AUTO ITALIA HOLDINGS LIMITED
意達利控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code：720

ANNUAL REPORT

2014

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. CHONG Tin Lung Benny *(Executive Chairman and Chief Executive Officer)*
Mr. JACOBSEN William Keith
Mr. LAM Chi Yan

Independent Non-executive Directors

Dr. SANTOS Antonio Maria
Mr. KONG To Yeung Frankie
Mr. LEE Ben Tiong Leong *(appointed with effect from 27 February 2015)*

BOARD COMMITTEES

Audit Committee

Mr. KONG To Yeung Frankie *(Chairman)*
Dr. SANTOS Antonio Maria
Mr. LEE Ben Tiong Leong

Remuneration Committee

Dr. SANTOS Antonio Maria *(Chairman)*
Mr. CHONG Tin Lung Benny
Mr. KONG To Yeung Frankie
Mr. LEE Ben Tiong Leong

Nomination Committee

Mr. CHONG Tin Lung Benny *(Chairman)*
Dr. SANTOS Antonio Maria
Mr. KONG To Yeung Frankie
Mr. LEE Ben Tiong Leong

COMPANY SECRETARY

Mr. HON Ping Cho Terence

AUTHORISED REPRESENTATIVES

Mr. CHONG Tin Lung Benny
Mr. HON Ping Cho Terence

REGISTERED OFFICE

Canon's Court
22 Victoria Street Hamilton
HM12 Bermuda

PRINCIPAL OFFICE IN HONG KONG

28/F., King Palace Plaza
52A Sha Tsui Road
Tsuen Wan
Hong Kong
Tel: (852) 2365 0269
Fax: (852) 2363 1437
E-mail: info@autoitalia.com.hk

PRINCIPAL BANKERS

China CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited
The Bank of East Asia, Limited

LEGAL ADVISORS

Hong Kong
Troutman Sanders

Bermuda
Appleby

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Appleby Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 720
American Depositary Receipt: AIHLY

WEBSITE ADDRESS

www.autoitalia.com.hk

Chairman's Statement

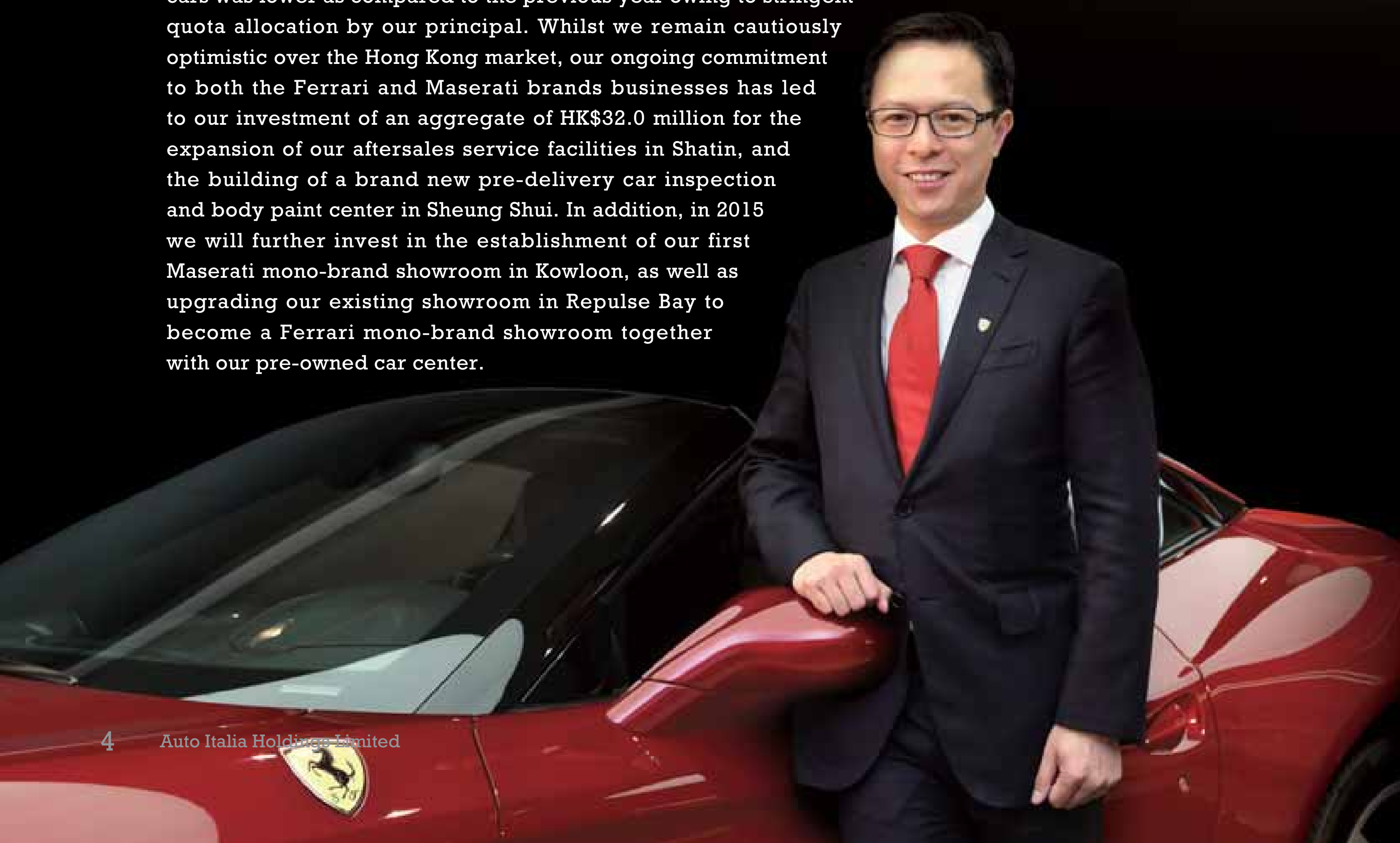
Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present to our shareholders the annual report of Auto Italia Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

2014 was the first full financial year since my appointment as the Executive Chairman and Chief Executive Officer of the Company. I am pleased to report that our strategy as highlighted in my Statement in the 2013 annual report to streamline our business has indeed brought us promising results for 2014. Our Group revenue for the year ended 31 December 2014 was HK$1,095 million, which dropped by 7.4% from last year due to the closure of our Nanjing operation in 2014. However, the profit attributable to shareholders is recorded as HK$27.5 million, compared to a loss of HK$48.0 million for the year ended 31 December 2013.

During the year, the Company also strengthened its capital base by successfully raising HK$174.9 million through share placement and open offer of new shares. The proceeds have partly been utilised for CAPEX in our new facilities in the car division, repayment of current bank loans and expansions of its existing and new businesses.

In relation to our car division, we have recorded a notable increase in unit sales in Maserati cars, mainly due to the introduction of the new model, Ghibli. On the Ferrari side, the unit sales of Ferrari cars was lower as compared to the previous year owing to stringent quota allocation by our principal. Whilst we remain cautiously optimistic over the Hong Kong market, our ongoing commitment to both the Ferrari and Maserati brands businesses has led to our investment of an aggregate of HK$32.0 million for the expansion of our aftersales service facilities in Shatin, and the building of a brand new pre-delivery car inspection and body paint center in Sheung Shui. In addition, in 2015 we will further invest in the establishment of our first Maserati mono-brand showroom in Kowloon, as well as upgrading our existing showroom in Repulse Bay to become a Ferrari mono-brand showroom together with our pre-owned car center.



In mainland China, we had completed the closure of our loss-making car dealership operation in Nanjing in July 2014. On the other hand, in early 2014, we had also expanded our pre-delivery car inspection facilities in Shanghai to cater the marked increase in the number of Maserati cars imported into mainland China, which has contributed significantly to the financial performance of the Group.

Looking ahead in 2015, for owing to an uncertain retail sentiment on luxury products in Hong Kong, coupled with the slowing of mainland China's economy, we expect to see a more challenging business environment in the sale of luxury cars in the Hong Kong market. Added to the uncertain economic climate is the ongoing increase in property rentals and costs of other outgoings in Hong Kong, which will continue to pose a challenge to the business. Bracing the uncertainties and challenges in 2015, the Group will continue to strive for long term profitability through the implementation of innovative and smart sales and marketing strategies, improvement of operational efficiency and maintain high levels of financial discipline.

Whilst we are confident that our car business operation will continue to be profitable for our shareholders, its long term value may likely be limited due to the fact that we currently only operate two car dealership businesses in Hong Kong. On the other hand, the restricted quota allocation system to worldwide dealers currently adopted by our principal also affects the year-on-year financial performance of the Group. In view of the situation, in order to enhance the long term profitability and sustainable growth for our shareholders, we are in the process of reviewing its strategic positioning in the Group. Secondly, we had set up a new independent business in late 2013 for engaging in the provision of financial services to both car and non-car clients. This financial services division is run by an experienced credit committee led by myself with prudent due diligence procedures in place to strike a balance between investment returns and risk management. In its first full year of operation in 2014, this division has already contributed profit to our Group.

It is evident from the above set of results that our business strategies are in the right direction so far. Nevertheless, with an aim to bringing progressive profitability and long term enhancement of value to our shareholders, we remain open and are constantly looking to explore new business opportunities, among which real estate and property development and investments are areas the Group also has proven experience and track record in the past.

On behalf of the Board, may I take this opportunity to express my sincere gratitude to all our shareholders, customers, principals, suppliers and business partners for their continuous support. I would also like to thank my management team and all the employees of the Group for their continuing dedication and valuable contribution.

CHONG Tin Lung Benny
Executive Chairman & Chief Executive Officer

Hong Kong, 25 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

Ferrari

Ferrari sales in 2014 were hampered by the late delivery of the new California T model. The model was successfully launched in May with the event winning the coveted Best Marketing Event awarded by Ferrari Greater China. Delivery will only commence during the first quarter of 2015. Sales of the 458 Speciale continue from strength to strength with the ending of the production run in June 2015. The allocation of the limited edition Speciale Aperta was pre-sold out in a very short time with delivery to complete within this year. A special preview of the 488GTB model was held during Chinese New Year at Maranello factory and the Geneva show in March. Orders are coming in with increased exposure in the international and local media but as with production to commence in September, a very limited local delivery is anticipated for the year. Sales of the flagship model F 12 continue its momentum and anticipate delivery to be positive for 2015. The LaFerrari model allocated to Hong Kong will complete the production and local delivery by year end.

Maserati

Maserati unit sales had achieved remarkable growth of approximately 190% to 341 units in 2014 as compared to 2013. The market share of Maserati in luxury car segment was increased from 6.9% to 13.5% by the end of 2014. This success was mainly brought by the launch of Ghibli at the beginning of the year which has aroused a lot of market attention. The increase in popularity of Maserati and presence on road enhanced the brand recognition and created positive sales effect on other Maserati models.

Besides the successful launch of the new Ghibli, the Group has also explored new media and creative sales channel in marketing for brand building and sales support in 2014 in conjunction with the Centennial of Maserati. Maserati Centennial Exhibition was held in September with Maserati vintage cars, rare historical images together with the two special editions – Quattroporte Zegna and GranTurismo MC centennial Edition displayed for public viewing to enhance the brand's 100-year background of Italian passion, racing DNA and the superior elegancy. The Maserati Club (Hong Kong) was established in December with the objective to gather all Maserati enthusiasts to share the passion and knowledge of the Trident. With increasing number of owners, we target to maintain closer bonding with them through the owner's club and enhance customer loyalty.

Furthermore, a new Maserati showroom is planned to set up in 2015, which will be the first Maserati showroom of the Company in the Kowloon area and the biggest one in Hong Kong with surface area over 9,000 square feet. The Group has invested HK$16 million on the new Maserati showroom and the objective of setting up new sales facility is to expand point-of-sales network and offer more convenient shopping experience to customers to ensure high level of customer satisfaction.

Looking forward, the profile of Maserati will continue to broaden and will launch a new engine variant of Quattroporte in 2015 to expand the market share in the luxury sports sedan segment.

After-sales Service

The after-sales service revenue for 2014 grew by 5% to HK$112.4 million as compared to 2013, which was mainly benefited from the increase in service income and parts. New service facility in Sheung Shui has accomplished and commenced full operation in January 2015. By February 2015, the Group has also completed the expansion of its service center in Shatin. The Group has invested HK$31.8 million on expansion for both service facilities. Both service centers accumulate gross size over 133,000 square feet which offer 65 workbays in total to attain 30% increase in service capacity. Individual service teams of Ferrari and Maserati were formed and are equipped with advanced equipment to enhance service quality.

OUTLOOK

The medium and longer-term outlook for luxury automobile business in the greater China region remains promising, as this region will continue to grow for many years.

In the more immediate term, however, owing to an uncertain retail sentiment on luxury products in Hong Kong coupled with the slowing of mainland China's economy, we expect to see a more challenging business environment in the sale of luxury cars in the Hong Kong market. Added to the indeterminate economic climate is the ongoing increase in property rentals and costs of other outgoings in Hong Kong, which will continue to pose as a challenge to the business environment of the city in the long run. Bracing the uncertainties and challenges in 2015, the Group will continue to strive for long term profitability through implementation of innovative and smart sales and marketing strategies, improvement of operational efficiency and raising levels of financial discipline.

It is evident from the above set of results and business strategies that we are moving in the right direction with the positive changes realised so far. Nevertheless, with the aim of bringing progressive profitability and long term enhancement of value to our shareholders, we remain open and are constantly on the lookout for initiatives to explore new business opportunities.

FINANCIAL REVIEW

CAR DIVISION

Revenue

For the year ended 31 December 2014, the Car division's revenue decreased by 9.2% to HK$1,073.4 million (2013: HK$1,182.8 million) mainly caused by the closure of the Nanjing dealership business.

In mainland China, excluding the impact of closure of Nanjing operation, the revenue generated from our pre-delivery inspection services in Shanghai increased two-fold to HK$52.2 million due to the increase in units of Maserati cars imported into the Mainland.

In Hong Kong, with the increase in units of car sold, our revenue from this location recorded an increase of 10.7% to HK$852.9 million (2013: HK$770.2 million).

Cost of Sales and Gross Profit

Gross profit margin in 2014 recorded an increase from 16.3% in 2013 to 21.0% in 2014. Accordingly, our gross profit was increased from HK$192.8 million in 2013 to HK$225.8 million in 2014. The increase of HK$33 million was mainly contributed by the introduction of new car models in 2014.

Other Income

For the year ended 31 December 2014, other income amounted to HK$39.3 million (2013: HK$19.1 million). The net increase of HK$20.2 million was mainly contributed by the increase in subsidies income from our suppliers.

