DAIDO

Stock Code 股份代號：00544

DAIDO GROUP LIMITED
大同集團有限公司

ANNUAL REPORT 年報 2014

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-executive Director

Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

Remuneration Committee

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

www.irasia.com/listco/hk/daido/index.htm
www.daidohk.com

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F.
Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors/Management, I am pleased to present the annual results of the Group for the financial year ended 31st December, 2014.

According to the World Bank, global growth in 2014 was lower than initially expected. While the US and the UK have picked up momentum, the Euro zone and Japan are still lagging behind and China is in the middle of a managed slowdown.

Hong Kong is essentially facing similar situation. According to the HK Trade Development Council, despite a growth in local consumption demand and tourist number, tourist spending in retail recorded a small decline of 0.2% in 2014. Hong Kong's economy expanded by 2.3% in 2014, moderated from 2.9% in 2013. The economy in 2015 is forecast to grow by 1–3%.

Although we are experiencing much lower oil prices since late last year, our operational costs have not declined. Despite this, I am pleased to announce that the Group has been able to maintain stable performance in our core cold storage business. The rental increase has helped us maintain a profit margin as our logistics and ice bar performance dipped last year.

The strategic decision by the Management to dispose of its karaoke and related service business and our indirect investment vehicle to dispose its shares in Grand Waldo Hotel resort complex in Macau were timely decisions. The disposals have brought in proceeds that allow for the Group to reinforce itself and reinvest into other opportunities. Last year, we purchased a money lending company to help our cold storage clients in liquidity needs, which is a decision to leverage on our existing customer base to develop our core business further.

The trading business which the Group started in 2013 has made some development. Last year we were appointed the sole agent of Korean's largest combined dairy products company, which has enabled us to reach into prominent supermarket chains in China. While we are still experiencing loss in this arm, we will cautiously add a couple of new products and are building a much needed portfolio in the competitive dairy product market in the PRC.

On behalf of the Board of Directors/Management, I would like to give my deepest thanks to all our clients and shareholders for their continued trust and support. I would also like to thank our team of dedicated staff for seeing us through all the challenges we faced in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the financial year ended 31st December, 2014, total revenue from the continuing operations of the Group amounted to approximately HK$214 million, up approximately 10% when compared to approximately HK$193 million in the previous financial year. The Group's cold storage business continued to do well during 2014. The good performance has, however, been offset by the significant loss recorded in the trading business. As such the general performance was similar to that of 2013.

The overall turnover of the Group's operations was similar to that of the previous year. Net loss for the year attributable to owners of the Company has been reduced. During the period under review, the Group recorded a reduction in loss of approximately HK$24 million as compared to approximately HK$41 million in the previous year. The Management considers the reduction was mainly due to the disposal of the non-profitable KTV business in the PRC in 2013 and the adjustment on loans to an investee upon its repayment of the loan by the investee, which was included in the corresponding period in 2013. Loss per share was HK0.98 cent.

The Group is principally engaged in cold storage and related business, trading and related business in the PRC and provision of money lending services.

BUSINESS REVIEW

Cold storage and related services

Cold storage

This segment remained as the core business of the Group and showed stable performance despite an increasingly high operating costs. The Group hiked rent during the financial year of 2014, which helped covered the surge in costs in terms of property rent and rates, salary, electricity and maintenance work. The Group has successfully improved its bottom line through this carefully balanced rental increase.

The Management will continue to keep a close eye at cost and quality control and developing a wider market clientele.

Logistics services

The Group's logistics service business was sluggish due to price increment to support the increased operational costs. As our clients usually traded goods with China and used Hong Kong as an entrepôt, our fee hike has caused some of them to seek other ways to deliver good to China. However, this value-added service offers a good retention factor for our cold storage customers, which account for 80–90% of the overall clientele of the logistic service arm.

Industrial ice bars (for construction use)

The turnover of our industrial ice bars business dipped also due to a price hike which resulted in a loss of customers orders. However, the impact to the Group's overall profit is limited because this segment only represents a small part of the turnover.

Trading and related business in the PRC

In March last year, the Group started to distribute Korean dairy products in prominent supermarket chains in China, including Walmart Sam's Club, CR Vanguard Ole and Aeon Jusco. The dairy products are manufactured by the largest combined dairy products company in Korea–NamYang Dairy Products Co., Ltd. Daido's subsidiary in Shanghai is the sole agent for their fresh dairy products in Greater China. The Group also started to distribute NamYang brand coffee, Binggrae, a Korean banana flavored milk, and a2 milk from Australia.

The trading business is still at its teething stage and is registering a loss. However, the Management is still optimistic about the prospect and is cautiously trying our hands into distributing new products.

The Group partners with a PRC company to provide related logistics services as a joint venture. This is an opportunity the Group has seized to expand its existing logistic business into Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31st December, 2014, banking facilities to the extent of HK$3.5 million (2013: HK$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million (2013: HK$3.5 million). The amount utilised at 31st December, 2014 was approximately HK$3.5 million (2013: approximately HK$3.5 million).

As at 31st December, 2014, bank deposits of approximately HK$87 million (2013: approximately HK$75 million) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2014, the Group had cash and bank balances of approximately HK$149 million (2013: approximately HK$144 million). The slight increase was mainly due to proceeds from issue of bonds and advance from an investee and cash used in increase in pledged bank deposits, repayment of promissory notes, capital injection to a joint venture, purchase of property, plant and equipment and the net cash used in operating activities. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 16.56% as at 31st December, 2014 (2013: approximately 2.87%). The increase was mainly attributable to the issue of bonds.

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. The Group may have relatively high exposure to exchange rate risk when more trading business to be operated in the PRC. As the Group's trading business involves multi-exchange rates, the directors will review the exchange rate risks faced by the Group periodically.

During the year under review, the Group's capital expenditure was financed by internal cash generation and non-equity funding. On 13th November, 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK$500 million within the placing period. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014. As at 31st December, 2014, it is noted that the bonds in an aggregate principal amount of HK$40 million have been subscribed by the placees and issued by the Company.

SHARE CAPITAL STRUCTURE

As at 31st December, 2014, the total issued share capital of the Company was HK$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2013.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2014, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 250 and 25 respectively (31st December, 2013: approximately 259 Hong Kong employees; 15 PRC employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter, lunch box/lunch subsidy and professional tuition/training subsidy for employees' benefit.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking into 2015, the Group remains optimistic, particularly with the cold storage business, which provides a stable income source for the Group. The trading business has been restructured last year, with its distribution network further strengthened, and its management actively seeking a variety of products and sourcing new suppliers. This line of business is expected to improve in performance soon.

Meanwhile, Daido had a new initiative: the acquisition of a money lending company in Hong Kong, which includes offer short-term advances to our clients with goods held at our cold storage as security and other money lending opportunities. This will help support cold storage customers to develop their businesses in China, which will in turn help keep the stability of our clientele and attract new ones.

China economy has slowed down and is expecting a growth rate of 7% this year. While the Chinese exports in the first two months remain strong, its imports saw a big drop of 20%, which shows a weakening internal demand.

Whether this will affect our trading of imported food products in China is remained to be seen. But as a Mckinsey & Company's research suggests, by 2022, more than 75% of China's urban consumers will earn RMB60,000 to 229,000 a year, and the upper middle class will take up 56% of the urban private consumption. This sophisticated group of shoppers is willing to pay a premium for quality. Together with the fact that the Chinese government has listed concrete objectives in its 12th five-year-plan to support third party logistics (3PL), we have reasons to be optimistic about this segment.

Cold storage and related services

The Group is optimistic about its cold storage business, as over 95% of food supply in Hong Kong is imported and a significant amount of Hong Kong imports are re-exported, meaning refrigeration will remain a constant demand.

In 2014, visitor arrivals to Hong Kong increased 12% compared with 11.7% in 2013. While those from the Chinese mainland saw a stronger growth of 16% in 2014.

The value of total receipts of the restaurants sector in 2014 was provisionally estimated at HK$100.4 billion, representing an increase of 3.5% in value compared with the whole year of 2013. Among all restaurants types, fast food restaurants have a similar increment in total receipts, and is one of the better performers.

As our customers are mostly frozen food importers, local fast food chains and small restaurants, a strong dining out culture of the local population and a continuously increasing number of tourists will keep the demand up for frozen food, which requires our service.

Demand from Mainland China is also playing a role for the development of logistic business. According to the HKTDC, In 2013, packaged food sales between 2009 and 2013 have been growing at an average annual rate of 12.3% to reach more than RMB1,260 billion in China. Demand for foreign food in the China market also serves to be a driving force behind our logistic services business.

Besides the demand factor, according to trade and container shipping news portal joc.com, there is an estimated shortage of 300,000 to 400,000 square meters of warehouse space in Hong Kong, which gives this business a structural advantage. The lack of available space combined with strong demand from the retail sector will ensure the Group's cold storage business remaining in a strong position.

Challenges ahead

High Operating Costs

While we have reasons to be optimistic with the business outlook, we still need to face increasing costs. The shortage of warehouse land means rental will continue to be high while expansion is difficult due to the nearly full occupancy rate.

Besides, Hong Kong's unemployment rate remains a low of 3.3%, and salaries in the territory is expected to rise 5% in 2015.

On top of that, China Light & Power has announced a raise of average total Tariff by 3.1% effective on 1st January, 2015. It also expects a 50% increase in fuel costs in 2015 because of its need to meet the new emission requirement.

The increase of electricity cost will directly affect the operating cost for this segment, as cold storage and ice bar manufacturing both rely on stable electricity. The increment on rental rates to client alone may not be adequate to cover the overall operating cost.

The fluctuation on food market price and behavior of clientele

The hiring of our cold storage service is affected by food market price worldwide. According to the statistics from National Bureau of Statistics of China, the average price of frozen fresh chicken, beef and duck showed uptrend since the forth quarter of 2014. The fluctuation of food market price can become prominent by the time the goods reached Hong Kong from the Mainland and overseas, which will affect the decisions of our clients to place their order.

