	0.35	49,337
Pledged bank deposits	**0.35**	**734**	–	–
Borrowings	**7.00**	**(10,000)**	7.20	(4,000)

(ii) Sensitivity analysis

At 31 December 2014, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax and retained profits would have been decreased/increased by approximately RMB75,000 (2013: RMB30,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Foreign currency risk

The Group's businesses are principally conducted in Renminbi and most of the Group's monetary assets and liabilities are denominated in Renminbi. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 21). All of these investments are listed.

At 31 December 2014, it is estimated that an increase/(decrease) of 5% in the relevant stock market index (for listed investments) as applicable, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits as follows:

		2014		2013
		Effect on profit after tax and retained profits		Effect on profit after tax and retained profits
		RMB'000		*RMB'000*
Change in the relevant equity price risk variable:				
Increase	**5%**	**3,507**	5%	1,439
Decrease	**(5%)**	**(3,507)**	(5%)	(1,439)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables and that all other variables remain constant. The analysis is performed on the same basis for 2013.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in 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.

2014

	The Group				
	Fair value at 31 December 2014 *RMB'000*	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Recurring fair value measurements					
Assets:					
Trading securities	**70,136**	**70,136**	**–**	**–**	**70,136**

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(f) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

2013

	The Group				
	Fair value at 31 December 2013	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements					
Assets:					
Trading securities	28,790	28,790	–	–	28,790

During the years ended 31 December 2013 and 2014, there were no significant transfers between in Level 1 and 2, or transfers into or out of Level 3 (2013: Nil).

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

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

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group acquired available-for-sale securities by issuance of a credit instrument in the principal amount of HK$14,920,000 (equivalent to approximately RMB11,806,000). The Group redeemed the credit instrument during the year.

32. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 16 February 2015, the Company announced that Apex Center Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with independent third parties to acquire entire equity interests in Gravitas Group Limited (the "Target Company") for a total consideration of HK$200 million which will be settled by issuance of promissory notes with the principal amount of HK$160 million and consideration shares amount of HK$40 million at the issue price of HK$0.13 per share by the Company. The acquisition constitutes a major transaction of the Company under the Listing Rules and is subject to the approval by the Company's shareholders. The transaction has not been completed as of the date of approval of these financial statements.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of the consolidated financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2017

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.