Other Gains and Losses

Other gains and losses amounted to a net loss of HK$2.6 million (2013: gain of HK$0.6 million) which included loss on disposal of property, plant and equipment of HK$0.8 million, net foreign exchange loss of HK$1.6 million and an impairment of trade and other receivables of HK$0.2 million.

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in 2014 aggregated to HK$234.7 million (2013: HK$242.1 million), which accounted for 21.9% (2013: 20.5%) of revenue. The decrease of HK$7.4 million was mainly due to a decrease in marketing expenses by HK$12.7 million resulting from the absence of the one-off expense of "30th anniversary with Ferrari" held in 2013, but partially offset by an increase in staff cost of HK$4 million that included a non-cash share-based payment of HK$2.5 million newly incurred in 2014 as a result of the granting of share option to employees in October 2014.

Finance Costs

Finance costs in 2014 were reduced by 55.0% to HK$5.9 million (2013: HK$13.1 million).

FINANCIAL SERVICES AND OTHER BUSINESS

Operating Results

2014 is the first full financial year of operation of our Financial Services Business, which recorded revenue of HK$20.1 million and segment profit of HK$19.2 million. Furthermore, the Group recorded rental income of HK$1.9 million for leasing the property of the Group to a connected party. The tenancy agreement was terminated in November 2014.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the year was HK$27.6 million (2013: loss of HK$48 million). A turnaround of the Group's performance was primarily due to (i) an increase in unit sales of cars in Hong Kong as well as increased income from the provision of pre-delivery inspection services in mainland China; (ii) an improvement in gross profit margin in the car division mainly attributable to the introduction of new car models in 2014; and (iii) income contribution from Financial Services Business in its first full year of operation.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow

In 2014, the Group financed its operations primarily through cash from the Group's operations. The Company also raised HK$174.9 million from share placements and an open offer of new shares in the Company during the year for financing its expansion and business operations.

Cash and Cash Equivalents

As at 31 December 2014, the Group had cash and cash equivalents (including pledged bank deposits) of HK$328.8 million as compared with HK$342.6 million as at 31 December 2013, which were mainly denominated in Hong Kong dollars (as to 77%), Renminbi (as to 11%) and U.S. dollars (as to 12%).

Bank Loans

As at 31 December 2014, the Group has bank loans totalling HK$92.6 million, of which HK$8.3 million were repayable more than one year. Net cash position as at 31 December 2014 was HK$236.2 million (2014: HK$146.3 million).

Loan Receivables

During the year, the Group has engaged in Financial Services Business, which includes the provision of loan financing. As at 31 December 2014, the Group has outstanding secured loans lent to customers totalling HK$79.3 million, which carry an interest rate of 2.0% per month and were repayable within 12 months.

PLEDGE OF ASSETS

As at 31 December 2014, certain of the Group's properties, bank deposits, inventories totaling HK$119.8 million (2013: HK$176.0 million) were pledged as securities for relevant bank loans and other bank facilities granted.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

The Group made payment for the capital expenditures representing the expansion and renovation of the after-sales service in our service centre in Shatin and a newly established service centre in Sheung Shui and the purchase of equipment totalling HK$32.3 million. As at 31 December 2014, the Group had total capital commitments (authorised but not contracted for) of HK$31.9 million, primarily related to a proposed establishment of a new Maserati showroom in Kowloon and the refurbishment of our existing Ferrari showroom in Repulse Bay in the second quarter of 2015. These capital commitments are expected to be financed by internal resources of the Group.

As at 31 December 2014, the Group has no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2014, the Group has 176 (2013: 211) employees. The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices. The Group offers KPI related bonuses to eligible employees based on the performance of the Group and the individual employee. The Group also provides training to our staff to enhance technical and product knowledge. Other benefits include insurance, medical, sponsorship for educational or training programmes and share option scheme.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Mr. CHONG Tin Lung Benny
Executive Chairman and Chief Executive Officer

Aged 42, was appointed as an Executive Director and the Vice-Chairman of the Company on 13 June 2013 and has been re-designated as the Executive Chairman of the Company, the Chairman of each of the nomination committee, Executive Directors' committee and financial control committee of the Board and has been appointed as the chief executive officer of the Company on 24 October 2013. He is the chairman of VMS Investment Group Limited ("VMSIG"), a substantial Shareholder. Mr. Chong has accumulated over 19 years of experience in the financial and investments industry. VMSIG is the holding company of a group of companies principally engaged in the provision of proprietary investments, asset management, securities brokerage and corporate finance advisory services, and currently indirectly owns approximately 22.59% shareholding in the Company. Mr. Chong founded the VMS Investment Group in 2006 and is a Chartered Financial Analyst. Mr. Chong obtained a Bachelor's degree of Science in Commerce from the University of Toronto in 1994 and a Master's degree of Science in Financial Engineering from the Hong Kong University of Science and Technology in 2000.

Mr. JACOBSEN William Keith

Aged 48, has been an Executive Director since January 2012. He is the managing director, corporate finance of VMS Securities Limited and has more than 20 years of experience in corporate finance and business development.

Mr. Jacobsen is a director of Gustavo International Limited and Maini Investments Limited, both are private companies. He was appointed as a non-executive director of Harmony Asset Limited (Stock code: 428) since November 2014 and is also an independent non-executive director of China Financial Leasing Group Limited (Stock code: 2312) and Sustainable Forest Holdings Limited (Stock code: 723), all companies are listed on the Stock Exchange and abc Multiactive Limited (Stock code: 8131), a company listed on the Growth Enterprise Market of the Stock Exchange. He was also an independent non-executive director of Hycomm Wireless Limited (Stock code: 499) from June 2008 to September 2014 and Perception Digital Holdings Limited (Stock code: 1822) from January 2013 to July 2014. He obtained a Bachelor of Laws degree from the University of Hong Kong and a Master of Business Administration from the University of British Columbia in Canada.

Mr. LAM Chi Yan

Aged 48, was appointed as Executive Director on 13 June 2013. He has over 20 years of experience in the automobile industry. Prior to joining the Group, Mr. Lam was a general manager of a 4S dealership store of a leading luxury automobile brand in Guangdong Province of the PRC from October 2005 to July 2012. He was a consultant of AI Administration Limited, a wholly-owned subsidiary of the Company, from January 2013 to June 2013. Mr. Lam obtained an Associate degree of Science in Automotive Engineering and an Associate degree of Science in Business Administration from the Skyline College, San Bruno, United States of America in 1991 and 1994 respectively, and a Bachelor's degree of Arts in Industrial Arts from the San Francisco State University, United States of America in 1994.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SANTOS Antonio Maria

Aged 58, has been an Independent Non-executive Director ("INED") since September 2012 and was appointed as the chairman of the Remuneration Committee with effect from 27 February 2015. He is a member of each of the Audit Committee and the Nomination Committee. Dr. Santos retired from Hong Kong Police Force in January 2012 after more than 30 years of service. His last position was an Assistant Commander of a Police District. Apart from volunteering for community services, Dr. Santos was appointed as the chief operations officer of the Advance Tactics Service Limited, which specialised in computer and technology security, personal and corporate security, risk assessment and management, and strategic advice on commercial laws as well as the Listing Rules, since July 2013. He is currently a part time lecturer in the faculty of Crime & Investigation for associate degrees and degrees. Dr. Santos obtained a Phd in business administration from the Nueva Ecija University of Science and Technology in the Republic of Philippines, a master's degree in management studies from the University of Northumbria at Newcastle in the United Kingdom and a master's degree in criminal justice from the Tarlac State University in the Republic of Philippines. He is a Fellow of the Chartered Management Institute, the United Kingdom. Dr. Santos was appointed as the acting chairman and an executive director of China Solar Energy Holdings Limited (Stock code: 155) on 8 December 2014 and 21 October 2014, respectively, as well as an independent non-executive director of Willie International Holdings Limited (Stock code: 273) since August 2012, both shares of which are listed on the main board of the Stock Exchange.

Mr. KONG To Yeung Frankie

Aged 51, was appointed as INED on 21 June 2013 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. Mr. Kong is an executive president of Express Investment International Group Limited, which is a private investment holding company located in Hong Kong, since January 2014. He was a general manager of G-Prop (Holdings) Limited (Stock Code: 286), a company listed on the Main Board of the Stock Exchange, from September 2012 to December 2013 and was responsible for its corporate development. Mr. Kong was also a general manager – corporate development of Goodtop Tin International Holdings Limited (Stock Code: 195) from September 2011 to August 2012, a general manager of Lam Soon (Hong Kong) Limited (Stock Code: 411) from 2008 to late 2012 and an assistant general manager of New World China Land Limited (Stock Code: 917) from 1996 to 2002, all being companies listed on the Stock Exchange. Mr. Kong served in management capacities in various private companies including New World TMT Limited and Philips Hong Kong Limited. Mr. Kong is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants. He obtained a Honours Diploma in Accounting from Hong Kong Baptist College in 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. LEE Ben Tiong Leong

Aged 53, was appointed as Independent Non-executive Director on 27 February 2015 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Lee is currently the Managing Partner of IGamiX Management & Consulting Ltd., based in Macau, as well as CEO of Strategic Gaming Solutions Inc, based in Saipan. He is widely acknowledged as one of the region's expert on the Asian gaming market and is a regularly invited speaker at major gaming conferences all around the world. Mr. Lee is a multi-skilled senior gaming executive with particular focus on Asian marketing in the gaming space. With extensive gaming experience all over Asia and Australia, he has also spent the last eleven years covering/uncovering new gaming projects around Asia-Pacific and is currently consulting to numerous companies on the latest developments in the region. Mr. Lee was awarded a Master of Business Administration and a Postgraduate Diploma in Management Studies from the University of Melbourne in 2000 and 1997, respectively. Mr. Lee was also awarded a Graduate Diploma in Japanese from Swinburne University of Technology in 1991 and a Bachelor of Economics from Monash University in 1985.

SENIOR MANAGEMENT

Mr. HON Ping Cho Terence
Chief Financial Officer and Company Secretary

Appointed as the Chief Financial Officer, the Company Secretary and the Authorised Representative of the Company with effect from 30 December 2013. He has substantial experience in auditing, accounting and financial management. Prior to joining the Company, Mr. Hon worked in an international accounting firm before he was appointed to various senior financial positions in a number of listed companies in Hong Kong. He holds a Master's degree in business administration (financial services) from The Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Directors' Report

The Directors present this Annual Report (the "Report") and audited consolidated financial statements for the financial year ended 31 December 2014 of the Company and its subsidiaries (together, the "Group").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities and other particulars of the principal subsidiaries are set out in Note 39 to the financial statements.

SEGMENTAL INFORMATION

Details of segmental information are set out in Note 7 to the financial statements.

FINANCIAL STATEMENTS

The financial results of the Group for the year ended 31 December 2014 and the state of the Company and the Group's affairs as at that date are set out in the financial statements on pages 39 to 119 of this Report.

DIVIDENDS

The Directors do not recommend the payment of a final dividend (2013: Nil) for the year ended 31 December 2014. No interim dividend was paid during the year (2013: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company during the year are set out in Note 28 to the financial statements. Information about the share options of the Company and details of movements in the share options of the Company during the year are set out in the "Share Option Scheme" section in this Report and in Note 29 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 43 and page 119 of this Report respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations of HK$31,200 (2013: HK$75,000).

BORROWINGS

Details of the Group's borrowings are set out in Note 25 to the financial statements. No interest was capitalised by the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest suppliers accounted for 65.9% of the Group's purchases during the year, 33.6% being attributable to the largest supplier. The percentage of turnover attributable to the Group's five largest customers is less than 14.8% during the year.

As far as the Directors are aware, no Director, their associates or any Shareholder (who to the knowledge of the Directors owns more than 5% of the Company's share capital) has interest in the Group's five largest suppliers.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance between the Company or any of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries for the year ended 31 December 2014.

There was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries for the year ended 31 December 2014.

DIRECTORS

The Directors who held office during the year and up to the date of this Report are:

Executive Directors
Mr. CHONG Tin Lung Benny
Mr. JACOBSEN William Keith
Mr. LAM Chi Yan

Independent Non-executive Directors
Mr. TAN Boon Seng *(resigned with effect from 29 August 2014)*
Dr. SANTOS Antonio Maria
Mr. KONG To Yeung Frankie
Mr. LEE Ben Tiong Leong *(appointed with effect from 27 February 2015)*

In accordance with Bye-law 99 of the bye-laws of the Company ("Bye-laws"), Mr. LAM Chi Yan and Mr. KONG To Yeung Frankie will retire from office by rotation at the forthcoming annual general meeting (the "AGM") and, being eligible, offer themselves for re-election.

In accordance with Bye-law 102(B) of the Bye-laws, Mr. LEE Ben Tiong Leong was appointed as an INED effective from 27 February 2015, and will hold office until the AGM and, being eligible, shall offer himself for re-election at the AGM.

The INEDs are also subject to retirement by rotation in accordance with the Bye-laws. The Company has received from each INED a confirmation of his independence pursuant to the independence assessing factors guidelines set out in Rule 3.13 of the Listing Rules. The Company considers the INEDs to be independent.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Company's interim report 2014 are set out below:

The appointment of Dr. SANTOS Antonio Maria as an INED was renewed for a further term of 2 years commencing from 1 September 2014 to 31 August 2016 (both days inclusive). Moreover, Dr. Santos was appointed as an executive director and the acting chairman of China Solar Energy Holdings Limited (Stock code: 115) on 21 October 2014 and 8 December 2014, respectively.

Mr. JACOBSEN William Keith was appointed as a non-executive director of Harmony Asset Limited (Stock code: 428) with effect from 17 November 2014, and resigned as an independent non-executive director of Hycomm Wireless Limited (Stock code: 499) from June 2008 to September 2014 and Perception Digital Holdings Limited (Stock code: 1822) from January 2013 to July 2014.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2014, the interests and short positions of each Director and chief executive of the Company 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 ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

(a)(i) None of the Directors held any beneficial interests and long positions in the Shares.

(a)(ii) None of the Directors held any short positions in the Shares.

(b) Beneficial interests and short positions in underlying shares of equity derivatives of the Company at 31 December 2014 are disclosed in the section headed "**Share Option Scheme**" of this Report.

DIRECTORS' INTERESTS IN ASSETS AND/OR ARRANGEMENT

At 31 December 2014, none of the Directors had any other direct or indirect interest in any assets which have been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

At 31 December 2014, there was no other contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Group business, to which the Company or any of its subsidiaries was a party and in which a Director had, whether directly or indirectly, a material interest subsisting at the end of the year or at any time during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors (including INEDs) was interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business during the year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in section of "Share Option Scheme", at no time during the year ended 31 December 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, no other person had, or was deemed or taken to have an interest or short position of 5% or more of the interests in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Shareholder(s)	Number of Shares	Number of underlying shares of equity derivatives	Approximate % of the total issued Shares#
Gustavo International Limited	304,725,000*(Note)*	–	5.87%
Maini Investments Limited	304,725,000*(Note)*	–	5.87%
VMS Investment Group Limited ("VMSIG")	1,172,272,722(Note)	–	22.59%
VMS Holdings Limited ("VMSH")	1,172,272,722*(Note)*	–	22.59%
Ms. MAK Siu Hang Viola	1,172,272,722*(Note)*	–	22.59%

\# Based on the total issued Shares of 5,189,178,390 at 31 December 2014.