Industrial ice bars (for construction use)

The Group is one of the very few industrial ice bar providers in Hong Kong. The rise in production costs will pose pressure on us to retain customers in this segment. However as this is not a significant income source of the Group, and construction activity in Hong Kong is expected to remain relatively bright, with the over 5,000 residential units in Kai Tak Development, large-scale infrastructural projects such as the 4.2 km dual two-lane highway connecting Tseung Kwan O with the proposed Trunk Road T2 in Kai Tak Development; the possibility of constructing Container Terminal 10 at Southwest Tsing Yi, a long-term strategy for cavern development, all this represents opportunities for our industrial ice bar business.

Trading and related business in the PRC

The Group started investing in 2013 into this line of business, which dedicates to import food products from various countries into the PRC market. This is still a relatively new attempt but has seen us becoming a sole agent in Greater China for a prominent Korean dairy brand and secured our access to important supermarket chains in China. The Group sees this not only as an opportunity to tap the Mainland food market, but also a chance to expand its logistics core, to which the Group has amassed abundant experience and expertise from its Hong Kong operation.

The Management has started new initiatives like the acquisition of a money lending company mentioned before, and will continue to explore alternatives and seek improvement opportunities along the whole chain of operations to meet all these challenges.

CORPORATE STRATEGY AND A LONG-TERM BUSINESS MODEL

For more than a decade, the Group has been dedicated to maintaining cold storage and related services as its core business since its restructuring in 2000.

Enhancing operating efficiency to attract customers for the cold storage and logistics business is our core strategy. This will be continuously done through offering value-added services to our customers including cargo checking, customs clearance and latest technological innovation to improve overall efficiency. The introduction of a money lending business was another new initiative for us to leverage on our existing cold storage customer base and attract new clients.

In the longer term, we shall put more emphasis in developing the vast mainland market. First, we will concentrate on improving our food trading business performance. This will help us tap into the enormous and affluent upper middle class market in China. The Management is confident in developing the Mainland market now with more experience behind us.

We endeavour to become a leading storage and logistics provider in Hong Kong by providing top notch service. We thank our shareholders' support and we will work hard to maximize their gain in return.

DIRECTORS OF THE COMPANY

MR. AU TAT WAI, aged 42, has been an executive director and the Chief Executive Officer of the Company, since September 2009. He has also served as a director of certain subsidiaries of the Company. Mr. Au has over 8 years experience in information technology and e-commerce businesses, as well as in resort sector project development. He has, among ongoing efforts, promoted long term Chinese interests abroad – – acting as a key liaison, bringing together in partnership Western and Chinese interests. Such efforts have led to the announcement of a $2bn construction/ loan agreement between the Abu Dhabi sovereign wealth fund Aabar Investments, ICBC and China State Construction Engineering Corporation, as well as the announcement of the formation of a consortium $3bn rail/roadway project in Armenia, between Dubai Investment bank Rasia and China Communication Construction Company, among others. Mr. Au has led international investment and partnership investments in Indonesia, Malaysia, and throughout Mainland China. Mr. Au graduated from Lakehead University, Ontario, Canada with a Bachelor of Business Administration and subsequently received his Master of Business Administration from The Hong Kong University of Science and Technology.

MR. CHOY KAI SING, aged 51, joined the Group in June 1998. Mr. Choy is currently the Chief Financial Officer and the Company Secretary of the Company and has also served as a director of certain subsidiaries of the Company. He was appointed as an executive director and an authorised representative of the Company in August 2009 and September 2009 respectively. He is responsible for the finance and accounting affairs of the Group. Mr. Choy is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant and has over 20 years working experience in auditing, accounting and investment banking.

MR. HO HON CHUNG, IVAN, aged 60, was appointed as an executive director of the Company in November 2009 and has also served as a director of certain subsidiaries of the Company. Mr. Ho has been in the travel industry and consultancy services for over 20 years, principally in the senior managerial position.

MR. TANG TSZ MAN, PHILIP, aged 49, joined the Group as an executive director and an authorised representative of the Company in August 2003 and has also served as a director of certain subsidiaries of the Company. Mr. Tang has over 20 years of business management experience in telecommunication industry and manufacture of metal products industry.

MR. FUNG WA KO, aged 53, is currently a non-executive director of the Company. Mr. Fung joined the Group as an executive director and the Chief Executive Officer of the Company in October 2003. He was appointed as the Deputy Chairman of the Company in April 2004 and has become the Chairman and an authorised representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an executive director to a non-executive director and resigned as the Chief Executive Officer and an authorised representative. He resigned as the Chairman of the Company in October 2011. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. FUNG SIU KIT, RONNY, aged 71, joined the Group as an independent non-executive director of the Company in August 2009. He is also the chairman of remuneration committee and the member of audit committee and nomination committee of the Company respectively. Mr. Fung has worked for a local bank for 20 years and has over 30 years experience in banking, finance, investment and securities. Currently, he is a director of Goldfield Asia Investment Limited, a company provides gold/silver trading in Hong Kong.

DIRECTORS OF THE COMPANY

MR. LEUNG CHI HUNG, aged 59, joined the Group as an independent non-executive director of the Company in September 2003. He is also the chairman of audit committee and the member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited. Mr. Leung is also an independent non-executive director of eForce Holdings Limited and Finet Group Limited, both companies listed on The Stock Exchange of Hong Kong Limited.

MR. TSE YUEN MING, aged 47, joined the Group as an independent non-executive director of the Company in August 2003. He is also the chairman of nomination committee and the member of audit committee and remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Heung. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse has been an independent non-executive director of Inno-Tech Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, since November 2014. Mr. Tse is also the Chairman of Professional Service Committee of The Hong Kong Chamber of Small and Medium Business and the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, other than those changes in directors' biographical details as set out on pages 8 to 9, as well as their emoluments as set out in note 12 to the consolidated financial statements, of this annual report, there are no other changes in directors' information.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 30.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2014, the Company's reserves consisted of contributed surplus of HK$84,239,000 (2013: HK$84,239,000) and accumulated losses of HK$273,030,000 (2013: HK$252,351,000).

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-executive Director

Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

In accordance with Bye-Law 87 of the Company's Bye-Laws, Mr. Choy Kai Sing, Mr. Tang Tsz Man, Philip and Mr. Fung Wa Ko retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company entered into letters of appointment with all directors for a period of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) terminated by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS

As at 31st December, 2014, none of the Company's directors or chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO; or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 30 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2014 and 31st December, 2014 and no share option was granted under the share option scheme during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the above-mentioned share option scheme, at no time during the year 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 in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31st December, 2014, to the best knowledge of the Company's directors or chief executives of the Company, the following parties (other than the Company's directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Long positions of the substantial shareholders in the shares of the Company:

Name of shareholder	Capacity	No. of shares held	Approximate percentage of total issued share capital
Ever Achieve Enterprises Limited (Note 1)	Beneficial owner	202,323,133	8.32%
Yuen Kin Wing (Note 1)	Interest of controlled corporation	202,323,133	8.32%
Bingo Chance Limited (Note 2)	Beneficial owner	140,000,000	5.76%
Elite Plan Investments Limited (Note 2)	Interest of controlled corporation	140,000,000	5.76%
Wulglar Wai Wan (Note 2)	Interest of controlled corporation	140,000,000	5.76%

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

2. Ms. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an executive director of the Company. She is the sole ultimate beneficial owner of Elite Plan Investments Limited ("Elite") and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

Save as disclosed above, as at 31st December, 2014, the Company's directors or chief executives of the Company are not aware of any other person (other than the Company's director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No other contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2014, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 40% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 14% of the Group's total turnover.

For the year ended 31st December, 2014, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 59% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 26% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 15 to 27.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2014.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

AU TAT WAI
Executive Director

Hong Kong,
27th March, 2015

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") believes that corporate governance is essential to the success of the Company and will bring long-term benefits to the shareholders of the Company (the "Shareholders"). For this reason, the Company is always committed to upholding high standards of corporate governance and has adopted a set of sound governance principles, practices and procedures, including the Internal Control Action Plan introduced in 2006 in order to systematically review the work procedures in different departments. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

During the year ended 31st December, 2014, the Company has adopted the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all the code provisions as set out in the CG Code, except the deviation in paragraph headed "Chairman and Chief Executive".

Following sustained development of the Company, the Board and senior management will continue to monitor the corporate governance practices of the Company to ensure that daily business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE STRUCTURE

The Board is charged with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Under the Board, there are currently 3 sub-committees, namely Audit Committee, Nomination Committee and Remuneration Committee. All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

BOARD OF DIRECTORS

Board Composition

The Board members for the year ended 31st December, 2014 and up to the date of this annual report are:

Executive Directors
Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-executive Director
Mr. Fung Wa Ko

Independent Non-executive Directors
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The biographical details of all Directors and the relationships among them are set out in the "Directors of the Company" on pages 8 to 9 of this annual report.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors and in particular, between the Chief Executive.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed 3 Independent Non-executive Directors, representing more than one-third of the Board, of whom Mr. Leung Chi Hung is a certified public accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and now is the members of international accountancy bodies.

The Independent Non-executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also the members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Thus, the Board considers the current board size as adequate for its present operations.

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming are independent.

Role and Functions of the Board

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and overseeing management. The Board also focuses on overall strategies and policies with particular attention paid to the development and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations and management of the Group to Executive Directors and senior management, and certain specific responsibilities to the Board committees. The Board reserves certain key matters for its approval including the Group's long-term strategy, internal control, annual and half-yearly financial results and Shareholder communications, etc. Decisions of the Board are communicated to the management through Executive Directors who have attended the board meetings.

When the Board delegates certain aspects of its management functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances. The final decision still rests with the Board unless otherwise provide for in the terms of reference of relevant committees.

Board Meetings and Board Practices

The Board meets at least 4 times regularly a year to review the financial and operating performance of the Group. Throughout the year, 1 general meeting and 11 board meetings were held, in which 4 are regular board meetings. Details of the Directors' attendance are as follows:

	Attendance in general meeting	Attendance in board meetings
Executive Directors		
Mr. Au Tat Wai *(Chief Executive Officer)*	1/1	11/11
Mr. Choy Kai Sing	1/1	11/11
Mr. Ho Hon Chung, Ivan	1/1	7/11
Mr. Tang Tsz Man, Philip	0/1	4/11
Non-executive Director		
Mr. Fung Wa Ko	0/1	6/11
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	1/1	5/11
Mr. Leung Chi Hung	1/1	7/11
Mr. Tse Yuen Ming	1/1	7/11

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

Apart from the regular board meetings of the year, the Board had met on other occasions when a board level decision on a particular matter is required. Notice of at least 14 days has been given to all Directors for all regular board meetings and all the Directors can include matter for discussion in the agenda whenever they consider appropriate and necessary. The Directors will receive details of agenda items for decision at least 3 days before the meeting and minutes of the meeting will be received by those Directors within reasonable time after the meeting.

In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information. Where queries are raised by Directors, the management is responsible to respond as promptly and fully as possible. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in performing their duties to the Company. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that board procedures are being followed. The Company Secretary is also responsible for ensuring the procedures of the board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the board meetings. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The minutes are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board, a board meeting will be held to deal with such matter and the Independent Non-executive Director who or whose associates, have no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate. Any Director who or whose associates have any material interest in any proposed Board resolutions will not be counted as a quorum in the relevant board meeting or will be regarded as no vote for the board resolutions.

Continuing Professional Development

The Company Secretary is responsible to update the Board on governance and regulatory matters.

Introduction tailored kit will be given to newly appointed director to his individual needs. This includes introduction to Group activities, induction into their responsibilities and duties, and other regulatory requirements. The Board is regularly updated with management's strategic plans, lines of business, financial objectives, plans and actions.

The Company will arrange and/or introduce some Director's training courses for them to develop and explore their knowledge and skills.

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

BOARD OF DIRECTORS (continued)

Continuing Professional Development (continued)

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31st December, 2014, the following Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company:

Directors	**Topics on training covered** *(Note)*
Executive Directors:	
Mr. Au Tat Wai *(Chief Executive Officer)*	(a), (d)
Mr. Choy Kai Sing	(a), (b), (c), (d)
Mr. Ho Hon Chung, Ivan	(a), (d)
Mr. Tang Tsz Man, Philip	(a)
Non-executive Director:	
Mr. Fung Wa Ko	(a)
Independent Non-executive Directors:	
Mr. Fung Siu Kit, Ronny	(a), (d)
Mr. Leung Chi Hung	(a), (b), (d)
Mr. Tse Yuen Ming	(a), (b), (c), (d)

Notes:

(a) corporate governance

(b) regulatory

(c) managerial

(d) industry-specific

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

Appointment, Re-election and Removal

Mr. Ho Hon Chung, Ivan, the Executive Director, Mr. Leung Chi Hung and Mr. Tse Yuen Ming, the Independent Non-executive Directors, who were re-elected by the Shareholders in the 2014 annual general meeting had entered into the letters of appointment with the Company on 30th May, 2014.

Mr. Au Tat Wai and Mr. Tang Tsz Man, Philip, the Executive Directors, and Mr. Fung Siu Kit, Ronny, the Independent Non-executive Director, who were re-elected by the Shareholders in the 2013 annual general meeting had entered into the letters of appointment with the Company on 30th May, 2013.

Mr. Choy Kai Sing, the Executive Director, and Mr. Fung Wa Ko, the Non-executive Director, who were re-elected by the Shareholders in the 2012 annual general meeting had entered into the letters of appointment with the Company on 21st May, 2012.

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal (continued)

The current letters of appointment of all Directors are for an initial term of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) termination by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier. The appointment of each Director is subject to retirement by rotation and re-election as required by the Bye-Laws of the Company.

According to the Bye-Laws of the Company, any director so appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every 3 years, so as to comply with code provision A.4.2 of the CG Code.

Chairman and Chief Executive

According to the CG Code requirement, the chairman and chief executive of the Company should perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The chairman has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. The chairman ensures that the Board works effectively and performs its responsibilities, and all key and appropriate issues are discussed by the Board in a timely manner.

Upon the resignation of Mr. Fung Wa Ko as the Chairman on 14th October, 2011, there have been no Chairman in the Company. During the year ended 31st December, 2014, Mr. Au Tat Wai and Mr. Choy Kai Sing acted as the Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Au Tat Wai is responsible for all day-to-day corporate management matters and Mr. Choy Kai Sing is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31st December, 2014, there was no meeting held between the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present.

The Board does not have the intention to fill the position of Chairman at present and believes that the absence of a Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the Executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of Chairman. Appointment will be made to fill the post to comply with code provisions A.2.1 and A.2.7 of the CG Code if necessary.

COMMITTEES OF THE BOARD

Nomination Committee

The Nomination Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG Code, the terms of reference of the Nomination Committee were amended and approved on 28th March, 2012. They include making recommendations for all appointment and re-appointment of Directors to the Board and the relevant terms of reference are available on the websites of the Stock Exchange and the Company. The Nomination Committee currently comprises 3 members, all of whom are Independent Non-executive Directors and its members are:

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals. It is also responsible for assessing the independence of each Independent Non-executive Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating the Board's composition, the Nomination Committee considers a number of factors, including those set out in the CG Code.

In accordance with the Company's Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 87 of the Company's Bye-Laws, Mr. Choy Kai Sing, Mr. Tang Tsz Man, Philip and Mr. Fung Wa Ko will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

During the year ended 31st December, 2014, the Nomination Committee has reviewed the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the Independent Non-executive Directors and made recommendation to the Board accordingly.

Mr. Tse Yuen Ming and Mr. Leung Chi Hung have been appointed as Independent Non-executive Directors since 6th August, 2003 and 4th September, 2003 respectively. Therefore, Mr. Tse Yuen Ming and Mr. Leung Chi Hung have accordingly served the Company for more than 9 years after 6th August, 2012 and 4th September, 2012 respectively. In order to comply with the code provision A.4.3 of the CG Code, separate resolutions have been passed by the Shareholders to approve the further appointments of Mr. Tse Yuen Ming and Mr. Leung Chi Hung in the annual general meeting held on 21st May, 2012, and both of them were subsequently re-elected in the annual general meeting held on 30th May, 2014.

The Nomination Committee formulated the board diversity policy of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

In designing Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy of the Company, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the board diversity policy of the Company and reports to the Board on the achievement of the measurable objectives for achieving diversity under the board diversity policy of the Company.

COMMITTEES OF THE BOARD (continued)

Remuneration Committee

The Remuneration Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG code, the terms of reference of the Remuneration Committee were amended and approved on 28th March, 2012. The latest terms of reference are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The Remuneration Committee performed the responsibility of making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment and advising the Board on the remuneration of all Non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account of the corporate goals and objectives of the Group as well as the performance of those individual Directors and senior management.

Remuneration package for Executive Directors:

1. The remuneration for the Executive Directors comprises basic salary, annual bonus, other benefits and retirement benefits scheme.

2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

3. In addition to basic salary, Executive Directors and employees of the Company and its subsidiaries are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.

4. In order to attract, retain and motivate executives and key employees of the Group, the Company has adopted a share option scheme on 9th January, 2006 (the “Share Option Scheme”). Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimise their contributions to the Group.

Details of the amount of Directors’ emoluments during the financial year ended 31st December, 2014 are set out in note 12 to the consolidated financial statements and details of the Share Option Scheme are set out in the Directors’ Report and note 30 to the consolidated financial statements.

During the year ended 31st December, 2014, the significant matters discussed by the Remuneration Committee are summarised as follows:

- Reviewed and approved the current remuneration policy of the Group; and

- Reviewed the remuneration package of the board members and senior management of the Group and made recommendation to the Board.

COMMITTEES OF THE BOARD (continued)

Audit Committee

The Audit Committee was established on 12th January, 2000 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the requirements of the CG Code, the latest terms of reference of the Audit Committee were adopted on 28th March, 2012 and are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

The primary duties of the Audit Committee are to review, supervise and ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year ended 31st December, 2014, the Audit Committee had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2013 and the unaudited financial statements for 3 months ended 31st March, 2014, 6 months ended 30th June, 2014 and 9 months ended 30th September, 2014;

2. reviewed the accounting principles and practices adopted by the Group;

3. reviewed the auditing and financial reporting matters;

4. reviewed the re-appointment of external auditors of the Company;

5. reviewed the daily operation work-flow of the major departments and divisions for sub-group; and

6. reviewed the effectiveness of internal control system.

Each member of the Audit Committee has unrestricted access to the Auditors and all senior management of the Group. During the year ended 31st December, 2014, the Audit Committee had met twice with the external auditors of the Company.

The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte Touche Tohmatsu"), be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 25th March, 2015, the Audit Committee reviewed the internal control report, the Directors' report and audited financial statements for the year ended 31st December, 2014 together with the annual results announcement, with a recommendation to the Board for approval.

COMMITTEES OF THE BOARD (continued)

Attendance Record at Board Committee Meetings

The following table shows the attendance of the Board Committee meetings during the year:

	Number of meetings attended/ Number of meetings held		
	Audit Committee	**Nomination Committee**	**Remuneration Committee**
Mr. Fung Siu Kit, Ronny	5/6	1/1	1/1
Mr. Leung Chi Hung	6/6	1/1	1/1
Mr. Tse Yuen Ming	6/6	1/1	1/1

The Board has ensured that the Board Committees are provided sufficient resources to perform their duties.

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board on 28th March, 2012. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Group's compliance with the corporate governance code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report in annual report of the Company.

During the year ended 31st December, 2014, the Board has held one meeting for discussing corporate governance functions.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's audited financial statements for the year ended 31st December, 2014. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 28.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a written securities dealing policy which contains a set of code of conduct regarding securities transactions by Directors, the terms of which are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Securities Dealing Policy").