Note: VMSIG and parties acting in concert with it are interested in an aggregate of 1,172,272,722 Shares, of which 867,547,722 Shares are held by VMSIG and 304,725,000 Shares are held by Gustavo International Limited (a company owned as to approximately 80% by Maini Investments Limited, a wholly owned subsidiary of VMSIG which is in turn wholly-owned by VMSH.). VMSH is wholly-owned by Ms. MAK Siu Hang Viola.

All interests in Shares and underlying shares of equity derivatives of the Company are long positions. None of the substantial Shareholders held any short positions in the Shares or underlying shares of equity derivatives of the Company.

SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 28 May 2012 (the "Option Scheme"), options were granted to certain Directors, employees, and other eligible participants of the Company entitling them to subscribe for shares of HK$0.02 each in the capital of the Company.

Under the Option Scheme, the Board may at their discretion grant options to the following participants of the Company, its subsidiaries and any company in which the Group holds any equity interest, to subscribe for Shares in the Company:

1. eligible employees, including Directors; or
2. suppliers or customers; or
3. any person or entity that provides research, development or other technological support; or
4. Shareholders; or
5. employees, partners or directors of any business partners, joint venture partners, financial advisers and legal advisers.

Options granted to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, shall be approved by the INEDs (excluding any INED who is a grantee of the options).

The total number of shares which may be issued upon exercise of all outstanding options granted under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options granted under the Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the Option Scheme without prior approval by the Shareholders.

The total number of shares available for issue under the Option Scheme is 43,496,855 Shares which represents 0.84% of the issued share capital of the Company as at the date of this Report.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total issued share capital of the Company, without prior approval by the Shareholders.

SHARE OPTION SCHEME *(Continued)*

Options granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, under the Option Scheme and any other share option schemes of the Company would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period in aggregate in excess of 0.1% of the Company's issued share capital and with an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5 million must obtain prior approval from the shareholders of the Company.

Options granted must be taken up within 28 days of the date of grant upon payment of HK$1.00 per each grant of options. The exercise period of the options granted under the Option Scheme shall be determined by the Board when such options are granted, provided that such period shall not end later than 6 years from the date of grant.

The subscription price is determined by the Board and will not be lower than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a trading day, and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a Company's share.

SHARE OPTION SCHEME *(Continued)*

Details of the movement in outstanding share options, which have been granted under the Option Scheme, during the year ended 31 December 2014 were as below:

Name or category of participants	Date of grant	Exercise price *(HK$)*	Exercisable period	As at 1 January 2014	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31 December 2014
Mr. CHONG Tin Lung Benny	16/10/2014	0.184	16/10/2015 to 15/10/2020	–	20,756,400	–	–	20,756,400
	16/10/2014	0.184	16/10/2016 to 15/10/2020	–	15,567,300	–	–	15,567,300
	16/10/2014	0.184	16/10/2017 to 15/10/2020	–	15,567,300	–	–	15,567,300
Mr. JACOBSEN William Keith	16/10/2014	0.184	16/10/2015 to 15/10/2020	–	7,480,000	–	–	7,480,000
	16/10/2014	0.184	16/10/2016 to 15/10/2020	–	5,610,000	–	–	5,610,000
	16/10/2014	0.184	16/10/2017 to 15/10/2020	–	5,610,000	–	–	5,610,000
Mr. LAM Chi Yan	16/10/2014	0.184	16/10/2015 to 15/10/2020	–	7,480,000	–	–	7,480,000
	16/10/2014	0.184	16/10/2016 to 15/10/2020	–	5,610,000	–	–	5,610,000
	16/10/2014	0.184	16/10/2017 to 15/10/2020	–	5,610,000	–	–	5,610,000
Dr. SANTOS Antonio Maria	16/10/2014	0.184	16/04/2015 to 15/04/2020	–	1,500,000	–	–	1,500,000
Mr. KONG To Yeung Frankie	16/10/2014	0.184	16/04/2015 to 15/04/2020	–	1,500,000	–	–	1,500,000
Employees and others in aggregate	16/10/2014	0.184	16/10/2015 to 15/10/2020	–	44,041,600	–	(528,400)	44,041,600
(including director(s) of certain	16/10/2014	0.184	16/10/2016 to 15/10/2020	–	33,031,200	–	(396,300)	33,031,200
subsidiaries)	16/10/2014	0.184	16/10/2017 to 15/10/2020	–	33,031,200	–	(396,300)	33,031,200
Total				**–**	**202,395,000**	**–**	**(1,321,000)**	**201,074,000**

PUBLIC FLOAT

At the date of this Report, based on information that is publicly available to the Company, the Directors acknowledge that more than 25% of the issued share capital of the Company is held by the public.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2014, the Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws in Bermuda although there is no restriction against such rights under the laws in Bermuda.

AUDITOR

During the year ended 31 December 2014, Messrs. Deloitte Touche Tohmatsu was re-appointed as auditor of the Group to hold office until the conclusion of the AGM.

The financial statements for the year were audited by Messrs. Deloitte Touche Tohmatsu who will retire at the AGM and being eligible, offer itself for re-appointment.

CONTINUING CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transaction is required to be disclosed in the annual report of the Company:

Property Leasing
As disclosures in the circular and the announcement dated 22 November 2013 and 30 December 2013 in relation to, among others, the disposal of the entire issued share capital of Wo Kee Hong (B.V.I.) Limited (the "Disposal"), one of the Company's subsidiaries owns the property located at workshops 01, 02, 03, 04, 05, 06 and 07 on the 28th Floor and the light goods vehicle parking space no. LGV-05 on the podium level two of King Palace Plaza, 52A Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong (the "Property"). One of the terms of the Disposal was that the Company should, upon the completion of the Disposal, procure that the property was leased to a member of Wo Kee Hong (B.V.I.) Limited for a 12-month period commencing 30 December 2013 at a monthly rent of HK$170,000 (the "Rent") excluding management fee, rates, government rent, utility charges and other outgoings (the "Lease"). The monthly rent was determined after arm's length negotiations between the parties with reference to the prevailing market rent of the Property as determined by an independent professional valuer. The annual cap of the Lease based on the rental payable (excluding management fee, rates, government rent, utility charges and other outgoings) was HK$2,040,000.

CONTINUING CONNECTED TRANSACTION *(Continued)*

Property Leasing *(Continued)*
On 30 December 2013, the Group has entered into the tenancy agreement with Wo Kee Administration Limited which is the subsidiary of Wo Kee Hong (B.V.I.) Limited based on the above terms. During the period from 1 January 2014 to 30 November 2014, the Group has recognised rental income of HK$1,870,000.

The Lease constitutes a continuing connected transaction of the Company. As each of the Percentage Ratios (other than the profits ratio) in respect of the Lease on an annual basis is less than 5%, the Lease is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the Report in accordance with Main Board Listing Rule 14A.57.

Confirmation of INEDs

Pursuant to Rule 14A.56 of the Listing Rules, the Company's INEDs had reviewed the above connected transaction and have confirmed that the transaction had been entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the terms of the respective agreements governing such transaction that was fair and reasonable and in the interests of the shareholders as a whole.

A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

For and on behalf of the Board

CHONG Tin Lung Benny
Executive Chairman & CEO

Hong Kong, 25 March 2015

Corporate Governance Report

Maintaining an effective corporate governance framework is one of the priorities of the Company. This includes informing our shareholders of our corporate practices in our Report. In the opinion of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2014, except Code Provisions A.2.1 and A.6.7 of the CG Code which are explained in the sub-sections headed "**Chairman and Chief Executive Officer**" and "**Effective Communication**" respectively below.

The corporate governance principles of the Company emphasize a quality board, sound internal control, and transparency and accountability to all Shareholders. The Board will continue to review and improve the corporate practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the Shareholders.

THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, during the year ended 31 December 2014, the Directors confirmed that they have complied with the standards set out in the Model Code.

THE BOARD OF DIRECTORS

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

As at the date of this Report, the Board comprises six members, of whom three are Executive Directors and three are INEDs.

Directors who held office during the year and up to the date of this Report are:

Executive Directors
Mr. CHONG Tin Lung Benny
Mr. JACOBSEN William Keith
Mr. LAM Chi Yan

INEDs
Mr. TAN Boon Seng *(resigned with effect from 29 August 2014)*
Dr. SANTOS Antonio Maria
Mr. KONG To Yeung Frankie
Mr. LEE Ben Tiong Leong *(appointed with effect from 27 February 2015)*

THE BOARD OF DIRECTORS *(Continued)*

The Listing Rules require every listed issuer to have INEDs who represent at least one-third of the Board, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. KONG To Yeung Frankie, one of the INEDs, is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Each INED is required to confirm his independence in accordance with Rule 3.13 of the Listing Rules annually.

None of Directors has any family, financial or business relations with each other.

The biographies of our Directors are set out in the section headed "Directors and Senior Management Profiles" in this Report. Details of the biographies of the Directors seeking re-election at the AGM are set out in the circular issued by the Company and sent to our Shareholders together with this Report. The Company also maintains on its website (www.autoitalia.com.hk) an updated biography of each Director. A list of Directors and their roles and functions has also been published on the websites of the Company and the Stock Exchange respectively.

The Board meets regularly, normally four times each year and additional meetings will be arranged if and when necessary. Notice of each regular Board meeting will be given to all Directors at least 14 days before the meeting. Special Board meetings will be held as and when necessary. Matters on transactions where Directors are considered having conflict of interests or material interests will not be dealt with by way of written resolutions and a separate Board meeting shall be held where INEDs who have no material interests shall be present in the meeting. In addition, Directors considered having conflict of interests or material interests in the matters before the Board are required to declare their interests and abstain from voting for the relevant resolution.

Appropriate notices are given to all Directors for attending regular Board meetings and other meetings. A package containing agenda and all the relevant information is normally despatched to the Directors 3 days in advance of the relevant meetings.

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

Minutes of the Board meetings are recorded in detail and draft minutes are circulated to all Directors for review and comment within a reasonable time after the Board meetings are held. All the minutes of the meetings are properly kept by the Company Secretary after approval and are available for inspection following reasonable notice by the Directors.

THE BOARD OF DIRECTORS *(Continued)*

Chairman and Chief Executive Officer

Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company deviates from this provision in that Mr. CHONG Tin Lung Benny is the Executive Chairman and the Chief Executive Officer of the Company. Mr. Chong has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that the vesting of two roles in the same person provides our Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy.

The Company shall nevertheless review the structure from time to time in light of the prevailing circumstances.

Appointments, re-election and removal of Directors

All INEDs, except Mr. TAN Boon Seng, are appointed for a specific term of two years, subject to re-election in accordance with the Bye-laws. Mr. TAN Boon Seng was re-appointed as an INED at last year's annual general meeting for a term up to the date of the AGM, but he resigned with effect from 29 August 2014.

All Directors, including those appointed for a fixed term, are subject to retirement by rotation pursuant to the Bye-laws. A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next general meeting. According to Code Provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Each newly appointed Director would receive an induction package covering the statutory and regulatory obligation of a director of a listed company. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills in their roles as directors pursuant to code provision A.6.5 of the CG Code. Attendance to any professional courses recognised by registered professional bodies such as The Law Society of Hong Kong, the Hong Kong Institute of Certified Public Accountants, and The Hong Kong Institute of Chartered Secretaries, etc., are recognised by the Company for this purpose. The Directors are also provided with materials from time to time to keep afresh of the latest legal and regulatory changes to enable them to discharge their duties.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

(Continued)

During the year ended 31 December 2014 and up to the date of this Report, all the Directors, namely Mr. CHONG Tin Lung Benny, Mr. JACOBSEN William Keith, Mr. LAM Chi Yan, Dr. SANTOS Antonio Maria, Mr. KONG To Yeung Frankie, Mr. TAN Boon Seng (resigned with effect from 29 August 2014) and Mr. LEE Ben Tiong Leong (appointed with effect from 27 February 2015), had participated in appropriate continuous professional development activities by ways of attending trainings and/or reading materials relevant to the Company's businesses or to the Directors' duties and responsibilities.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has also arranged appropriate insurance cover for our Directors in respect of legal actions taken against Directors and officers.

BOARD COMMITTEES

To oversee different aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established the following Board Committees namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Terms of reference of each of these Committees are available on the Company's website at www.autoitalia.com.hk. All Committees are provided with sufficient resources to discharge their duties, and they are also authorised to obtain external legal or other independent professional advice if they consider it necessary to do so.

Audit Committee

The members of the Audit Committee comprise Dr. SANTOS Antonio Maria, Mr. KONG To Yeung Frankie and Mr. LEE Ben Tiong Leong, all of whom are INEDs. Mr. KONG To Yeung Frankie is the chairman of the Audit Committee. Mr. Kong, being an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, has the appropriate professional qualifications and experience in the financial field. The terms of reference of the Audit Committee are reviewed annually and have included the duties set out in Code Provision C.3.3 (a) to (n) of the CG Code.

During the year, the Audit Committee conducted two formal meetings and discharged its responsibilities.

The principal duties of the Audit Committee include to review the financial reporting process and internal control systems of the Group and to provide advices and comments to the Board.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

During the year of 2014, the Audit Committee had reviewed the audit issues raised by the external Auditors; considered and recommended to the Board for adoption of new accounting standards; reviewed and recommended to the Board for approval of the audit fee proposal for the Group for 2014; reviewed the audited accounts and final results announcement for the years 2013 and 2014; reviewed the interim report and the interim results announcement for the six months ended 30 June 2014; reviewed the effectiveness of internal control system of the Group; reviewed and considered the report of the annual internal control review of the Group; reviewed the related party transactions and compliance of the relevant Listing Rules and accounting policies in relation thereto; and reviewed the terms of reference of the Audit Committee.

Remuneration Committee

The members of the Remuneration Committee comprise Dr. SANTOS Antonio Maria, Mr. KONG To Yeung Frankie and Mr. LEE Ben Tiong Leong, all of whom are INEDs, and Mr. CHONG Tin Lung Benny, an Executive Director. Dr. SANTOS Antonio Maria was appointed as the chairman of the Remuneration Committee with effect from 27 February 2015. The terms of reference of the Remuneration Committee were adopted with reference to the CG Code, including the specific duties set out in Code Provision B.1.2 (a) to (h).

During the year, the Remuneration Committee had conducted one formal meeting.

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of individual Executive Directors and senior management and adopted a set of policy and guidelines to govern its administration in reviewing, considering and fixing the remuneration packages and benefits of Directors and senior management of the Group. During the year 2014, the Remuneration Committee had fixed the schedule of INEDs' fee; and made recommendations to the Board in relation to the Director's fee of the new INED.

Nomination Committee

Currently, the members of the Nomination Committee comprise Mr. CHONG Tin Lung Benny, one of the Executive Directors, Dr. SANTOS Antonio Maria, Mr. KONG To Yeung Frankie and Mr. LEE Ben Tiong Leong, all of whom are INEDs. Mr. CHONG Tin Lung Benny is the chairman of the Nomination Committee. It is primarily responsible for making recommendations to the Board on appointment of directors regarding the qualifications and competency of the candidates. The terms of reference of the Nomination Committee are disclosed on the website of the Company and have included the duties set out in Code Provision A.5.2 (a) to (d) of the CG Code.

During the year, the Nomination Committee had conducted one formal meeting.

BOARD COMMITTEES *(Continued)*

Board Diversity Policy

Pursuant to Code Provision A.5.6 of the CG Code, the Board has a board diversity policy in place since August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

BOARD AND COMMITTEES MEETINGS

The Board met four times in 2014. The attendances of individual Director at these Board meetings and Board Committees' meetings held in 2014 are set out in the table below:

Name of Directors	Number of Board meetings attended/held	Number of Audit Committee meetings attended/held	Number of Remuneration Committee meetings attended/held	Number of Nomination Committee meetings attended/held
Executive Directors:				
Mr. CHONG Tin Lung Benny	4/4	N/A	1/1	1/1
Mr. JACOBSEN William Keith	3/4	N/A	N/A	N/A
Mr. LAM Chi Yan	4/4	N/A	N/A	N/A
INEDs:				
Mr. TAN Boon Seng *(Note)*	0/4	0/2	0/1	0/1
Dr. SANTOS Antonio Maria	3/4	2/2	1/1	1/1
Mr. KONG To Yeung Frankie	4/4	2/2	1/1	1/1

Note: Mr. TAN Boon Seng resigned with effect from 29 August 2014.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under Code Provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements for each financial year, to ensure that these financial statements give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

EXTERNAL AUDITOR

During the year ended 31 December 2014, Messrs. Deloitte Touche Tohmatsu was re-appointed as external Auditor. The statement of the Auditor about its reporting responsibilities on the financial statements of the Group is set out in the "**Independent Auditor's Report**" on pages 37 to 38 of this Report.

During the year of 2014, the Auditor had performed audit and non-audit services and their remuneration in respect of audit and non-audit services is HK$1,480,000 and HK$550,000 respectively.

INTERNAL CONTROLS

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. The Group has established and implemented the segregation of duties and functions of the respective operational departments of the Group; monitored the strategic plan and performance; designed an effective accounting and information system; reviewed systems and procedures to identify, measure, manage and control risks including reputation, legal, credit, market and operational risks; handled inside information by setting out the procedures and policies; updated the internal control manual when there are changes to business environment or regulatory guidelines; and followed up with various departments to ensure timely implementation of the recommendations and report the status to the management periodically.

The Group is committed to maintaining and upholding good corporate governance practices and internal control system. An annual review of the effectiveness of the Group's internal control system was conducted. In respect of the year ended 31 December 2014, the Directors were satisfied that the Group had operated an effective internal control system.

COMMUNICATION WITH SHAREHOLDERS

Effective Communication

The Company follows the practice that at the annual general meetings of the Company, a separate resolution is proposed in respect of each separate issue, including the re-election of Directors. In every annual general meeting of the Company, the Chairman of the Board, the chairman of the Audit Committee, Directors and other senior management of the Company will be present to answer questions from the Shareholders.

In respect of Code Provision A.6.7 of the CG Code, due to other engagements, one of the Executive Directors and one of the INEDs were unable to attend the annual general meeting of the Company held on 21 May 2014.

Pursuant to Code Provision E.1.2 of the CG Code, the Company invited representatives of the Auditors to attend the annual general meeting of the Company convened on 21 May 2014 to answer Shareholders' questions about the conduct of the audit, the preparation and content of the Auditors' report, the accounting policies and auditor independence.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Effective Communication *(Continued)*

The Company held one general meeting in 2014. The attendance of individual Director at the general meeting held in 2014 is set out in the table below:

Name of Directors	Number of general meetings attended/held
Executive Directors:	
Mr. CHONG Tin Lung Benny	1/1
Mr. JACOBSEN William Keith	0/1
Mr. LAM Chi Yan	1/1
INEDs:	
Mr. TAN Boon Seng *(Note)*	0/1
Dr. SANTOS Antonio Maria	1/1
Mr. KONG To Yeung Frankie	1/1

Note: Mr. TAN Boon Seng resigned with effect from 29 August 2014.

Shareholders' Right

How can Shareholders convene a special general meeting ("SGM") and what are the procedures for putting forward proposals at a general meeting?

Shareholders may make a requisition to the Board to convene a SGM of the Company in accordance with the provisions as set out in the Bye-laws and section 74 of the Companies Act 1981 of Bermuda (as amended) (the "Bermuda Companies Act"). Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company have the right to submit a written requisition to the Board requiring a SGM to be called by the Board. The written requisition must state the purpose(s) of the meeting (including the resolutions to be considered at the meeting), and must be signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda for the attention of the Board and the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. If the requisition does not comply with the relevant requirements of the Bye-laws or the Bermuda Companies Act, the requisitionists will be advised of the same and accordingly, the SGM will not be convened as requested.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Shareholders' Right *(Continued)*

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Sections 79 and 80 of the Bermuda Companies Act provides that on a requisition of certain Shareholder(s), the Company shall give notice to the Shareholders in respect of any resolution which is intended to be moved at an annual general meeting of the Company and/or to circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company.

Under section 79 of the Bermuda Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:–

(a) to give to the Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:–

(i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(ii) not less than one hundred Shareholders.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Shareholders' Right *(Continued)*

Under section 80 of the Bermuda Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned above unless:–

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:–

  (i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

  (ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect to the requisition (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an annual general meeting is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

Procedures for directing Shareholders' enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to Tricor Standard Limited, the Company's Share Registrar and Transfer Office in Hong Kong. Other Shareholders' enquiries can be directed to the Company Secretary from time to time. Enquiring Shareholder has to provide evidence to the Company to identify its identity. Please refer to the section headed "**Corporate Information**" of this Report for the contact details.

Constitutional Documents

There was no change to the Company's constitutional documents during the year of 2014. A copy of the latest version of the Memorandum of Association and Bye-laws is available on the websites of the Stock Exchange and the Company.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Voting by Poll

The Company informed Shareholders of the procedures for demanding a poll by incorporating them in any circular for an annual general meeting and special general meetings, if any. In addition, in every general meeting, the chairman of the meeting provided an explanation of the detailed procedures for conducting a poll at the meeting. The procedures for conducting a poll were incorporated in the circular for the annual general meeting.

COMPANY SECRETARY

Mr. HON Ping Cho Terence was appointed as the Company Secretary of the Company with effect from 30 December 2013, is an employee of the Company and has day-to-day knowledge of the Company's affairs. During the year ended 31 December 2014, he had taken no less than 15 hours of relevant professional training.

All Directors had access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations, were followed.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF AUTO ITALIA HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Auto Italia Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 119, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Continuing operations			
Revenue	8	**1,095,363**	1,182,788
Cost of sales		**(847,583)**	(989,973)
Gross profit		**247,780**	192,815
Other income	9	**39,329**	19,081
Other gains and losses	10	**(2,579)**	617
Selling and distribution costs		**(139,415)**	(151,553)
Administrative expenses		**(95,287)**	(90,554)
Finance costs	11	**(5,881)**	(13,068)
Profit (loss) before taxation		**43,947**	(42,662)
Taxation	12	**(7,642)**	(2,437)
Profit (loss) for the year from continuing operations	13	**36,305**	(45,099)
Discontinued operations			
Loss for the year from discontinued operations	38	**–**	(10,563)
Profit (loss) for the year		**36,305**	(55,662)
Profit (loss) for the year attributable to:			
Owners of the Company			
– from continuing operations		**27,576**	(36,916)
– from discontinued operations		**–**	(11,126)
Profit (loss) for the year attributable to owners of the Company		**27,576**	(48,042)
Non-controlling interests			
– from continuing operations		**8,729**	(8,183)
– from discontinued operations		**–**	563
Profit (loss) for the year attributable to non-controlling interests		**8,729**	(7,620)
		36,305	(55,662)
Earnings (loss) per share attributable to the owners of the Company	15		
From continuing and discontinued operations			
– Basic and diluted		**HK 0.71 cent**	HK (1.62) cents
From continuing operations			
– Basic and diluted		**HK 0.71 cent**	HK (1.25) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit (loss) for the year	**36,305**	(55,662)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Reclassification adjustments relating to foreign operations disposed of during the year	**–**	2,865
Exchange differences arising on translation of foreign operations	**269**	(5,588)
	269	(2,723)
Item that will not be reclassified to profit or loss:		
Gain on property revaluation upon transfer to investment properties	**–**	15,620
Other comprehensive income for the year	**269**	12,897
Total comprehensive income (expense) for the year	**36,574**	(42,765)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**27,774**	(33,891)
Non-controlling interests	**8,800**	(8,874)
	36,574	(42,765)

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**97,803**	45,207
Investment properties	17	**–**	44,700
Goodwill	18	**2,480**	2,480
Rental deposits		**10,997**	10,531
		111,280	102,918
Current assets			
Inventories	19	**138,570**	206,051
Tax recoverables		**1,072**	2,381
Trade and other receivables	20	**104,978**	38,695
Loan receivables	21	**79,270**	–
Pledged bank deposits	22	**58,896**	73,247
Bank balances and cash	22	**269,915**	269,387
		652,701	589,761
Current liabilities			
Trade and other payables	23	**308,497**	311,777
Tax payable		**3,581**	674
Amount due to a related company	24	**–**	26,000
Bank and other borrowings	25	**84,288**	186,322
Obligations under finance leases	26	**149**	149
		396,515	524,922
Net current assets		**256,186**	64,839
Total assets less current liabilities		**367,466**	167,757

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	28	**103,784**	59,189
Reserves		**255,312**	89,677
Equity attributable to owners of the Company		**359,096**	148,866
Non-controlling interests		**–**	8,718
Total equity		**359,096**	157,584
Non-current liabilities			
Bank and other borrowings	25	**8,296**	9,950
Obligations under finance leases	26	**74**	223
		8,370	10,173
		367,466	167,757

The consolidated financial statements on pages 39 to 119 were approved and authorised for issue by the board of directors on 25 March 2015 and are signed on its behalf by:

DIRECTOR **DIRECTOR**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	59,189	115,678	2,151	18	–	1,343	157,034	(152,656)	182,757	8,080	190,837
Loss for the year	–	–	–	–	–	–	–	(48,042)	(48,042)	(7,620)	(55,662)
Other comprehensive income (expense) for the year	–	–	–	–	15,620	(1,469)	–	–	14,151	(1,254)	12,897
Total comprehensive income (expense) for the year	–	–	–	–	15,620	(1,469)	–	(48,042)	(33,891)	(8,874)	(42,765)
Disposal of subsidiaries (Note 37)	–	–	–	–	–	–	–	–	–	3,632	3,632
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	5,880	5,880
Lapse of share options	–	–	–	(18)	–	–	–	18	–	–	–
At 31 December 2013	59,189	115,678	2,151	–	15,620	(126)	157,034	(200,680)	148,866	8,718	157,584
Profit for the year	–	–	–	–	–	–	–	27,576	27,576	8,729	36,305
Other comprehensive income for the year	–	–	–	–	–	198	–	–	198	71	269
Total comprehensive income for the year	–	–	–	–	–	198	–	27,576	27,774	8,800	36,574
Recognition of equity settled share-based payments	–	–	–	2,519	–	–	–	–	2,519	–	2,519
Issue of new shares	44,595	130,337	–	–	–	–	–	–	174,932	–	174,932
Transaction cost attributable to issue of new shares	–	(4,392)	–	–	–	–	–	–	(4,392)	–	(4,392)
Acquisition of additional interest in a non-wholly owned subsidiary (Note 36)	–	–	–	–	–	–	9,397	–	9,397	(17,518)	(8,121)
At 31 December 2014	103,784	241,623	2,151	2,519	15,620	72	166,431	(173,104)	359,096	–	359,096

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTE	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**43,947**	(52,918)
Adjustments for:			
Impairment losses on trade and other receivables		**161**	12,641
(Reversal of allowance) allowance for inventories		**(14,014)**	30,275
Depreciation of property, plant and equipment		**15,198**	23,728
Dividend income		**(3,695)**	–
Interest income		**(1,639)**	(1,553)
Interest expenses		**5,881**	16,380
Impairment loss on goodwill		**–**	308
Loss on disposal of properties held for sale		**–**	1,627
Loss (gain) on disposal of property, plant and equipment		**817**	(505)
Loss on disposal of subsidiaries	37	**–**	532
Share-based payments		**2,519**	–
Operating cash flows before movements in working capital		**49,175**	30,515
Decrease in inventories		**81,495**	106,147
Increase in trade and other receivables		**(66,910)**	(5,974)
Increase in loan receivables		**(79,270)**	–
(Decrease) increase in trade and other payables		**(17,757)**	3,904
Net cash (used in) from operations		**(33,267)**	134,592
Income tax paid		**(3,426)**	(4,558)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(36,693)**	130,034
INVESTING ACTIVITIES			
Dividend received		**3,695**	–
Interest received		**1,639**	1,553
Purchase of property, plant and equipment		**(29,682)**	(45,549)
Proceeds from disposal of property, plant and equipment		**20,178**	16,545
Placement of pledged bank deposits		**(19,852)**	(47,142)
Withdrawal of pledged bank deposits		**34,227**	63,247
Net cash from disposal of subsidiaries	37	**–**	99,418
Proceeds from disposal of properties held for sale		**–**	28,443
NET CASH FROM INVESTING ACTIVITIES		**10,205**	116,515

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(5,870)**	(16,369)
Bank and other borrowings raised	**556,740**	775,521
Repayment of bank and other borrowings	**(660,019)**	(837,972)
Repayment under finance leases	**(149)**	(169)
Interest paid on finance leases	**(11)**	(11)
Proceeds on issue of new shares	**174,932**	–
Transaction cost attributable to issue of new shares	**(4,392)**	–
Advance from a related party	**–**	26,000
Repayment to a related party	**(26,000)**	(441)
Capital contribution from non-controlling shareholders	**–**	5,880
Acquisition of additional interest in a non-wholly owned subsidiary	**(8,121)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**27,110**	(47,561)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**622**	198,988
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**269,387**	72,927
Effect of exchange rate changes	**(94)**	(2,528)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**269,915**	269,387
Note:		
Interest received included in operating activities	**5,944**	–

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is disclosed in the "Corporate Information" section of the annual report.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 39.