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the year under review.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2014 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31st December, 2014 have been audited by Deloitte Touche Tohmatsu.

The Audit Committee is responsible for considering the appointment of the external auditors and also reviews any non-audit functions performed by the external auditors of the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest. The Audit Committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with Deloitte Touche Tohmatsu to discuss the scope of their audit.

For the year ended 31st December, 2014, the external auditors of the Group provided the following services to the Group:

	2014 HK$'000	2013 HK$'000
Audit services	**930**	1,400
Non-audit services – review on interim results	**230**	290
Total:	**1,160**	1,690

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Company's assets and Shareholders' interest, as well as for reviewing its effectiveness of the internal control system through the Audit Committee. The Group has an effective financial reporting system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget.

The system of the internal control is designed to ensure that the financial and operational function, compliance control system, material control, asset management and risk management function are in place and functioning effectively to achieve business objective of the Group and prevent damage to the public image.

The Group has adopted a set of internal control procedures and policies for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial reporting used for business and publication, and ensuring the compliance with the relevant legislation and regulations.

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

The Company has adopted a whistleblowing policy on 28th March, 2012, which intended to encourage and enable employees to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters. No case of whistleblowing was noted by the Audit Committee during the year under review.

The Board, through the Audit Committee, has conducted the internal control review. The Company has been putting a lot of effort on improvement of its internal control and risk management, an Internal Control Action Plan has been developed for facilitating the internal control of the Group.

The Internal Control Action Plan included the following stages:

In stage one, a high-level risk assessment was conducted by an external advisor to review the internal control system of the Group was completed.

In stage two, the review was conducted on each department and which included the following steps:

1. Document the work-flow of each department of Company's major subsidiaries to review their existing internal control system;

2. Carry out walk through test for the internal control system on each department and verify the effectiveness of such control;

3. Carry out detailed sample testing on the internal control system of each department and make recommendations to those weaknesses identified; and

4. Re-test the control implementation.

Apart from the Internal Control Action Plan, the Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the internal control system, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of each department.

The senior management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

The Group had already started to set up trading and related business. In such new business division, the Group would also adopt a series of operation procedures and internal control policies to avoid any deficiency.

During the year ended 31st December, 2014, the internal control review included a review of the accounting system and the purchase, sales and inventory ("PSI") processes of its trading and related business.

In order to improve the accounting system of the new business division, the Group has developed a computerisation accounting system for reinforcing the financial control of accounts receivable and payable.

The Group has also focused on the establishment of standard procedures for improvement of PSI work-flow, which covered assigning responsible parties for each step of the PSI processes; formalisation of the templates for major PSI documents; serialisation of PSI documents; and management of inventory control.

All internal control procedures will be properly followed up to ensure that they are implemented and will be monitored in an on-going basis.

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

During the year ended 31st December, 2014, all the internal control review findings and recommendations of internal control have been reported to the Board and the Audit Committee. The Board and the Audit Committee considered that the internal control system and procedures of the Group were effective and adequate and the recommendations for improvements will be properly followed up to ensure that they are implemented within a reasonable period of time.

As an integral part of good corporate governance, the internal control system will continue to be reviewed, added on or updated to provide for changes in the operating environment.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. The Company values communication with Shareholders and investors. Enquiries and suggestions from Shareholders or investors are welcomed, and enquiries from Shareholders may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's head office at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;

2. By telephone at telephone number (852) 3107 8600;

3. By fax at fax number (852) 2111 1438; or

4. By email at irelations@daidohk.com.

The annual general meeting is the principal forum for formal dialogue with Shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the business of the Group. According to the CG Code requirement, the chairman of the Board should arrange for the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. The chairmen of Audit, Nomination and Remuneration Committees had attended the annual general meeting. The management will ensure the external auditors of the Company to attend the forthcoming annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors independence.

According to the Company's Bye-Laws, Shareholders may request the Board at all times to call special general meetings if Shareholder(s) holds not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company at the date of deposit of the requisition. Shareholders shall request the Board to call special general meetings by written requisition to the Board or the Company Secretary of the Company through the above channels for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the act of Bermuda.

If a Shareholder wishes to propose a person (the "Candidate") other than the retiring Directors, for election as a Director at a general meeting, a written notice (the "Notice") shall be deposited at the Company's head office in Hong Kong at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

Extensive information about the Group's activities is provided in its annual reports and interim reports which are sent to Shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the website of the Stock Exchange. In order to provide effective disclosure to the Shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

The Board has established a Shareholders communication policy on 28th March, 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (www.irasia.com/listco/hk/daido/index.htm) which discloses the latest information relating to the Group and its businesses.

Deloitte.
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TO THE MEMBERS OF DAIDO GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Daido Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 30 to 78, which comprise the consolidated statement of financial position as at 31st December, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong,
27th March, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Continuing operations			
Revenue	5	**213,752**	193,499
Direct costs		**(193,793)**	(171,192)
Gross profit		**19,959**	22,307
Other income	6	**2,413**	4,364
Selling and distribution expenses		**(10,268)**	(6,181)
Administrative expenses		**(31,290)**	(31,423)
Other gains and losses	7	**(793)**	38,950
Impairment loss on available-for-sale investments	18	**–**	(5,118)
Share of loss of a joint venture		**(2,828)**	(329)
Finance costs	8	**(1,044)**	(3,468)
(Loss) profit before tax		**(23,851)**	19,102
Tax expense	9	**–**	–
(Loss) profit for the year from continuing operations		**(23,851)**	19,102
Discontinued operations			
Loss for the year from discontinued operations	10	**–**	(60,996)
Loss for the year	11	**(23,851)**	(41,894)
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of the foreign operations		**182**	(1,079)
Total comprehensive expense for the year		**(23,669)**	(42,973)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(23,851)**	19,102
– from discontinued operations		**–**	(60,370)
Loss for the year attributable to owners of the Company		**(23,851)**	(41,268)
Loss for the year attributable to non-controlling interests from discontinued operations		**–**	(626)
		(23,851)	(41,894)
Total comprehensive expense attributable to:			
Owners of the Company		**(23,669)**	(42,347)
Non-controlling interests		**–**	(626)
		(23,669)	(42,973)
(Loss) earnings per share – basic	14		
– from continuing and discontinued operations		**(HK0.98 cent)**	(HK1.71 cents)
– from continuing operations		**(HK0.98 cent)**	HK0.79 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**9,888**	9,661
Goodwill	16	**8,581**	8,513
Interest in a joint venture	17	**8,181**	3,449
Available-for-sale investments	18	**38,502**	38,502
Rental deposits paid		**21,780**	18,813
Pledged bank deposits	23 & 33	**90,000**	78,718
		176,932	157,656
CURRENT ASSETS			
Inventories		**1,636**	2,558
Trade and other receivables, deposits and prepayments	20	**51,809**	43,490
Amount due from non-controlling interests of a subsidiary	21	**5,949**	2,000
Held for trading investments	22	**834**	949
Bank balances and cash	23	**149,151**	143,980
		209,379	192,977
CURRENT LIABILITIES			
Trade and other payables	24	**20,674**	15,580
Amount due to an investee	25	**23,795**	8,000
Amount due to a joint venture	25	**1,270**	–
Obligations under finance leases	26	**578**	347
Promissory notes	27	**4,762**	4,762
		51,079	28,689
NET CURRENT ASSETS		**158,300**	164,288
TOTAL ASSETS LESS CURRENT LIABILITIES		**335,232**	321,944
CAPITAL AND RESERVES			
Share capital	29	**24,323**	24,323
Share premium and reserves		**250,474**	274,143
Equity attributable to owners of the Company		**274,797**	298,466
Non-controlling interests		**14,923**	14,923
		289,720	313,389
NON-CURRENT LIABILITIES			
Obligations under finance leases	26	**1,081**	–
Promissory notes	27	**4,431**	8,555
Bonds	28	**40,000**	–
		45,512	8,555
		335,232	321,944

The consolidated financial statements on pages 30 to 78 were approved and authorised for issue by the Board of Directors on 27th March, 2015 and are signed on its behalf by:

AU TAT WAI	**CHOY KAI SING**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2014

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note)	Accumulated losses HK$'000	Translation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2013	20,723	332,220	39,984	(98,769)	639	294,797	14,237	309,034
Loss for the year	–	–	–	(41,268)	–	(41,268)	(626)	(41,894)
Other comprehensive expense for the year	–	–	–	–	(1,079)	(1,079)	–	(1,079)
Total comprehensive expense for the year	–	–	–	(41,268)	(1,079)	(42,347)	(626)	(42,973)
Capital contribution from non-controlling interests	–	–	–	–	–	–	108	108
Disposal of subsidiaries (Note 37)	–	–	–	–	410	410	1,204	1,614
Issues of shares pursuant to placing arrangement	3,600	42,480	–	–	–	46,080	–	46,080
Transaction costs attributable to issue of new shares	–	(474)	–	–	–	(474)	–	(474)
At 31st December, 2013	24,323	374,226	39,984	(140,037)	(30)	298,466	14,923	313,389
Loss for the year	–	–	–	(23,851)	–	(23,851)	–	(23,851)
Other comprehensive expense for the year	–	–	–	–	182	182	–	182
Total comprehensive expense for the year	–	–	–	(23,851)	182	(23,669)	–	(23,669)
At 31st December, 2014	24,323	374,226	39,984	(163,888)	152	274,797	14,923	289,720

Note: On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company consolidated into one consolidated share of HK$0.05 (the “Share Consolidation”). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the “Capital Reduction”) and the credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2014

	NOTES	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(23,851)**	(41,894)
Adjustments for:			
Allowance for trade receivables		**1,314**	–
Depreciation of property, plant and equipment		**4,167**	10,401
Finance costs		**1,044**	3,468
Gain on disposal of property, plant and equipment		**(636)**	(48)
Gain on disposal of subsidiaries	10	**–**	(3,868)
Interest income		**(1,510)**	(4,191)
Dividend income received from held for trading investments		**–**	(41)
Impairment loss on available–for–sale investments	18	**–**	5,118
Impairment loss on property, plant and equipment	15	**–**	31,448
Adjustment on loans to an investee		**–**	(39,956)
Adjustment on amount due to non–controlling interests of a subsidiary		**–**	1,135
Fair value loss (gain) on held for trading investments		**115**	(31)
Fair value gain on financial assets at fair value through profit or loss		**–**	(50)
Share of loss of a joint venture		**2,828**	329
Operating cash flows before movements in working capital		**(16,529)**	(38,180)
Increase in rental deposits paid		**(2,965)**	(495)
(Increase) decrease in trade and other receivables, deposits and prepayments		**(9,476)**	617
Decrease (increase) in inventories		**931**	(1,972)
Increase (decrease) in trade and other payables		**4,832**	(8,790)
NET CASH USED IN OPERATING ACTIVITIES		**(23,207)**	(48,820)
INVESTING ACTIVITIES			
Interest received		**1,510**	1,254
Purchase of property, plant and equipment		**(2,601)**	(4,088)
Proceeds from disposal of property, plant and equipment		**646**	48
Net cash outflow from acquisition of a subsidiary	36	**(50)**	–
Capital injection to a joint venture		**(7,560)**	(3,778)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	8,257
Net cash inflow from disposal of subsidiaries	37	**–**	12,022
Increase in pledged bank deposits		**(11,282)**	–
Advance to non–controlling interests of a subsidiary		**(3,949)**	(2,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(23,286)**	11,715

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2014

	NOTES	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(33)**	(36)
Advance from an investee		**15,795**	8,000
Advance from a joint venture		**1,270**	–
Repayment from an investee		**–**	112,000
Repayment of promissory notes		**(5,000)**	(10,000)
Repayment of amount due to non–controlling interests of a subsidiary		**–**	(27,998)
Repayment of obligations under finance leases		**(488)**	(375)
Proceeds from issue of new shares		**–**	46,080
Transaction cost attributable to issue of new shares		**–**	(474)
Proceeds from issue of bonds	28	**40,000**	–
Capital contribution from non–controlling interests		**–**	108
NET CASH FROM FINANCING ACTIVITIES		**51,544**	127,305
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,051**	90,200
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**143,980**	54,916
Effect of foreign exchange rate changes		**120**	(1,136)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**149,151**	143,980

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The principal activities of the Group are provision of cold storage and related services, trading and related services in the People's Republic of China (the "PRC") and investment holding. The Group also had operation of karaoke outlets and related services in the PRC which was discontinued in prior year (see note 10).

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

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

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

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

The application of the amendments to HKFRSs and an 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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
HKFRS 9	Financial Instruments[1]
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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 1	Disclosure Initiative[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[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]

1 Effective for annual periods beginning on or after 1st January, 2018
2 Effective for annual periods beginning on or after 1st July, 2014
3 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions
4 Effective for annual periods beginning on or after 1st January, 2016
5 Effective for annual periods beginning on or after 1st January, 2017

HKFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

New and revised HKFRSs issued but not yet effective (continued)

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

The Directors of the Company will assess the impact on the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

The Directors of the Company are in the process of assessing the potential impact of the remaining new and revised standards, and at this stage have not yet determined the effect of the application of these standards on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, 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 a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are 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 Asset".

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)

Basis of preparation (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 and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the 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 pro rata on the 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.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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 title have passed, at which time, all the following conditions are satisfied:

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

Storage income is recognised on a time proportion basis over the period in which storage services are provided.

Logistics service income and service income from karaoke outlets and related services are 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 income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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 is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease terms.

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 obligations under finance leases.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

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 'profit (loss) before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

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

Retirement benefit costs

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

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 the date when the fair value was determined. 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 year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of 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 venture 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.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of 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 assets less their residual values over their 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 certainly ownership will be obtained by the end of the lease terms, 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 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.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

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. The impairment loss shall be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset within the cash-generating unit.

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.

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. 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 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 asset, 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.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from non-controlling interests of a subsidiary, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

If the Group revises its estimates of payments or receipts, the Group adjust the carrying amount of the loans and receivables to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised as income or expense in profit or loss.

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

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated as available-for-sale or not classified as FVTPL, held-to-maturity investments, or loans and receivables. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the 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 all other financial assets, 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 and 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 receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period 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 estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on AFS equity investments carried at cost will not be reversed through profit or loss in subsequent periods.

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 the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to an investee, amount due to a joint venture, promissory notes and bonds) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

4. KEY SOURCE 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount is higher of value in use and fair value less costs of disposal. When the value in use calculation is adopted, it requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or fair value less costs of disposal are less than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss may arise. As at 31st December, 2014, the carrying amount of goodwill is HK$8,581,000 (2013: HK$8,513,000) (net of accumulated impairment loss of HK$6,400,000 (2013: HK$6,400,000)). Details of the recoverable amount calculation are disclosed in note 16.

Estimated impairment of available-for-sale financial assets

Available-for-sale investments of the Group are stated at cost less impairment. Determining whether the available-for-sale investments are impaired requires an estimation of the expected future cash flows of the investments. The calculation required the management of the Group to estimate the returns to be generated from the investments and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows, a further impairment loss may arise. As at 31st December, 2014, the carrying amount of available-for-sale financial assets is HK$38,502,000 (2013: HK$38,502,000) (net of accumulated impairment loss of HK$110,618,000 (2013: HK$110,618,000)).

4. KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of property, plant and equipment

The management conducted a review and determined that any indication of impairment by considering the recoverable amount of the individual property, plant and equipment or the cash-generating units to which the property, plant and equipment is allocated. The amount of impairment loss is measured as the difference between the carrying amounts of the relevant property, plant and equipment or the cash-generating units and their respective recoverable amounts. The recoverable amount is higher of value in use and fair value less costs of disposal. The calculation of value in use required the management of the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or fair value less costs of disposal are less or more than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss previously made may arise. For the year ended 31st December, 2013, impairment losses on property, plant and equipment of HK$31,448,000 were recognised in profit or loss for the Disposal Group (as defined in note 10). As at 31st December, 2014, the carrying amount of property, plant and equipment is HK$9,888,000 (2013: HK$9,661,000). Details are set out in note 15.

5. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

1. Cold storage and related services in Hong Kong ("Cold storage and related services")

2. Trading and related services in the PRC ("Trading and related services")

In 2013, an operating segment regarding the karaoke outlets and related services in the PRC was discontinued. The segment information reported in note 5 does not include any amounts for these discontinued operations, which are described in more detail in note 10.

Segments revenues and results

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

For the year ended 31st December, 2014

	Cold storage and related services HK$'000	Trading and related services HK$'000	Total HK$'000
Revenue	**198,583**	**15,169**	**213,752**
Segment profit (loss)	**3,187**	**(14,028)**	**(10,841)**
Unallocated income			**2,409**
Unallocated expenses			**(11,432)**
Change in fair value of financial instruments			**(115)**
Share of loss of a joint venture			**(2,828)**
Finance costs			**(1,044)**
Loss before tax			**(23,851)**

5. REVENUE AND SEGMENT INFORMATION (continued)

Segments revenues and results (continued)

For the year ended 31st December, 2013

	Cold storage and related services HK$'000	Trading and related services HK$'000	Total HK$'000
Revenue	189,767	3,732	193,499
Segment profit (loss)	3,438	(3,202)	236
Unallocated income			4,367
Unallocated expenses			(15,488)
Change in fair value of financial instruments			81
Adjustment on loans to an investee			39,956
Adjustment on amount due to non-controlling Interests of a subsidiary			(1,135)
Impairment loss on available-for-sale investments			(5,118)
Share of loss of a joint venture			(329)
Finance costs			(3,468)
Profit before tax			19,102

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of interest income, sundry income, central administration costs including part of auditor's remuneration and directors' remuneration, adjustment on amount due to non-controlling interests of a subsidiary, change in fair value of financial instruments, adjustment on loans to an investee, impairment loss on available-for-sale investments, share of loss of a joint venture and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2014 HK$'000	2013 HK$'000
ASSETS		
Cold storage and related services	**81,370**	74,419
Trading and related services	**11,000**	7,043
Total segment assets	**92,370**	81,462
Unallocated assets	**293,941**	269,171
Consolidated assets	**386,311**	350,633
LIABILITIES		
Cold storage and related services	**16,538**	13,698
Trading and related services	**4,416**	734
Total segment liabilities	**20,954**	14,432
Unallocated liabilities	**75,637**	22,812
Consolidated liabilities	**96,591**	37,244

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

- all assets are allocated to operating segments other than available-for-sale investments, interest in a joint venture, amount due from non-controlling interests of a subsidiary, held for trading investments, pledged bank deposits, bank balances and cash, certain property, plant and equipment, and certain other receivables. Goodwill is allocated to cold storage and related services as described in note 16; and

- all liabilities are allocated to operating segments other than amount due to an investee, amount due to a joint venture, promissory notes, bonds and certain other payables.

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information – from continuing operations

2014

	Cold storage and related services HK$'000	Trading and related services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	**6,665**	**687**	**7,352**	**84**	**7,436**
Depreciation	**3,860**	**238**	**4,098**	**69**	**4,167**
Gain on disposal of property, plant and equipment	**640**	**–**	**640**	**(4)**	**636**

2013

	Cold storage and related services HK$'000	Trading and related services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	1,150	194	1,344	8	1,352
Depreciation	4,674	17	4,691	101	4,792
Gain on disposal of property, plant and equipment	45	–	45	3	48

Note: Additions to non-current assets, excluded those relating to discontinued operations, represented additions to property, plant and equipment, goodwill and rental deposits paid.