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of agriculture and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the amendments to HKFRSs and a new Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 1	Disclosure initative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[3]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors of the Company do not anticipate that the above new and revised HKFRSs will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance, which for the current financial year continues to be those disclosures required under the predecessor Companies Ordinance (Cap. 32), in accordance with the transitional and saving provisions which are set out in Part 9 of Schedule 11 of the Hong Kong Companies Ordinance (Cap. 622).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance from 1 January 2010.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation and realised to profit or loss when the relevant members of the Group are disposed of.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

Service income is recognised when services are provided.

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

Subsidies income from suppliers are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that subsidies income will be received.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for administrative purposes are stated in the consolidated financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

An item of investment property becomes an owner-occupied property because its use has changed as evidence by commencement of owner-occupation. When an investment property carried at fair value is transferred to owner-property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis or specific identification method as appropriate. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

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

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

For the purposes of measuring deferred taxation for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

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

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

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

Leasing

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

The Group as lessor

Rental income from operating leases in profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

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

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

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

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

Leasehold land and building

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits scheme

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 29.

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

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

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

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

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

The Group's financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables and loans receivables, assets that are assessed not to be impaired individually, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities including trade and other payables, amount due to a related company and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going 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.

Key sources of estimation uncertainty

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

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the periods. The estimated useful life reflects the estimate of the directors of the Company for the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment while the estimated residual value reflects the estimate of the directors of the Company for the value that the Group expects to receive upon disposal at the time the property, plant and equipment is no longer in use. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates. At 31 December 2014, the carrying value of property, plant and equipment is HK$97,803,000 (2013: HK$45,207,000).

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

Allowance for inventories

The management of the Group reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. The management estimates the net realisable value for such finished goods based primarily on the latest selling and purchase prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for slow-moving inventory. If the market condition was to deteriorate, resulting in a lower net realisable value for such finished goods, additional allowances may be required. At 31 December 2014, the carrying amount of inventories is HK$138,570,000 (2013: HK$206,051,000), whereas the reversal of allowance for inventories recognised during the year ended 31 December 2014 is HK$14,014,000 (2013: allowance for inventories of HK$30,275,000).

Allowances for bad and doubtful debts

When there is objective evidence that trade and other receivables and loan receivables may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed on initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2014, the carrying amount of trade and other receivables and loan receivables were HK$104,978,000 (2013: HK$38,695,000) and HK$79,270,000 (2013: Nil) respectively, whereas allowance for bad and doubtful debts recognised on trade and other receivables and loan receivables during the years ended 31 December 2014 is HK$161,000 (2013: HK$12,641,000) and Nil (2013: Nil) respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes amount due to a related company, obligations under finance leases and bank and other borrowings, net with cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**455,529**	358,830
Financial liabilities		
Amortised cost	**196,634**	312,471

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, loan receivables, pledged bank deposits, bank balances, trade and other payables, amount due to a related company, obligations under finance leases and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies except for certain inter-company balances and bank deposits/ balances denominated in foreign currencies.

The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		**Liabilities**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	**38,461**	41,939	**14,924**	4,590
Renminbi ("RMB")	**36,410**	36,450	**–**	–
Euro ("EUR")	**1,345**	1,889	**5,281**	2,960

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

As HK$ is pledged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/USD exchange rates. As a result, the directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK$/USD is minimal.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in HK$ against RMB and EUR. 5% (2013: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the financial period and held constant throughout the reporting period. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period include only outstanding foreign currency denominated monetary items and inter-company balances.

A positive number below indicates a decrease in post-tax profit for the year (2013: an increase in post-tax loss) where HK$ strengthen 5% (2013: 5%) against RMB and EUR. For a 5% (2013: 5%) weakening of HK$ against RMB and EUR, there would be an equal and opposite impact on the post-tax profit (loss) for the year as set out below:

	RMB impact		**EUR impact**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease (increase) in post-tax profit (2013: increase (decrease) in post-tax loss)	**6,798**	7,435	**(164)**	(45)

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

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to loan receivables, pledged bank deposits and obligations under finance leases. The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, bank and other borrowings (see Note 22 for details of the bank balances and Note 25 for details of bank and other borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank balances and bank borrowings, the analysis is prepared assuming the bank balances and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points increase or decrease in variable-rate bank balances represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would increase/decrease by approximately HK$269,000 (2013: the Group's post-tax loss would decrease/increase by HK$280,000). A 50 basis points increase or decrease in variable-rate bank borrowings represents management's assessment of the reasonably possible change in interest rates. If interest rate decreases/increases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would increase/decrease by approximately HK$387,000 (2013: the Group's post-tax loss would decrease/increase by HK$787,000).

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the period end exposure does not reflect the exposure during the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, loan receivables, and bank balances and pledged bank deposits for year ended 31 December 2013 and 2014.

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

Trade and other receivables consist of a large number of customers spread over diverse geographical areas, thus the Group does not have significant concentration on credit risk.

Bank balances and pledged bank deposits are placed in various banks and the Group has limited exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

As at 31 December 2014, the Group had significant concentration of credit risk on loan receivables. In order to minimise credit risk, the management had delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviewed the recoverable amount of each loan receivable at the end of the reporting period to ensure that adequate impairment losses was recognised for irrecoverable debts. The management closely monitored the subsequent settlement of the individual loan and accessed impairment with reference to fair value of the collateralised listed securities in Hong Kong. Also, the management might request for highly liquid collaterals in order to minimise the exposure of credit risk. In this regard, the directors considered that the Group's credit risk was significantly reduced.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from contracted interest rate at the end of the reporting period.

	Weighted average interest rate	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2014						
Non-derivative financial liabilities						
Trade and other payables	**–**	**103,827**	**–**	**–**	**103,827**	**103,827**
Bank and other borrowings	**4.11**	**84,460**	**7,305**	**1,368**	**93,133**	**92,584**
Obligations under finance leases	**1.86**	**160**	**80**	**–**	**240**	**223**
		188,447	**7,385**	**1,368**	**197,200**	**196,634**
As at 31 December 2013						
Non-derivative financial liabilities						
Trade and other payables	–	89,827	–	–	89,827	89,827
Amount due to a related company	–	26,000	–	–	26,000	26,000
Bank and other borrowings	5.24	189,118	7,305	3,196	199,619	196,272
Obligations under finance leases	1.86	160	240	–	400	372
		305,105	7,545	3,196	315,846	312,471

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

As at 31 December 2014, the aggregate undiscounted principal amount of bank and other borrowings with repayment on demand clause amounting to HK$82,634,000 (2013: HK$108,112,000) are included in "Less than 1 year or on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks or financial institutions will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank and other borrowings will be paid in accordance with the scheduled repayment date set out in the loan agreements as below.

	Weighted average interest rate	Within 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank and other borrowings						
As at 31 December 2014	**3.93**	**81,519**	**2,650**	**–**	**84,169**	**82,634**
As at 31 December 2013	4.63	97,091	12,270	–	109,361	108,112

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

7. SEGMENT INFORMATION

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

During the year ended 31 December 2013, the reportable segments and operating of "electrical appliances", "fashion apparels and accessories", "others" were discontinued. Accordingly, the segment information reported below does not include any amounts for these discontinued operations, which were described in more details in Note 38.

During the year ended 31 December 2014, the Group has two new operating segments as "Financial services" and "Other" and the operating segments under HKFRS 8 are as follows:

(i) Cars – Trading of cars and related accessories and provision of car repairing services;

(ii) Financial services – Provision for financing and corporate finance services; and

(iii) Other – Property investment.

Segment profit represents the profit earned by each segment without allocation of interest income from bank deposits/bank balances, certain unallocated corporate expenses and finance costs. This is the measure reported to CODM for the purpose of resource allocation and assessment of segment performance. The accounting policies of this segment are the same as the Group's accounting policies described in Note 3.

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 31 December 2014

	Cars HK$'000	Financial services HK$'000	Other HK$'000	Consolidated HK$'000
SEGMENT REVENUE				
Group's revenue	**1,073,374**	**20,119**	**1,870**	**1,095,363**
SEGMENT RESULTS				
Segment profit from continuing operations	**35,009**	**19,194**	**1,777**	**55,980**
Interest income				**1,639**
Unallocated corporate expenses				**(7,791)**
Finance costs				**(5,881)**
Profit before taxation from continuing operations				**43,947**

For the year ended 31 December 2013

	Consolidated HK$'000
SEGMENT REVENUE	
Group's revenue – Cars	1,182,788
SEGMENT RESULTS	
Segment loss from continuing operations – Cars	(14,558)
Interest income	962
Unallocated corporate expenses	(15,998)
Finance costs	(13,068)
Loss before taxation from continuing operations	(42,662)

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

At 31 December 2014

	Cars HK$'000	Financial services HK$'000	Other HK$'000	Consolidated HK$'000
Assets				
Segment assets	300,703	86,870	–	387,573
Bank balances and cash				269,915
Pledged bank deposits				58,896
Tax recoverable				1,072
Unallocated corporate assets				46,525
Consolidated assets				763,981
Liabilities				
Segment liabilities	304,086	–	–	304,086
Bank and other borrowings				92,584
Tax payable				3,581
Unallocated corporate liabilities				4,634
Consolidated liabilities				404,885

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2013

	Consolidated HK$'000
Assets	
Segment assets – Cars	300,649
Bank balances and cash	269,387
Pledged bank deposits	73,247
Tax recoverable	2,381
Unallocated corporate assets	47,015
Consolidated assets	692,679
Liabilities	
Segment liabilities – Cars	332,481
Bank and other borrowings	196,272
Tax payable	674
Unallocated corporate liabilities	5,668
Consolidated liabilities	535,095

For the purpose of monitoring segment performance and allocating resource between segment:

– all assets are allocated to operating segment other than corporate assets, tax recoverable, bank balances and cash and pledged bank deposits;

– all liabilities are allocated to operating segment other than corporate liabilities, tax payable, and bank and other borrowings.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2014

Continuing operations:

	Cars HK$'000	Financial services HK$'000	Other HK$'000	Unallocated HK$'000	Consolidated HK$'000
Significant amounts included in the measure of segment result or segment assets					
Addition of property, plant and equipment	44,159	–	–	–	44,159
Depreciation of property, plant and equipment	(14,408)	–	(209)	(581)	(15,198)
(Loss) gain on disposal of property, plant and equipment	(814)	–	(6)	3	(817)
Impairment losses on trade and other receivables	(161)	–	–	–	(161)
Reversal of allowance (allowance) for inventories					
– People's Republic of China ("PRC")	23,653	–	–	–	23,653
– Hong Kong	(9,639)	–	–	–	(9,639)

For the year ended 31 December 2013

Continuing operations:

	Cars HK$'000	Unallocated HK$'000	Consolidated HK$'000
Significant amounts included in the measure of segment result or segment assets			
Addition of property, plant and equipment	36,155	216	36,371
Depreciation of property, plant and equipment	(19,317)	(1,775)	(21,092)
Gain on disposal of property, plant and equipment	1,023	–	1,023
Impairment losses on trade and other receivables	(3,208)	(3,214)	(6,422)
Allowance for inventories			
– People's Republic of China ("PRC")	(26,200)	–	(26,200)
– Hong Kong	(2,571)	–	(2,571)
Impairment losses on goodwill	(308)	–	(308)

7. SEGMENT INFORMATION *(Continued)*

Information about major customers

No revenue from customers contributing over 10% of total revenue of the Group from continuing operations for both years.

Geographical information

The Group's continuing operations are mainly located in Hong Kong, Mainland China and Macau. The following table provides an analysis of the Group's revenue by location of customers, irrespective of the origin of the goods/services:

	2014 **HK$'000**	2013 HK$'000
Hong Kong	**874,884**	770,179
Mainland China	**220,479**	412,609
	1,095,363	1,182,788

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	2014 **HK$'000**	2013 HK$'000
Hong Kong	**109,929**	87,375
Mainland China	**1,351**	15,543
	111,280	102,918

8. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2014 HK$'000	2013 HK$'000
Sales of goods to customers, less returns and discounts	**899,666**	1,035,842
Maintenance service income	**173,708**	146,946
Financial service income	**14,175**	–
Interest income	**5,944**	–
Others	**1,870**	–
	1,095,363	1,182,788

9. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Continuing operations		
Commission income	**3,453**	3,343
Interest income	**1,639**	962
Dividend income	**3,695**	–
Subsidies income from suppliers	**20,190**	7,362
Others	**10,352**	7,414
	39,329	19,081

10. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Continuing operations		
Impairment losses on goodwill	**–**	(308)
Impairment losses on trade and other receivables, net	**(161)**	(6,422)
Net foreign exchange (losses) gains	**(1,601)**	6,324
(Loss) gain on disposal of property, plant and equipment	**(817)**	1,023
	(2,579)	617

11. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Continuing operations		
Interests on bank and other borrowings		
– wholly repayable within five years	**5,668**	12,825
– wholly repayable after five years	**202**	232
Interest on finance leases	**11**	11
	5,881	13,068

12. TAXATION

	2014 HK$'000	2013 HK$'000
Continuing operations		
Current tax		
Hong Kong	**4,740**	53
Other jurisdictions	**2,616**	1,214
	7,356	1,267
Under (over) provision in prior years		
Hong Kong	**–**	1,215
Other jurisdictions	**286**	(45)
	286	1,170
	7,642	2,437

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the both years and the service income for the non-PRC subsidiary with permanent establishment in the PRC is subject to deemed profit tax rate of 20%.