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information – from continuing operations (continued)

Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit (loss) or segment assets:

	Unallocated	
	2014	2013
	HK$'000	HK$'000
Interest in a joint venture	**8,181**	3,449
Share of loss of a joint venture	**(2,828)**	(329)
Interest income	**1,510**	4,191
Interest expense	**(1,044)**	(3,468)
Change in fair value of financial instruments	**(115)**	81
Adjustment on loans to an investee	**–**	39,956
Impairment loss on available-for-sale investments	**–**	(5,118)
Adjustment on amount due to non-controlling interests of a subsidiary	**–**	(1,135)

Geographical information

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

Information about the Group's non-current assets by geographical location of the assets (excluding available-for-sale investments, interest in a joint venture and pledged bank deposits) are set out below:

	2014	2013
	HK$'000	HK$'000
Hong Kong	**39,667**	36,802
PRC	**582**	185
	40,249	36,987

Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	2014	2013
	HK$'000	HK$'000
Trading and related services	**15,168**	3,732
Cold storage and logistic services	**197,074**	185,904
Manufacturing and trading of ice	**1,510**	3,863
	213,752	193,499

5. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customer

Revenues from customer contributing over 10% of the total revenue of the Group from cold storage and related services for the corresponding years are as follows:

	2014 HK$'000	2013 HK$'000
Customer A	**30,756**	29,458

6. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Continuing operations		
Bank interest income	**1,510**	1,254
Imputed interest income from loans to an investee (note 19)	**–**	2,937
Sundry income	**903**	173
	2,413	4,364

7. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Continuing operations		
Gain on disposal of property, plant and equipment	**636**	48
Fair value gain on financial assets at fair value through profit or loss	**–**	50
Fair value (loss) gain on held for trading investments	**(115)**	31
Adjustment on loans to an investee (note 19)	**–**	39,956
Adjustment on amount due to non-controlling interests of a subsidiary (note 31)	**–**	(1,135)
Allowance for trade receivables	**(1,314)**	–
	(793)	38,950

8. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Continuing operations		
Interest on obligations under finance leases	**33**	36
Imputed interest expense on amount due to non-controlling interests of a subsidiary (note 31)	**–**	2,269
Imputed interest expense on promissory notes	**876**	1,163
Interest on bonds	**135**	–
	1,044	3,468

9. TAX EXPENSE

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

PRC Enterprise Income Tax ("EIT") is calculated at the applicable tax rate of 25%.

No provision for Hong Kong Profits Tax and EIT are required as the individual companies comprising the Group either incurred a loss or had tax losses to offset the assessable profit.

Tax expense for the year can be reconciled to the (loss) profit before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
(Loss) profit before tax	**(23,851)**	19,102
Tax at the Hong Kong Profits Tax rate of 16.5%	**(3,935)**	3,152
Tax effect of expenses not deductible for tax purpose	**727**	2,414
Tax effect of income not taxable for tax purpose	**(262)**	(7,306)
Tax effect of tax losses not recognised	**4,640**	2,241
Utilisation of tax losses previously not recognised	**(203)**	(644)
Tax effect of deductible temporary differences not recognised	**158**	316
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,125)**	(173)
Tax expense for the year	**–**	–

Details of deferred taxation are set out in note 32.

10. DISCONTINUED OPERATIONS

On 21st June, 2013, the Group entered into the disposal agreements with an independent third party for the disposal of the entire issued share capital of certain subsidiaries including Belva Investments Limited, Hosanna Investments Limited, Rich Vantage Limited and their subsidiaries (collectively the "Disposal Group"), which carried the Group's entire karaoke outlets and related services operations at the total consideration of HK$50 million, in which $10 million was injected by the Group to the Disposal Group, and other $10 million was deducted from the total consideration in accordance with the disposal agreements. The Disposal was completed on 1st August, 2013, on which date control of the Disposal Group passed to the acquirer.

An analysis of the results and cash flows of the discontinued operation included in the consolidated statement of comprehensive income and the consolidated statement of cash flow are set out below:

Loss for the year ended 31st December, 2013 from discontinued operation

	2013 HK$'000
Revenue	29,613
Direct costs	(48,593)
Gross loss	(18,980)
Other income	178
Selling and distribution expenses	(5,508)
Administrative expenses	(9,106)
Impairment loss on property, plant and equipment	(31,448)
Loss of karaoke outlets and related operation for the year	(64,864)
Gain on disposal of karaoke outlets and related services operation (note 37)	3,868
Loss for the year from discontinued operation	(60,996)
Loss for the year from discontinued operations attributable to:	
Owner of the Company	(60,370)
Non-controlling interests	(626)
	(60,996)

10. DISCONTINUED OPERATIONS (continued)

Loss for the year ended 31st December, 2013 from discontinued operation (continued)

Loss for the year ended 31st December, 2013 from discontinued operations include the following:

	2013 HK$'000
Depreciation and amortisation	5,609
Auditor's remuneration	–
Employee benefit expenses	2,483

Cash flows for the year ended 31st December, 2013 from discontinued operations:

	2013 HK$'000
Net cash used in operating activities	(31,969)
Net cash from investing activities	5,346
Net cash from financing activities	26,201
Net cash outflows	(422)

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in note 37.

11. LOSS FOR THE YEAR

	2014 **HK$'000**	2013 HK$'000
Loss for the year from continuing operations has been arrived at after charging:		
Auditor's remuneration	**930**	1,400
Depreciation for property, plant and equipment	**4,167**	4,792
Exchange (gain) loss, net	**(29)**	213
Minimum lease payments for operating leases in respect of rented premises	**87,235**	76,861
Total staff costs (including directors' emoluments)	**61,107**	52,170

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 8 (2013: 9) directors were as follows:

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Fung Siu Kit, Ronny HK$'000	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	Au Tat Wai HK$'000	Total 2014 HK$'000
Fees	**120**	**120**	**90**	**90**	**80**	**132**	**132**	**72**	**836**
Other emoluments									
Salaries and other benefits	**–**	**420**	**–**	**–**	**–**	**1,147**	**1,015**	**1,171**	**3,753**
Contributions to retirement benefits scheme	**–**	**17**	**–**	**–**	**–**	**94**	**20**	**48**	**179**
Total emoluments	**120**	**557**	**90**	**90**	**80**	**1,373**	**1,167**	**1,291**	**4,768**

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Chung Siu Wah HK$'000 (note)	Fung Siu Kit, Ronny HK$'000	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	Au Tat Wai HK$'000	Total 2013 HK$'000
Fees	120	120	90	90	–	80	132	132	72	836
Other emoluments										
Salaries and other benefits	–	420	–	–	405	–	1,135	1,000	988	3,948
Contributions to retirement benefits scheme	–	9	–	–	17	–	94	18	40	178
Total emoluments	120	549	90	90	422	80	1,361	1,150	1,100	4,962

Note: Mr. Chung Siu Wah resigned on 5th August, 2013.

Mr. Au Tat Wai is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Neither the Chief Executive nor any of the directors waived any emoluments in the years ended 31st December, 2014 and 31st December, 2013.

(b) Employees' emoluments

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

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**1,433**	1,393
Contribution to retirement benefits scheme	**34**	30
	1,467	1,423

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments (continued)

Their emoluments were within the following band:

	2014 Number of employees	2013 Number of employees
Nil to HK$1,000,000	**2**	2

13. DIVIDEND

No interim dividend is paid during the year (2013: Nil), nor has any dividend been proposed since the end of the reporting period (2013: Nil).

14. (LOSS) EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
(Loss) profit for the purpose of basic (loss) earnings per share, attributable to owners of the Company		
– from continuing and discontinued operations	**(23,851)**	(41,268)
– from continuing operations	**(23,851)**	19,102
– from discontinued operations	**–**	(60,370)

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,432,304**	2,408,633

The weighted average number of ordinary shares for 2013 has been adjusted for issue of new shares as disclosed in note 29.

No dilutive effect to the loss per share as there were no potential ordinary shares in issue for years ended 31st December, 2014 and 31st December, 2013.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1st January, 2013	109,289	4,858	7,482	50,519	7,638	179,786
Additions	281	30	129	1,656	500	2,596
Disposals/write off	–	–	(290)	(692)	–	(982)
Disposal of subsidiaries (note 37)	(90,191)	(3,367)	(965)	(33,055)	(8,246)	(135,824)
Exchange realignment	1,260	40	12	832	108	2,252
At 31st December, 2013	20,639	1,561	6,368	19,260	–	47,828
Additions	378	143	2,096	1,784	–	4,401
Disposals/write off	–	–	(1,301)	(725)	–	(2,026)
Exchange realignment	–	–	–	3	–	3
At 31st December, 2014	21,017	1,704	7,163	20,322	–	50,206
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2013	60,847	3,222	5,946	29,850	2,123	101,988
Provided for the year	4,862	266	615	4,658	–	10,401
Impairment loss recognised in profit or loss	20,401	670	269	7,044	3,064	31,448
Eliminated on disposals	–	–	(290)	(692)	–	(982)
Eliminated upon disposal of subsidiaries (note 37)	(70,593)	(2,629)	(713)	(26,460)	(5,590)	(105,985)
Exchange realignment	654	23	5	212	403	1,297
At 31st December, 2013	16,171	1,552	5,832	14,612	–	38,167
Provided for the year	1,118	71	503	2,475	–	4,167
Eliminated on disposals	–	–	(1,301)	(715)	–	(2,016)
At 31st December, 2014	17,289	1,623	5,034	16,372	–	40,318
CARRYING VALUES						
At 31st December, 2014	3,728	81	2,129	3,950	–	9,888
At 31st December, 2013	4,468	9	536	4,648	–	9,661

The above items of property, plant and equipment are depreciated using the straight-line method at the following rates per annum:

Leasehold improvements	Over the shorter of terms of the leases and 10%
Furniture and fixtures	10%–33$^1/_3$%
Motor vehicles	20%–33$^1/_3$%
Plant and machinery and equipment	5%–50%

The carrying value of motor vehicles includes an amount of HK$1,801,000 (2013: HK$422,000) in respect of assets held under finance leases.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

If there is any indication that property, plant and equipment may be impaired, the recoverable amount is estimated for the individual property, plant and equipment. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the cash-generating unit to which the property, plant and equipment belong.

During the year ended 31st December, 2013, the performance of the karaoke outlets and related services was worse than cash flow projections. As mentioned in note 10, on 21st June, 2013, the Group entered into the disposal agreements for the disposal of the entire issued share capital of the Disposal Group which carried the Group's entire karaoke outlets and related services operations at a net consideration of HK$30,000,000 which was completed on 1st August, 2013. The directors of the Company re-assessed the recoverable amounts of the karaoke outlets and related services taking into consideration the revision of cash flow projections and the Disposal. The recoverable amounts of the karaoke outlets and related services have been determined based on the higher of fair value less costs of disposal and value in use calculation. The fair value less costs of disposal of the operation of karaoke outlets and related services is based on the net consideration less related transaction costs. As a result, an impairment loss of HK$31,448,000 was recognised in profit or loss for the year ended 31st December, 2013 in respect of the property, plant and equipment related to the karaoke outlets and related services based on the fair value less costs of disposal, after taking into account the other assets and liabilities to be disposed of within the Disposal Group. Upon the completion date of the Disposal, the carrying amount of property, plant and equipment for the Disposal Group is HK$29,839,000 over which control was lost.

16. GOODWILL

	2014 **HK$'000**	2013 HK$'000
COST		
At 1st January	**14,913**	15,236
Arising on acquisition of a subsidiary (note 36)	**68**	–
Disposal of subsidiaries (note 37)	**–**	(323)
At 31st December	**14,981**	14,913
IMPAIRMENT		
At 1st January	**6,400**	6,723
Eliminated upon disposal of subsidiaries (note 37)	**–**	(323)
At 31st December	**6,400**	6,400
CARRYING VALUES		
At 31st December	**8,581**	8,513

Goodwill arising from acquisition of subsidiaries amounting to HK$14,913,000 in 2006 was allocated to one cash generating unit (CGU), which comprises two wholly-owned subsidiaries of the Company engaging in the cold storage and logistics services of which accumulated impairment loss of HK$6,400,000 (2013: HK$6,400,000) has been recognised.

Due to the effects caused by the mix of warehouse facility in 2013 and 2014, the Group has prepared its cash flow projections for the CGU by slightly increasing the projected revenue generated from the cold storage and related services. Based on the above cash flow projections, the recoverable amount of this CGU exceeded the carrying amount of goodwill at 31st December, 2013 and 31st December, 2014. No impairment loss was necessary for both years.

16. GOODWILL (continued)

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2013: 5-year period), and discount rate of 15.54% (2013: 16.29%) per annum. The cash flows beyond 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of CGU.

In 2011, the Group acquired a subsidiary resulting in an increase in goodwill of HK$323,000. The entire amount was fully impaired as at 31st December, 2012 as the directors of the Company were of the opinion that the amount could not be recovered in the future. In 2013, the related goodwill was derecognised upon disposal of subsidiaries and the details are disclosed in note 37.

During the year, the Group acquired a subsidiary resulting in an increase in goodwill of HK$68,000. Details are disclosed in note 36.

17. INTEREST IN A JOINT VENTURE

	2014 HK$'000	2013 HK$'000
Cost of investment in a joint venture – unlisted	**11,338**	3,778
Share of loss	**(3,157)**	(329)
	8,181	3,449

Notes:

(a) As at 31st December, 2013 and 31st December, 2014, the Group had the following joint venture:

Name of joint venture	Place of establishment/ operations	Class of shares held	Proportion of ownership interest 2014	2013	Proportion of voting rights held 2014	2013	Nature of business
上海皆騰國際物流有限公司 ("上海皆騰")	PRC	Paid up capital	**60%**	60%	**67%**	50%	Provision of logistics services

(b) The summarised financial information below represents the aggregate amount of the Group's share of its interest in a joint venture which are not individually material:

	2014 HK$'000	2013 HK$'000
The Group's share of loss and total comprehensive expense for the year	**(2,828)**	(329)

(c) The Group holds 60% interests in 上海皆騰. However, the Group has only 67% (2013: 50%) voting rights in 上海皆騰 while all decisions of relevant activities of 上海皆騰 require unanimous consent from all the shareholders. Therefore, the directors of the Company consider that it is a joint venture of the Group.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**149,120**	149,120
Less: Impairment	**(110,618)**	(110,618)
	38,502	38,502

The Group, through a 75% owned subsidiary hold the above available-for-sale investments which represent 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"), a private entity incorporated in the British Virgin Islands. The Group does not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group has no right to nominate any director to the board of Richbo and accordingly, the investments are not classified as associate.

The available-for-sale investments represent 6% effective equity interest in a hotel resort complex operation in Macau.

On 4th May, 2013, the indirectly owned investee, which holds the hotel resort complex operation in Macau, and its major shareholder entered into an assets purchase agreement with some subsidiaries of Galaxy Entertainment Group Limited, an independent third party and a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, to dispose of the underlying properties of hotel resort complex and other assets in some subsidiaries of its major shareholders at a cash consideration of HK$3,250,000,000. The disposal of these assets was completed on 17th July, 2013. According to the assets purchase agreement, the first payment for the disposal of HK$2,600,000,000 was received on 17th July, 2013 and the second payment of HK$650,000,000 was received on 16th January, 2015.

The Group re-assessed the recoverable amount of the available-for-sale investments taking into account the expected future cash flows of the investments including the cashflows generated from the aforesaid disposal. No impairment loss was recognised for the year ended 31st December, 2014. During the year ended 31st December, 2013, an impairment loss of HK$5,118,000 was recognised as the recoverable amount was lower than the carrying value.

The investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At 31st December, 2014 and 31st December, 2013, the Group has equity interest in Richbo:

Name	Form of business structure	Place of incorporation	Place of operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activity
Richbo	Incorporated	British Virgin Islands	Macau	Ordinary	40% (note)	Investment holding

Note: 40% equity interest in Richbo is held by Brilliant Gold International Limited, a subsidiary in which the Company has 75% equity interest. None of the directors of the Company have beneficial interest in Richbo or being a board member of Richbo.

19. LOANS TO AN INVESTEE

During the year ended 31st December, 2013, the investee repaid the loans in full. An adjustment to the carrying amount of HK$39,956,000 was credited to profit or loss. The Group recognised interest income of HK$2,937,000 at the effective interest rate of 8.5% per annum for the year ended 31st December, 2013.

The term of loans to an investee was unsecured, interest-free and with no fixed repayment terms.

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014 HK$'000	2013 HK$'000
Trade receivables	**48,545**	38,342
Less: allowance for doubtful debts	**(1,315)**	(1)
	47,230	38,341
Deposits and prepayments	**4,497**	4,159
Other receivables (Note)	**82**	990
	51,809	43,490

Note: Included in other receivables as at 31st December, 2013 were trade receivables received by directors on behalf of the Group of HK$220,000. The amount is unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2014 HK$'000	2013 HK$'000
0–30 days	**23,774**	16,696
31–60 days	**12,559**	11,125
61–90 days	**7,705**	6,162
91–120 days	**2,796**	4,358
More than 120 days	**396**	–
	47,230	38,341

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and logistics services. No interest is charged on any outstanding trade receivables.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$23,526,000 (2013: HK$20,881,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality. The Group does not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	2014 HK$'000	2013 HK$'000
1–30 days	**14,942**	12,978
31–60 days	**7,220**	7,661
61–90 days	**1,364**	242
	23,526	20,881

The movement in the allowance for doubtful debts during the year is as follows:

	2014 HK$'000	2013 HK$'000
At beginning of the year	**1**	14
Increase in allowance recognised in profit or loss	**1,314**	–
Amounts written off during the year	**–**	(13)
At end of the year	**1,315**	1

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors of the Company believe that there is no further credit provision required in excess of the allowance for doubtful debts.

21. AMOUNT DUE FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

22. HELD FOR TRADING INVESTMENTS

	2014 HK$'000	2013 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**834**	949

23. OTHER FINANCIAL ASSETS

Bank balances and cash comprise short-term bank deposits at average prevailing market interest rates of 0.9% (2013: 1.10%) per annum. The pledged deposits bears interest at average prevailing market interest rate of 1.0% (2013: 1.10%) per annum.

Pledged bank deposits have been pledged to secure the long-term operating lease commitment and are therefore classified as non-current assets.

24. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**6,981**	4,524
Accrued for staff costs	**3,447**	2,996
Bond interest payable	**135**	–
Other payables	**10,111**	8,060
	20,674	15,580

The following is an aged analysis of trade payables presented based on the invoice dates.

	2014 HK$'000	2013 HK$'000
0–30 days	**5,102**	2,597
31–60 days	**1,716**	682
61–90 days	**78**	127
91–120 days	**85**	1,118
	6,981	4,524

No credit period is generally allowed by creditors and no interest is charged on trade creditors.

25. AMOUNT DUE TO AN INVESTEE/A JOINT VENTURE

The amount due to an investee is unsecured, interest-free and repayable on demand.

The amount due to a joint venture is unsecured, interest-free and repayable within one year.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payment	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Within one year	**646**	358	**578**	347
In the second to fifth year inclusive	**1,128**	–	**1,081**	–
	1,774	358	**1,659**	347
Less: future finance charges	**(115)**	(11)		
Present value of lease obligations	**1,659**	347		
Less: Amount due for settlement within one year shown under current liabilities			**(578)**	(347)
Amount due for settlement after one year			**1,081**	–

The obligations under finance leases represent the finance leases for three (2013: three) motor vehicles. The term of the leases for three years (2013: three to five years) at a fixed rate of 2.5% (2013: 3% to 5%) per annum. The obligations are secured by the lessor's charge over the leased assets.