12. TAXATION *(Continued)*

The taxation for the year from continuing operations can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss as follows:

	2014 HK$'000	2013 HK$'000
Profit (loss) before taxation	**43,947**	(42,662)
Tax at the domestic income tax rate of 16.5% (Note)	**7,251**	(7,039)
Tax effect of expenses not deductible for tax purpose	**2,487**	2,864
Tax effect of income not taxable for tax purpose	**(2,234)**	(2,917)
Underprovision in respect of prior years	**286**	1,170
Tax effect of tax losses not recognised	**2,109**	3,862
Tax effect of deductible temporary differences not recognised	**(3,255)**	5,629
Effect of different tax rates of subsidiaries	**998**	(1,132)
Taxation for the year	**7,642**	2,437

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

13. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2014 HK$'000	2013 HK$'000
Profit (loss) for the year from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	**1,510**	1,867
Depreciation of property, plant and equipment	**15,198**	21,092
Staff costs:		
Directors' emoluments	**7,415**	6,494
Salaries and allowances	**74,816**	72,677
Share-based payments	**1,330**	–
Retirement benefits scheme contributions	**2,405**	2,712
	85,966	81,883
Cost of inventories recognised as expense	**847,583**	989,973
(Reversal of allowance) allowance for inventories (included in cost of inventories) (Note)	**(14,014)**	28,771
Operating lease payments in respect of rented properties	**55,168**	54,620

Note: The reversal allowance for the year ended 31 December 2014 is resulted from the subsequent sale of the relevant inventories.

14. DIRECTORS' AND CHIEF EXECUTIVE EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS

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

		Other emoluments				
	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Performance related incentive payments HK$'000 (Note viii)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2014						
Executive Directors						
William Keith Jacobsen	90	–	229	–	5	324
Chong Tin Lung Benny (Note iv)	–	2,016	635	908	17	3,576
Lam Chi Yan (Note iv)	–	1,843	229	890	17	2,979
Independent Non-executive Directors ("INED"s)						
Tan Boon Seng (Note vii)	119	–	–	–	–	119
Antonio Maria Santos	180	–	48	–	–	228
Kong To Yeung Frankie (Note vi)	180	–	48	–	–	228
	569	3,859	1,189	1,798	39	7,454

14. DIRECTORS' AND CHIEF EXECUTIVE EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS *(Continued)*

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note viii)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2013					
Executive Directors					
Lee Man Fai Richard (Note i)	–	2,387	–	15	2,402
Lee Man Bun Jeff (Note ii)	–	–	–	–	–
Wong Tik Tung (Note iii)	–	1,124	–	15	1,139
William Keith Jacobsen	–	90	–	5	95
Chong Tin Lung Benny (Note iv)	–	1,109	–	9	1,118
Lam Chi Yan (Note iv)	–	884	295	8	1,187
INEDs					
Tan Boon Seng	180	–	–	–	180
Cheung Ying Kwan (Note v)	75	–	–	–	75
Yin Pi Tak Peter (Note v)	75	–	–	–	75
Antonio Maria Santos	180	–	–	–	180
Kong To Yeung Frankie (Note vi)	95	–	–	–	95
	605	5,594	295	52	6,546

Notes:

(i) The director resigned on 24 October 2013.

(ii) The director resigned on 25 June 2013.

(iii) The director resigned on 30 December 2013.

(iv) Both directors were appointed on 13 June 2013.

(v) Both directors resigned on 30 May 2013.

(vi) The director was appointed on 21 June 2013.

(vii) The director resigned on 29 August 2014.

(viii) Performance related incentive payments were determined by the remuneration committee having regard to the performance of directors and the Group's operating result.

14. DIRECTORS' AND CHIEF EXECUTIVE EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS *(Continued)*

Mr. Lee Man Fai Richard was also the Chief executive officer of the Company and resigned on 24 October 2013. Mr. Chong Tin Lung Benny is also the chief executive of the Company with effect from 24 October 2013. Their emoluments disclosed above include those for services rendered by him as the chief executive officer.

Of the five individuals with the highest emoluments in the Group, two (2013: one) were/was director(s) whose emoluments are included in the disclosures above. The emoluments of the remaining three (2013: four) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**6,809**	8,084
Performance related incentive payments	**4,361**	2,702
Share-based payments	**343**	–
Retirement benefits scheme contributions	**34**	45
	11,547	10,831

Their emoluments were within the following bands:

	2014 Number of employees	2013 Number of employees
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**2**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	–
	3	4

During the both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors and the chief executive waived any emoluments during the both years.

15. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	2014 **HK$'000**	2013 HK$'000
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company and profit (loss) for the purpose of basic and diluted earnings (loss) per share	**27,576**	(48,042)

	2014 **Number of shares**	2013 Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**3,888,107,199**	2,959,452,260

The computation of diluted loss per share for both continuing and discontinued operations for the year ended 31 December 2013 does not assume the exercise of the Company's outstanding share options because the exercise of the share options would result in a decrease in loss per share.

For the year ended 31 December 2014, the computation of diluted earnings per share does not assume the exercise of the share options granted since the exercise price of the share options outstanding was higher than average market price of the shares during the year.

15. EARNINGS (LOSS) PER SHARE *(Continued)*

From continuing operations

The calculation of basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2014	2013
	HK$'000	HK$'000
Profit (loss) for the year attributable to owners of the Company	**27,576**	(48,042)
Less: Loss for the year from discontinued operations	**–**	(11,126)
Profit (loss) for the purposes of calculating basic and diluted earnings (loss) per share from continuing operations	**27,576**	(36,916)

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

From discontinued operations

For the year ended 31 December 2013, basic and diluted loss per share from discontinued operations is HK0.38 cents, based on the loss for the year from discontinued operations of HK$11,126,000 and the denominators detailed above for both basic and diluted loss per share from continuing and discontinued operations.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold improvements HK$'000	Machinery and tools HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2013	29,030	79,714	16,978	34,418	19,658	179,798
Exchange adjustments	–	771	52	(62)	–	761
Additions	–	4,630	915	3,009	36,995	45,549
Transfer to investment properties	(29,030)	(3,517)	–	–	–	(32,547)
Disposals	–	(10,410)	–	(1,654)	(21,881)	(33,945)
Disposal of subsidiaries (Note 37)	–	(4,234)	(455)	(10,369)	(10,030)	(25,088)
At 31 December 2013	–	66,954	17,490	25,342	24,742	134,528
Exchange adjustments	–	(60)	(18)	(9)	(91)	(178)
Additions	–	30,485	579	1,278	11,817	44,159
Transfer from investment properties	44,700	–	–	–	–	44,700
Disposals/write-off	–	(10,228)	(2,994)	(2,156)	(27,641)	(43,019)
At 31 December 2014	44,700	87,151	15,057	24,455	8,827	180,190
Depreciation						
At 1 January 2013	1,694	53,729	12,176	24,051	9,986	101,636
Exchange adjustments	–	697	28	(51)	10	684
Provided for the year	726	10,917	2,098	3,681	6,306	23,728
Transfer to investment properties	(2,420)	(1,047)	–	–	–	(3,467)
Eliminated on disposals	–	(10,410)	–	(1,694)	(5,801)	(17,905)
Eliminated on disposal of subsidiaries (Note 37)	–	(3,751)	(404)	(6,745)	(4,455)	(15,355)
At 31 December 2013	–	50,135	13,898	19,242	6,046	89,321
Exchange adjustments	–	(58)	(13)	(7)	(23)	(101)
Provided for the year	129	7,574	1,523	2,525	3,447	15,198
Eliminated on disposals/write-off	–	(10,002)	(2,552)	(1,799)	(7,678)	(22,031)
At 31 December 2014	129	47,649	12,856	19,961	1,792	82,387
Carrying values						
At 31 December 2014	44,571	39,502	2,201	4,494	7,035	97,803
At 31 December 2013	–	16,819	3,592	6,100	18,696	45,207

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Shorter of lease terms or $2^1/_2$%
Leasehold improvements	Shorter of lease terms or 20%
Machinery and tools	20% – $33^1/_3$%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	20% – 25%

During the year ended 31 December 2013, the properties comprise building, leasehold land and leasehold improvements were transferred from property, plant and equipment to investment properties which were leased to a connected party. The difference between the fair value at date of transfer and the carrying amount was credited to revaluation reserve. In December 2014, the properties was transferred from investment properties to property, plant and equipment in view of a change of use evidenced by commencement of owner-occupation. The fair value at the date of transfer approximated the carrying amount of investment properties at 31 December 2013.

At 31 December 2014, property, plant and equipment with an aggregate carrying amount of HK$44,571,000 (2013: Nil) are pledged to secure certain bank borrowings granted to the Group.

The carrying value of property, plant and equipment in respect of assets held under finance leases was HK$211,000 (2013: HK$360,000).

17. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 January 2013	–
Transfer from property, plant and equipment	44,700
At 31 December 2013	44,700
Transfer to property, plant and equipment	(44,700)
At 31 December 2014	–

17. INVESTMENT PROPERTIES *(Continued)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes were measured using the fair value model and were classified and accounted for as investment properties. The above investment properties as at 31 December 2013 comprised industrial buildings and carparks located in Hong Kong, held under medium-term leases. The fair value of the investment properties at the date of transfer and as at 31 December 2013 was under Level 3 of fair value hierarchy and based on the directors' valuation taking into account the recent transaction price and adjusted for the relevant circumstances. The key input was the adjustment to the recent transaction price of 8.6%. A decrease in this adjustment would result in an increase in fair value measurement of the investment properties and vice versa.

In December 2014, the above investment properties were transferred to property, plant and equipment in view of a change of use evidenced by commencement of owner-occupation.

18. GOODWILL

	HK$'000
Cost	
At 1 January 2013	33,379
Disposal of subsidiaries (Note 37)	(30,591)
At 31 December 2013 and 2014	2,788
Impairment	
At 1 January 2013	30,524
Impairment loss recognised in the year	308
Disposal of subsidiaries (Note 37)	(30,524)
At 31 December 2013 and 2014	308
Carrying values	
At 31 December 2013 and 2014	2,480

The Group tests goodwill annually or more frequently if there are indications that goodwill may be impaired.

18. GOODWILL *(Continued)*

For the purposes of impairment testing, management compared the value in use of the relevant CGUs with the fair value less cost to sell of the CGUs and concluded that the value in use is higher than the fair value less cost to sell. Management of the Group considered each subsidiary represents a separate CGU. The carrying amount of goodwill had been allocated to three individual CGUs relating to sales of fashion apparels amounting to HK$27,256,000, the sales of accessories amounting to HK$67,000 and the sales of cars amounting to HK$2,788,000 respectively. During the year ended 31 December 2013, the CGU relating to sales of fashion apparels and accessories had been disposed through the disposal of subsidiaries as set out in Note 37. In addition, the Group has terminated its operation of its subsidiary, Dalian Auto Italia Car Trading Co., Ltd ("Dalian"), goodwill related to Dalian amount to HK$308,000 was impaired and recognised in profit or loss during the year ended 31 December 2013. As at 31 December 2013 and 2014, the carrying amount of goodwill had been allocated to one single CGU of sales of cars.

The basis of the recoverable amount and its major underlying assumptions of CGUs engaged in the sales of cars are summarised below:

Sales of cars

At 31 December 2013 and 2014, the recoverable amount of the CGU engaged in the sales of cars has been determined based on a value in use calculation. For impairment assessment purposes, cash flow projections based on financial budgets approved by management covering a 5-year period at a discount rate of 17% (2013: 17%) was used. The cash flows of the CGU engaged in the sales of cars beyond the 5-year period of the financial budgets are extrapolated using a Nil (2013: Nil) growth rate. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the past performance of the CGU engaged in the sales of cars and management's expectations for the market development. At the end of the reporting period, the recoverable amount of the CGU engaged in the sales of cars exceeded the carrying amount, therefore, no impairment loss is considered necessary. Management believes that any reasonably possible change in any of these assumptions would not cause the material change of the recoverable amounts of the sales of cars.

19. INVENTORIES

	2014 HK$'000	2013 HK$'000
Finished goods	**124,765**	182,259
Spare parts	**13,805**	23,792
	138,570	206,051

Included in the above figures are finished goods of HK$16,351,000 (2013: HK$58,091,000) which have been pledged as security for bank borrowings (Note 32).

20. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**45,889**	12,845
Less: Allowance for doubtful debts	**(2,162)**	(2,001)
	43,727	10,844
Purchase deposits	**35,612**	9,922
Utility and rental deposits	**5,720**	2,046
Prepayments and other receivables	**19,919**	15,883
	104,978	38,695

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables

The Group allows its trade customers an average credit period of 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014 HK$'000	2013 HK$'000
Within 30 days	**29,040**	3,751
31 to 60 days	**7,647**	4,157
61 to 90 days	**4,652**	649
91 days to 1 year	**2,388**	2,258
Over 1 year	**–**	29
	43,727	10,844

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date of credit was initially granted up to the end of the reporting period.

At 31 December 2014, included in the Group's trade receivable balances are receivables with aggregate carrying amounts of HK$2,388,000 (2013: HK$2,287,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. As these balances were either subsequently settled or these customers have good repayment history, the amounts are still considered recoverable. Accordingly, the directors believe that no impairment is required. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2014 HK$'000	2013 HK$'000
91 days to 1 year	**2,388**	2,258
Over 1 year	**–**	29
	2,388	2,287

Included in the allowance for doubtful debts are individually impaired trade receivables, which were either in the severe financial difficulties or overdue for a long period time. The Group has made full impairment on these receivables and considered that they are generally not recoverable.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts

Trade receivables

	2014 HK$'000	2013 HK$'000
At 1 January	**2,001**	3,770
Impairment losses recognised in profit or loss	**161**	8,079
Disposal of subsidiaries	**–**	(9,848)
At 31 December	**2,162**	2,001

Other receivables

	2014 HK$'000	2013 HK$'000
At 1 January	**5,944**	6,283
Impairment losses recognised in profit or loss	**–**	4,562
Disposal of subsidiaries	**–**	(4,901)
At 31 December	**5,944**	5,944

The Group's trade and other receivables denominated in foreign currencies of the group entities are as follows:

	2014 HK$'000	2013 HK$'000
EUR	**1,323**	42

21. LOAN RECEIVABLES

	2014 HK$'000	2013 HK$'000
Fixed-rate loans	**79,270**	–

21. LOAN RECEIVABLES *(Continued)*

The outstanding loan receivables are due from third parties and carry an interest rate of 2.0% per month. The loans amounts of HK$40,000,000 and HK$39,270,000 will be repaid in March 2015 and November 2015 respectively. They are secured by listed securities in Hong Kong with fair values of HK$143,632,000 and HK$168,300,000 respectively. In February 2015, a supplemental agreement was entered by the subsidiary with the independent third party in which the maturity date of the loan of HK$40,000,000 is extended to June 2015 and the interest rate remains unchanged.

The Group has a policy for allowance of doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on directors' judgement, including the current creditworthiness of each debtor and the collaterals.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the end of the reporting period and the fair value of the securities pledged by the borrowers. The balances are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are considered recoverable as the creditworthiness is satisfactory. Accordingly, the directors believe that there is no further credit provision required.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry variable-rate interest at market rates which range from 0.06% to 1.2% per annum (2013: 0.01% to 1.8% per annum).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$58,896,000 (2013: HK$73,247,000) have been pledged to secure short-term bank loans and undrawn short-term facilities and are therefore classified as current assets. The pledged bank deposits carry fixed interest rate of 0.01% to 1.5% per annum (2013: 0.01% to 2.86% per annum).

The Group's pledged bank deposits and bank balances and cash denominated in foreign currencies of the relevant group entities are as follows:

	2014 **HK$'000**	2013 HK$'000
USD	**38,461**	41,939
RMB	**36,410**	36,450
EUR	**22**	1,847

23. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purposes and daily operating costs. The average credit period on purchase of goods is 30 – 90 days. The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	2014	2013
	HK$'000	HK$'000
Within 30 days	**27,397**	23,377
31 to 60 days	**2,198**	1,091
61 to 90 days	**835**	234
91 days to 1 year	**–**	31
Over 1 year	**501**	749
Trade and bills payables	**30,931**	25,482
Deposits received from customers	**186,485**	201,529
Advance payments from customers	**31,406**	44,886
Accrued charges	**18,185**	20,421
Other payables	**41,490**	19,459
	308,497	311,777

The Group's trade and other payables denominated in foreign currencies of the relevant group entities are as follows:

	2014	2013
	HK$'000	HK$'000
USD	**14,924**	4,590
EUR	**5,281**	2,960

24. AMOUNT DUE TO A RELATED COMPANY

On 16 July 2013, Auto Italia Limited ("AIL"), an effectively 75.4%-owned subsidiary of the Company, as borrower entered into a loan note with VMS Investment Group Limited ("VMSIG") as lender in relation to a revolving loan facility in the amount of HK$26 million ("Revolving Loan"). VMSIG is interested in approximately 23.81% of the issued share capital of the Company as at 31 December 2013. The Revolving Loan was unsecured and non-interest bearing. AIL shall notify VMSIG a proposed date of repayment for each drawdown which may be extended by VMSIG at its sole discretion at the request of AIL. The proceeds of the Revolving Loan was used to finance partially the purchase of the anticipated increase in scheduled delivery of new cars in the coming months as well as for the general working capital of car business of the Group. On 28 August 2013, AIL had drawn down the amount of HK$26,000,000 which was fully repaid on 17 January 2014.

25. BANK AND OTHER BORROWINGS

	2014 **HK$'000**	2013 HK$'000
Bank borrowings	**17,169**	122,318
Trust receipt loans	**69,550**	59,326
Other borrowings from a restricted licensed bank	**5,865**	14,628
	92,584	196,272
Secured	**92,584**	195,272
Unsecured	**–**	1,000
	92,584	196,272
Carrying amount repayable:		
Within one year	**84,288**	186,322
More than one year, but not exceeding two years	**1,686**	1,655
More than two years, but not more than five years	**5,250**	5,153
More than five years	**1,360**	3,142
	92,584	196,272
Less: Amounts due within one year shown under current liabilities	**(84,288)**	(186,322)
Amounts shown under non-current liabilities	**8,296**	9,950

25. BANK AND OTHER BORROWINGS *(Continued)*

As at 31 December 2014, included in the carrying amount repayable within one year is a balance of HK$82,634,000 (2013: HK$108,112,000) that contains a repayable on demand clause.

As at 31 December 2014, the bank and other borrowings are variable-rate borrowings which bear average effective interest rate (which is also equal to contracted interest rate) at 4.11% per annum (2013: 5.24% per annum).

Details of the pledge of assets to secure the Group's banking facilities were set out in Note 32.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**160**	160	**149**	149
In the second to fifth year inclusive	**80**	240	**74**	223
	240	400	**223**	372
Less: Future finance charges	**(17)**	(28)	**–**	–
Present value of lease obligations	**223**	372	**223**	372
Less: Amount due for settlement within one year			**(149)**	(149)
Amount due for settlement after one year			**74**	223

The Group leased certain of its plant and machinery under finance leases with terms of 4 years (2013: 4 years). The average effective interest rates was 1.86% (2013: 1.86%) per annum during the lease term. Interest rates were fixed at the contract dates. The leases were on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under the finance leases are secured by the lessor's charge over the leased assets.

27. DEFERRED TAXATION

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

	Accelerated accounting (tax) depreciation HK$'000
At 1 January 2013	181
Exchange difference	(17)
Disposal of subsidiaries (Note 37)	(164)
At 31 December 2013 and 2014	–

At the end of the reporting period, the Group had unused estimated tax losses of HK$71,160,000 (2013: HK$65,003,000) available for offset against future profits which is subject to agreement with the relevant tax authorities. No deferred tax assets have been recognised in respect of the unrecognised estimated tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are loss of HK$43,050,000 (2013: HK$42,194,000) which will be expired in year 2019 (2013: year 2018). The other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$26,093,000 (2013: HK$45,821,000) mainly relating to accelerated accounting depreciation and allowance for inventories. No deferred tax assets has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

In addition, there are no undistributed earnings of the PRC subsidiaries as at 31 December 2013 and 2014.

28. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.02 each:		
Authorised:		
At 1 January 2013, 31 December 2013 and 2014	17,500,000,000	350,000
Issued and fully paid:		
At 1 January 2013 and 2014	2,959,452,260	59,189
Issue of shares under placement (Note i)	500,000,000	10,000
Issue of shares under open offer (Note ii)	1,729,726,130	34,595
At 31 December 2014	5,189,178,390	103,784

Notes:

(i) Save as disclosed in the announcement dated 20 March 2014, a total of 500,000,000 ordinary shares of HK$0.125 each were issued on 20 March 2014 through placement to various placees, who and whose ultimate beneficial owners were independent and not connected to the Group. The gross proceeds of HK$62,500,000 were used as general working capital of the Group.

(ii) On 10 September 2014, the Company completed an open offer to the existing shareholders of 1,729,726,130 shares at a subscription price of HK$0.065 per new share on the basis of one new share for every two existing shares.

All the shares issued rank pari passu with the existing shares in all respects.

29. SHARE OPTION SCHEMES

2002 Scheme

A share option scheme (the "2002 Scheme") was adopted pursuant to a resolution passed by the shareholders of the Company on 30 May 2002 for a period of 10 years. The purpose of the 2002 Scheme was to provide incentives or rewards to participants for their contribution to the Group and enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any company in which the Group holds any equity interest. The 2002 Scheme was terminated and a new share option scheme (the "2012 Scheme") was adopted pursuant to resolutions passed by the shareholders of the Company on 28 May 2012.

Under the 2002 Scheme, the board may at their discretion grants options to the following participants of the Company, its subsidiaries and any company in which the Group holds any equity interest, to subscribe for shares in the Company:

(1) eligible employees, including directors; or

(2) suppliers or customers; or

(3) any person or entity that provides research, development or other technological support; or

(4) shareholders; or

(5) employees, partners or directors of any business partners, joint venture partners, financial advisers and legal advisers.

Options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be approved by the INEDs (excluding any INED who is the grantee of the options).

The total number of shares which may be issued upon exercise of all outstanding options granted under the 2002 Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2002 Scheme without prior approval by the shareholders of the Company. Pursuant to an ordinary resolution passed by the Company's shareholders at the annual general meeting held on 31 May 2011, the scheme limit of the 2002 Scheme was refreshed so that the total number of shares of the Company which may be issued upon exercise of all options to be granted under the 2002 Scheme must not exceed 10% of the issued share capital of the Company at that date. Options granted prior to 31 May 2011 under the 2002 Scheme were not counted for the purpose of calculating the refreshed scheme limit of the 2002 Scheme.

29. SHARE OPTION SCHEMES *(Continued)*

2002 Scheme *(Continued)*

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total issued share capital of the Company, without prior approval by the shareholders of the Company. Options granted to a substantial shareholder of the Company or an INED, or any of their respective associates, under the 2002 Scheme and any other share option schemes of the Company would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period in aggregate in excess of 0.1% of the Company's issued share capital and with an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5 million must obtain prior approval from the shareholders of the Company.

The number of shares in respect of which options may be granted to any participant in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder, or an INED of the Company or any of their respective associates under the 2002 Scheme and any other share option schemes in any one year in excess of 0.1% of the Company's issued share capital or with a value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant upon payment of HK$1 per each grant of options. The exercise period of the share options granted under the 2002 Scheme shall be determined by the board when such options are granted, provided that such period shall not end later than 6 years from the date of grant. The subscription price is determined by the Board and will not be lower than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, and (ii) or the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a Company's share.

Upon termination of the 2002 Scheme, no further options will be granted under the 2002 Scheme. However, the rules of the 2002 Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any option granted prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the 2002 Scheme. All options granted under the 2002 Scheme prior to its termination will continue to be valid and exercisable in accordance with the rules of the 2002 Scheme.

29. SHARE OPTION SCHEMES *(Continued)*

2012 Scheme

The Company adopted the 2012 Scheme on 28 May 2012. The purpose of the 2012 Scheme is to provide incentives or rewards to the participants for their contribution to the Group and enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any companies in which the Group holds any equity interest. The 2012 Scheme will expire on the 10th anniversary of the date of adoption. Under the 2012 Scheme, the Board may at their discretion grant options to the following participants of the Company, its subsidiaries and any company in which the Group holds any equity interest, to subscribe for shares in the Company:

(1) eligible employees, including directors; or

(2) suppliers or customers; or

(3) any person or entity that provides research, development or other technological support; or

(4) shareholders; or

(5) employees, partners or directors of any business partners, joint venture partners, financial advisers and legal advisers.

Options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be approved by the INEDs (excluding any INED who is a grantee of the options).

The total number of shares which may be issued upon exercise of all outstanding options granted under the 2012 Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options granted under the 2012 Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2012 Scheme without prior approval by the shareholders of the Company.

29. SHARE OPTION SCHEMES *(Continued)*

2012 Scheme *(Continued)*

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total issued share capital of the Company, without prior approval by the shareholders of the Company. Options granted to a substantial shareholder of the Company or an INED, or any of their respective associates, under the 2012 Scheme and any other share option schemes of the Company would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period in aggregate in excess of 0.1% of the Company's issued share capital and with an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5 million must obtain prior approval from the shareholders of the Company.

Options granted must be taken up within 28 days of the date of grant upon payment of HK$1 per each grant of options. The exercise period of the options granted under the 2012 Scheme shall be determined by the Board when such options are granted, provided that such period shall not end later than 6 years from the date of grant. The subscription price is determined by the Board and will not be lower than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a Company's share.

For the year ended 31 December 2014, 202,395,000 (2013: Nil) share options were granted by the Company to certain directors, employees and consultants of the Group on 16 October 2014 and Nil (2013: Nil) share options were exercised. The estimated fair value of the options granted on this date are HK$18,237,000.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Scheme was 201,074,000 (2013: Nil) representing 0.84% (2013: Nil) of the shares of the Company in issue at that date.

Except for the 3,000,000 share options granted to certain INEDs that have been vested on the date falling on the end of the sixth month from the date of grant, 40%, 30% and 30% of the remaining 199,395,000 share options granted are subject to the vesting period on the date of the first, second and third anniversary of the date of grant of such options respectively.

29. SHARE OPTION SCHEMES *(Continued)*

The following table details and movements of the Company's share options granted under the Schemes held by employees (including directors) during the two years end 31 December 2014:

2002 Scheme

Date of grant	Outstanding at 1 January 2013	Exercised during the year	Outstanding at 31 December 2013 and 2014	Exercisable period	Exercise price HK$
9 August 2007	180,000	(180,000)	–	9 August 2007 – 8 August 2013	0.2130
25 September 2007	120,000	(120,000)	–	25 September 2007 – 24 September 2013	0.1740
Total	300,000	(300,000)	–		

2012 Scheme

Date of grant	Outstanding at 1 January 2013 and 31 December 2013	Granted during the year	Lapsed during the year	Outstanding at 31 December 2014	Exercisable at 31 December 2014	Exercisable period	Exercise price HK$
16 October 2014	–	3,000,000	–	3,000,000	–	16 April 2015 – 15 April 2020	0.184
16 October 2014	–	79,758,000	(528,400)	79,229,600	–	16 October 2015 – 15 October 2020	0.184
16 October 2014	–	59,818,500	(396,300)	59,422,200	–	16 October 2016 – 15 October 2020	0.184
16 October 2014	–	59,818,500	(396,300)	59,422,200	–	16 October 2017 – 15 October 2020	0.184
		202,395,000	(1,321,000)	201,074,000			

29. SHARE OPTION SCHEMES *(Continued)*

Details of the share options held by the directors included in the above table are as follows:

2012 Scheme

Date of grant	Outstanding at 1 January 2013 and 31 December 2013	Granted during the year	Outstanding at 31 December 2014	Exercisable at 31 December 2014	Exercisable period	Exercise price HK$
16 October 2014	–	3,000,000	3,000,000	–	16 April 2015 – 15 April 2020	0.184
16 October 2014	–	35,716,400	35,716,400	–	16 October 2015 – 15 October 2020	0.184
16 October 2014	–	26,787,300	26,787,300	–	16 October 2016 – 15 October 2020	0.184
16 October 2014	–	26,787,300	26,787,300	–	16 October 2017 – 15 October 2020	0.184
		92,291,000	92,291,000			

The fair value of the share options is determined using a Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioral considerations. Expected validity is based on the historical share price volatility over the past 5 years.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The inputs into the model were as follows:

	16 October 2014
Stock price	HK$0.179
Exercise price	HK$0.184
Risk free rate	0.98% – 1.05%
Contractual life	5.50 – 6.00 years
Expected Option Period	4.5 – 5.0 years
Expected volatility	53.33% – 60.07%
Expected dividend yield	0.00%

The Group recognised the total expense of HK$2,519,000 in administrative expenses for year ended 31 December 2014 in relation to share options granted by the Company.

30. RETIREMENT BENEFITS SCHEMES

The relevant subsidiaries in Mainland China are required to make contributions to the state-managed retirement schemes in the PRC based on a specific percentage of the payroll costs of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The government in Mainland China is responsible for the pension liability to these retired staff.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK$1,500 per month effective from 1 June 2014 (prior to 1 June 2014: HK$1,250).

For subsidiaries other than in Hong Kong and Mainland China, contributions are made to the defined contribution schemes by the Group at rates specified on the rules of the schemes at the relevant jurisdiction.

The total cost of HK$2,405,000 (2013: HK$5,918,000) recognised to profit or loss represents contributions payable to these schemes by the Group during the year.

31. OPERATING LEASE COMMITMENTS

The Group as lessees

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

	2014 **HK$'000**	2013 HK$'000
Within one year	**45,652**	44,988
In the second to fifth year inclusive	**67,496**	81,081
	113,148	126,069

Leases for rented premises are negotiated for terms of 2 to 10 years with fixed rental.

31. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**–**	2,040

Lease for rented premise is negotiated for a term of 1 year with fixed rental as at 31 December 2013.

32. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks to secure the bank borrowings granted to the Group:

	2014	2013
	HK$'000	HK$'000
Inventories	**16,351**	58,091
Pledged bank deposits	**58,896**	73,247
Property, plant and equipment	**44,571**	–
Investment properties	**–**	44,700
	119,818	176,038

33. RELATED PARTY TRANSACTIONS

Apart from the amount due to a related party as set out in Note 24, the Group had entered the following significant transactions with its related companies and group companies:

	2014 **HK$'000**	2013 HK$'000
IT consultancy fee paid to a related party (Note)	**–**	186

Note: During the years ended 31 December 2013, the independent consultancy agreement entered into between AIL, an indirect subsidiary of the Company, and Mr. Michael Adamczyk, the son of Mr. Herbert Adamczyk who is a director of AIL and has resigned on 1 June 2012, in relation to the provision of professional consulting services in the area of information technology operation and organization strategy which was renewed for a term annually. However, the agreement has been terminated with effect from 1 January 2014.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

	2014 **HK$'000**	2013 HK$'000
Fees	**569**	605
Salaries and other benefits	**9,748**	10,477
Performance related incentive payments	**6,645**	2,995
Share-based payments	**1,492**	–
Retirement benefit scheme contributions	**66**	74
	18,520	14,151

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

34. CAPITAL COMMITMENTS

At 31 December 2013 and 2014, the Group has no capital commitments in respect of the acquisition of property, plant and equipment contracted but not provided for.

At 31 December 2014, the Group has capital commitments of HK$31,907,000 (2013: Nil) in respect of the acquisition of property, plant and equipment authorised but not contracted for.

35. DIVIDEND

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

36. ACQUISITION OF ADDITIONAL INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

Pursuant to the purchase agreement dated 8 July 2014, CPLY Acquisition Corp. ("CPLY NewCo"), an indirect wholly-owned subsidiary of the Group, has conditionally agreed to purchase an aggregate of 9,879,389 shares, representing approximately 40.27% equity interest of China Premium Lifestyle Enterprise, Inc. ("CPLY") from six of the shareholders of CPLY, at a total consideration of approximately US$839,749 (equivalent to approximately HK$6,509,000) (the "Acquisition"). The Acquisition was completed on 26 August 2014 and accounted for as equity transaction when this change in the Group's ownership interests in CPLY does not result in the Group losing control over CPLY. Upon the completion, the Company holds indirectly 90.04% equity interest of CPLY.

Pursuant to the merger agreement date 24 September 2014, CPLY NewCo merged with CPLY in accordance with the applicable laws of the State of Nevada (the "Merger"). On the merger effective date of 24 September 2014 ("Merger Effective Date"), the separate existence of CPLY NewCo was ceased and CPLY is the surviving corporation. By virtue of the Merger and without any action on the part of the holder thereof, each share of common stock of CPLY, par value of US$0.005 per share, issued and outstanding and held by any shareholder other than CPLY NewCo immediately prior to the Merger Effective Date was cancelled, at a total consideration approximately US$207,701 (equivalent to approximately HK$1,612,000). As of the Merger Effective Date, CPLY is the wholly-owned subsidiary of the Company. The difference between the consideration paid and the carrying amount of the additional interest acquired by the Group of HK$9,397,000 was recognised in other reserve during the year ended 31 December 2014.

37. DISPOSAL OF SUBSIDIARIES

On 23 October 2013, the Company signed a disposal agreement with Victor Glory Holdings Limited (the "Purchaser"), to dispose the entire issued share capital of Wo Kee Hong (B.V.I.) Limited ("WKH (BVI)"), a wholly owned subsidiary of the Company, at a consideration of HK$112,574,000. The disposal was completed on 30 December 2013. WKH (BVI) and its subsidiaries are principally engaged in the import, distribution and after-sales service of electrical appliances, distribution of fashion apparels and accessories and motor yacht and these operations were also discontinued accordingly.

The Purchaser is a company incorporated in the Cayman islands with limited liability which is wholly and beneficially owned by Dr. Richard Man Fai Lee, a substantial shareholder and an executive director as at 23 October 2013, who subsequently resigned as a director on 24 October 2013 and ceased to be substantial shareholder on 12 November 2013 after completion of the placing of his shares in the Company to independent placees.

Upon the completion of the disposal, the properties of the Group are leased to the disposal group for a 12-month period at a monthly rent of HK$170,000. The net loss on disposal of WKH (BVI) and its subsidiaries was as follows:

Analysis of assets and liabilities over which control was lost:

	2013 HK$'000
Property, plant and equipment	9,733
Goodwill	67
Intangible assets	5,400
Available-for-sale investments	252
Deferred tax assets	177
Inventories	74,104
Trade and other receivables	77,323
Loan receivables	6,086
Pledge bank deposits	62,251
Bank balances and cash	11,946
Tax payable	(16)
Other borrowing	(66,564)
Obligation under finance lease	(291)
Trade and other payables	(74,387)
Deferred tax liabilities	(13)
	106,068
Non-controlling interests	3,632
Net assets disposed of	109,700

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

Loss on disposal of subsidiaries:

	2013 HK$'000
Consideration received	112,574
Net assets disposed of	(109,700)
Realised gain on intra-group transactions	669
Reclassification of cumulative translation reserve upon disposal of the subsidiaries to profit or loss	(2,865)
Direct transaction costs	(1,210)
Loss on disposal	(532)

Net cash outflow arising on disposal at the date of:

	2013 HK$'000
Total cash consideration received	112,574
Less: Bank balances and cash disposed of	(11,946)
Less: Direct transaction costs	(1,210)
	99,418

Loss on disposal of HK$532,000 is included in loss from discontinued operations in the consolidated statement of profit or loss (see Note 38) and the impact of WKH(BVI) and its subsidiaries on the Group's results and cash flows in the current and prior periods is disclosed in Note 38.

38. DISCONTINUED OPERATIONS

As referred to Note 37, the loss for the year from discontinued operations was set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the Non-car Business as discontinued operations.

	2013 HK$'000
Loss of Non-car Business for the year	(10,031)
Loss on disposal of Non-car Business (see Note 37)	(532)
	(10,563)

The results of the discontinued operations included in the loss for the year were set out below.

	2013 HK$'000
Loss for the year from discontinued operations was analysed as follows:	
Revenue	363,754
Cost of sales	(269,716)
Other income	5,181
Other gains and losses	(8,301)
Selling and distribution costs	(47,795)
Administrative expenses	(49,535)
Finance costs	(3,312)
	(9,724)
Taxation	(307)
Loss for the year from discontinued operations	(10,031)

The carrying amount of the assets and liabilities of the disposed subsidiaries were disclosed in Note 37.

38. DISCONTINUED OPERATIONS *(Continued)*

	2013
	HK$'000
Loss for the year from discontinued operations had been arrived at after charging (crediting):	
Auditor's remuneration	823
Depreciation of property, plant and equipment	2,636
Staff costs:	
Directors' emoluments	–
Salaries and allowances	36,698
Retirement benefits scheme contributions	3,206
	39,904
Cost of inventories recognised as expense	269,716
Allowance for inventories (included in cost of sales)	1,504
Operating lease payments in respect of rented properties	11,713
Interest income (including in other income)	(591)
Subsidies income for suppliers (including in other income)	1,265
Impairment on trade and other receivables, net	6,219
Loss on disposal of properties held for sale/investment properties	1,627
Loss on disposal of property, plant and equipment	518
Cash flows from discontinued operations:	
Net cash flows used in operating activities	(9,698)
Net cash flows from investing activities	121,961
Net cash flows from financing activities	3,641

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2013 and 2014 are as follows:

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Fully paid-up and issued/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2014 %	2013 %	Principal activities
Corich Enterprises Inc.	British Virgin Islands	Ordinary	USD100	**100#**	100#	Investment holding
Home Crown Enterprises Ltd.	British Virgin Islands	Ordinary	USD1	**100#**	100#	Investment holding
Smart Apex Holdings Limited	British Virgin Islands	Ordinary	USD1	**100**	100	Investment holding
CPLY	United States	Common	USD122,672	**100#**	49.8#	Investment holding
AIL	Hong Kong	Ordinary	HK$100,000	**100#**	75.4#	Trading of cars and related accessories and provision of car repairing services
Dalian##	Mainland China	N/A	RMB5,000,000	**100#**	75.4#	Trading of cars
Italian Motors (Sales & Service) Limited	Hong Kong	Ordinary	HK$600,000	**100#**	75.4#	Investment holding
Rise Champ Limited	Hong Kong	Ordinary	HK$1	**100#**	100#	Property holding
Technorient Limited	Hong Kong	Ordinary	HK$46,168,700	**100#**	75.4#	Investment holding

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Fully paid-up and issued/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2014 %	2013 %	Principal activities
南京快意汽車貿易有限公司 ##	Mainland China	N/A	RMB40,000,000	100#	75.4#	Trading of cars
勵快駿投資諮詢(上海)有限公司##	Mainland China	N/A	HK$1,000,000	100#	75.4#	Provision of pre-delivery inspection consultancy services of Ferrari and Maserati cars in Shanghai
Taine Holdings Limited	British Virgin Islands	Ordinary	USD1	100#	–	Provision of financial services
Auto Italia (Finance) Limited	British Virgin Islands	Ordinary	USD1	100#	–	Provision of financial services
Greenroot Investments Limited	British Virgin Islands	Ordinary	USD1	100	–	Investment holding

These entities are indirectly held by the Company.

These entities are wholly foreign owned enterprises registered in Mainland China.

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

Except for the loan note issued by AIL as set out in Note 24, none of the subsidiaries had issued any debt securities at the end of the reporting period.

40. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) attributable to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
Technorient Limited	Hong Kong	**Nil**	24.6%	**9,034**	(7,444)	**–**	19,657
CPLY	Hong Kong	**Nil**	49.8%	**(305)**	(739)	**–**	(10,939)
Individually immaterial subsidiaries with non-controlling interests						–	–
						–	**8,718**

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) Technorient Limited and its subsidiaries

	2014	2013
	HK$'000	HK$'000
Current assets	**–**	566,329
Non-current assets	**–**	95,423
Current liabilities	**–**	(581,169)
Non-current liabilities	**–**	(223)
Equity attributable to owners of the Company	**–**	60,703
Non-controlling interests	**–**	19,657

40. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(i) Technorient Limited and its subsidiaries *(Continued)*

	2014 HK$'000	2013 HK$'000
Revenue	**1,073,374**	1,188,068
Expenses	**(1,045,776)**	(1,217,731)
Profit (loss) for the year	**27,598**	(29,663)
Profit (loss) attributable to owners of the Company	**18,564**	(22,219)
Profit (loss) attributable to the non-controlling interests	**9,034**	(7,444)
Profit (loss) for the year	**27,598**	(29,663)
Other comprehensive income (expense) attributable to owners of the Company	**198**	(2,329)
Other comprehensive income (expense) attributable to the non-controlling interests	**71**	(760)
Other comprehensive income (expense) for the year	**269**	(3,089)
Total comprehensive income (expense) attributable to owners of the Company	**18,762**	(24,548)
Total comprehensive income (expense) attributable to the non-controlling interests	**9,105**	(8,204)
Total comprehensive income (expense) for the year	**27,867**	(32,752)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**–**	159,517
Net cash outflow from investing activities	**–**	(2,928)
Net cash outflow from financing activities	**–**	(53,369)
Net cash inflow	**–**	103,220

40. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(ii) CPLY and its subsidiary

	2014 **HK$'000**	2013 HK$'000
Current assets	–	2
Non-current assets	–	19,733
Current liabilities	–	(74,614)
Equity attributable to owners of the Company	–	(43,940)
Non-controlling interests	–	(10,939)
Expenses and loss for the year	**(1,283)**	(1,471)
Loss and total comprehensive expense attributable to owners of the Company	**(978)**	(732)
Loss and total comprehensive expense attributable to the non-controlling interests	**(305)**	(739)
Loss and total comprehensive expense for the year	**(1,283)**	(1,471)
Dividends paid to non-controlling interests	–	–
Net cash outflow from operating activities	–	(1,471)
Cash inflow from financing activities	–	1,471
Net cash outflow	–	–

CPLY holds 49% equity interest in Technorient Limited of which the relevant interest is reflected in Note 40(i) above.

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014 HK$'000	2013 HK$'000
Unlisted investments in subsidiaries	**9,227**	9,227
Other receivables	**863**	538
Amounts due from group companies	**274,478**	1,104
Bank balances and cash	**889**	107,613
Total assets	**285,457**	118,482
Other payables	**4,567**	3,929
Amount due to fellow subsidiaries	**–**	–
Amount due to a related company	**–**	–
Financial guarantee contracts	**4,344**	4,344
Total liabilities	**8,911**	8,273
Total net asset	**276,546**	110,209
Share capital (Note 28)	**103,784**	59,189
Reserves (Note)	**172,762**	51,020
Total equity	**276,546**	110,209

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	115,678	2,151	18	46,396	53,441	217,684
Loss and total comprehensive expense for the year	–	–	–	–	(166,664)	(166,664)
Lapse of share options	–	–	(18)	–	18	–
At 31 December 2013	115,678	2,151	–	46,396	(113,205)	51,020
Loss and total comprehensive expense for the year	–	–	–	–	(6,722)	(6,722)
Recognition of equity settled share-based payments	–	–	2,519	–	–	2,519
Issue of new shares	130,337	–	–	–	–	130,337
Transaction cost attributable to issue of new shares	(4,392)	–	–	–	–	(4,392)
At 31 December 2014	241,623	2,151	2,519	46,396	(119,927)	172,762

Five-year Financial Summary

	2014 **HK$'000**	2013 HK$'000	2012 HK$'000 (restated)	2011 HK$'000 (restated)	2010 HK$'000 (restated)
Results					
Revenue from continuing operations	**1,095,363**	1,182,788	1,190,230	1,114,500	906,132
Profit (loss) for the year	**36,305**	(55,662)	(82,239)	(23,200)	21,399
Attributable to:					
Owners of the Company	**27,576**	(48,042)	(79,270)	(25,422)	20,864
Non-controlling interests	**8,729**	(7,620)	(2,969)	2,222	535
	36,305	(55,662)	(82,239)	(23,200)	21,399
Assets and liabilities					
Total assets	**763,981**	692,679	912,795	938,851	794,759
Total liabilities	**(404,885)**	(535,095)	(721,958)	(740,358)	(595,242)
Net assets	**359,096**	157,584	190,837	198,493	199,517
Equity attributable to owners of the Company	**359,096**	148,866	182,757	187,309	190,600
Non-controlling interests	**–**	8,718	8,080	11,184	8,917
Total equity	**359,096**	157,584	190,837	198,493	199,517