27. PROMISSORY NOTES

	2014 HK$'000	2013 HK$'000
The promissory notes are repayable as follows:		
Within one year	**4,762**	4,762
In the second year	**4,431**	4,431
In the third to fifth year inclusive	**–**	4,124
	9,193	13,317
Less: Amounts due for settlement within one year shown under current liabilities	**(4,762)**	(4,762)
Amounts due for settlement after one year	**4,431**	8,555

The fair value of promissory notes at 31st December, 2014 and 31st December, 2013 determined based on the present value of the estimated future cash outflow discounted at the current market interest rate of 13.9% (2013: 13.9%) per annum was HK$8,618,000 (2013: HK$12,155,000).

The major terms of the promissory notes are summarised below:

Principal amount:	Ten promissory notes with a principal amount of HK$5 million each.
Issue price:	HK$50,000,000
Interest:	Zero-coupon
Original effective interest rate:	7.5% per annum
Maturity:	Repayable by ten equal installments of HK$5 million each on the consecutive anniversary of the date of issue of the promissory notes i.e. 8th September, 2006.
Early repayment:	The Company could, at its option, repay the promissory notes in whole or in part in multiples of HK$1 million by giving a prior ten business days' written notice to the vendor, commencing on the date three months after the completion date of acquisition in 2006 and up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligations under the promissory notes for any early repayment.
Assignment:	With the prior notification to the Company, the promissory notes may be transferred or assigned by the holder(s) of the promissory notes. The promissory notes are not transferable to any connected persons of the Company.

The promissory notes contain two components, liability and the issuer's early repayment option.

The fair value of the early repayment option of the promissory notes was considered as insignificant at the date of issue and at the end of the reporting period.

28. BONDS

On 13th November, 2014, the Company and the placing agent entered into the placing agreement, pursuant to which placing agent has agreed to, on a best effort basis, to procure independent placees to subscribe in cash for the bonds in an aggregated principal amount of up to HK$500,000,000.

The principal terms of the bonds are summarised below:

Aggregate principal amount:	Up to HK$500,000,000
Denomination:	In denomination of HK$10,000,000 each in the minimum (or for any amount over HK$10,000,000, in integral multiples of HK$10,000,000 each).
Interest:	6% per annum, accrued daily on a 360-day basis and payable annually in arrears, up to the maturity date of the relevant bonds.
Maturity date:	The seventh anniversary of the date of issue of the relevant bond.
Early redemption:	The Company may at any time before the maturity date and from time to time by serving at least ten days' prior written notice to the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the bonds (in whole or in part) at 100% of the total amount of such bonds together with payment of interests accrued up to the date of such early redemption.

During the year ended 31st December, 2014, the Company issued bonds with total principal amount of HK$40,000,000. Interest on bonds payables at par value of HK$40,000,000 is payable annually and the principal is repayable in full upon maturity.

29. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares				
At 31st December, 2012	60,000,000	600,000	2,072,304	20,723
Issue of new shares pursuant to placing arrangement (Note)	–	–	360,000	3,600
At 31st December, 2013 and 31st December, 2014	60,000,000	600,000	2,432,304	24,323

Note: On 17th January, 2013, an arrangement was made for a placement to independent private investors of 360,000,000 new shares of the Company at a price of HK$0.128 per share representing a discount of approximately 9.86% to the closing market price of the Company's shares on 17th January, 2013. The placement was completed on 25th January, 2013. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the special general meeting of the Company held on 7th January, 2013 and ranked pari passu with other shares in issue in all respects.

30. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a shareholders' resolution passed on 9th January, 2006 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group and will expire on 8th January, 2016.

Under the Scheme, the directors of the Company are authorised at their absolute discretion, to invite any person or group (the "Eligible Participant"), who is eligible to participate in the Scheme, to take up options to subscribe for shares of the Company (the "Share(s)"), at a price equal to the highest of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of offer; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (3) the nominal value of a Share.

Options granted must be taken up not later than 21 days after the date of offer. The exercise period for the share options granted is determinable by the Directors, which may not expire later than 10 years from the date of offer of the option, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses under the early termination or cancellation provisions under the Scheme or 10 years from the offer date of the option. A price of HK$1.00 is payable by the Eligible Participant to the Company on acceptance of the offer of the option.

The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the limit. The Scheme Mandate Limit (as defined below) under the Scheme was refreshed and renewed by an ordinary resolution passed by the shareholders at a special general meeting held on 7th January, 2013 which enabled the grant of further share options to subscribe up to 207,230,400 Shares (the "Scheme Mandate Limit"), representing 10% of the Shares in issue as at the said date.

The Company may seek approval of its shareholders in general meeting to refresh the Scheme Mandate Limit subject to requirements under Chapter 17 of the Listing Rules provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time.

As at the end of the reporting period, no share options have been granted by the Company since the adoption of the Scheme.

31. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

During the year ended 31st December, 2013, the Group repaid the principal amount in full and an adjustment to the carrying amount of HK$1,135,000 was charged to profit or loss. The Group recognised interest expense of HK$2,269,000 at the effective interest rate of 13.8% per annum for the year ended 31st December, 2013.

32. DEFERRED TAX LIABILITIES

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

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2013	201	(201)	–
(Charge) credit for the year	(152)	152	–
At 31st December, 2013	49	(49)	–
Credit (charge) for the year	85	(85)	–
At 31st December, 2014	134	(134)	–

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

At the end of the reporting period, the Group has deductible temporary difference of HK$2,873,000 (2013: HK$1,915,000) in respect of which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of HK$104,371,000 (2013: HK$76,744,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$812,000 (2013: HK$295,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$103,559,000 (2013: HK$76,449,000) due to the unpredictability of future profit streams.

33. PLEDGE OF ASSETS

As at 31st December, 2014, bank facilities to the extent of HK$3,500,000 (2013: HK$3,500,000) of the Group were secured by bank deposits amounting to HK$3,500,000 (2013: HK$3,500,000). The amount utilised at 31st December, 2014 was approximately HK$3,480,000 (2013: approximately HK$3,480,000).

As at 31st December, 2014, bank deposits of HK$86,500,000 (2013: HK$75,218,000) are pledged to a bank which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of cold storage warehouses, office premises and premises for the operation of trading and related services in the PRC in the future which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**87,838**	77,058
In the second to fifth year inclusive	**10,813**	86,433
	98,651	163,491

Included in the above, the major lease contracts are negotiated for terms of fourteen years commencing from February 2005 and can be terminated by providing one year notice after the first ten years of tenancy. Monthly rentals are fixed up to February 2017 and rentals subsequent to February 2017 will be adjusted based on the relevant terms of the leases.

35. CAPITAL COMMITMENT

	2014 HK$'000	2013 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**1,460**	–

36. ACQUISITION OF A SUBSIDIARY

On 4th November, 2014, the Group acquired 100% of the share capital of Mayfair Pacific Finance (HK) Limited ("Mayfair") for a cash consideration of HK$250,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$68,000.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Other receivables	5
Bank balances and cash	200
Other payables	(23)
	182

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	250
Less: net assets acquired	(182)
Goodwill arising on acquisition	68

36. ACQUISITION OF A SUBSIDIARY (continued)

Net cash outflow on acquisition:

	HK$'000
Cash consideration paid	250
Less: cash and cash equivalent balances acquired	(200)
	50

The revenue and financial results attributable to Mayfair for the year ended 31st December, 2014 is not significant to the Group.

37. DISPOSAL OF SUBSIDIARIES

As defined in note 10, on 1st August, 2013, the Group discontinued its karaoke outlet and related services operations at the time of disposal of the entire issued share capital of the Disposal Group. The net assets of the Disposal Group at the date of disposal were as follows:

	1st August, 2013 HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	29,839
Inventories	1,489
Trade and other receivables, deposit and prepayment	17,741
Bank balances and cash	27,333
Trade and other payables	(28,858)
Other liabilities	(13,671)
Net assets disposed of	33,873
Gain on disposal of the Disposal Group:	
Consideration	40,000
Transaction and other direct cost incurred	(645)
Consideration received	39,355
Net assets disposed of	(33,873)
Non-controlling interests	(1,204)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	(410)
Gain on disposal	3,868
Net cash inflow arising on disposal:	
Consideration received, net of transaction cost	39,355
Less: bank balances and cash disposed of	(27,333)
	12,022

The impact of the Disposal Group on the Group's results and cash flows in year ended 31st December, 2013 is disclosed in note 10.

38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including directors in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of the independent trustee. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme.

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF scheme.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total cost from continuing operations charged to the consolidated statement of profit or loss and other comprehensive income of HK$3,056,000 (2013: HK$2,280,000) represents contributions payable to the MPF Scheme and the state-managed retirement benefit schemes, there were no (2013: Nil) forfeited contributions available to reduce future contributions at the end of the reporting period.

39. RELATED PARTY TRANSACTIONS

During the year, the Group paid logistics service fee to a joint venture of HK$2,148,000 (2013: HK$421,000).

The Group did not enter into any other transactions with its related parties.

The key management of the Group comprises all directors and the senior management, details of their remuneration are disclosed in note 12. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of debts, which includes the promissory notes, bonds and equity attributable to owners of the Company, comprising issued capital, share premium and reserves as disclosed in consolidated statement of changes in equity.

The directors of the Company review the capital structure on a semi-annual basis. As a part of this review, the directors considers the cost of capital and the risks associated with the issued share capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from 2013.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Held for trading investments	**834**	949
Loans and receivables (including cash and cash equivalents)	**287,052**	262,027
Available-for-sale financial assets	**38,502**	38,502
Financial liabilities		
At amortised cost	**88,087**	31,253

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amount due from non-controlling interests of a subsidiary, pledged bank deposits, held for trading investments, bank balances and cash, trade and other payables, amount due to an investee, amount due to a joint venture, promissory notes and bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Market risk

(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

(ii) *Price risk*

The Group is exposed to equity price risk through its investments in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Since the interest rate risk and price risk are not significant, no sensitivity analysis is presented accordingly.

41. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

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

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group has concentration of credit risk as 19% (2013: 23%) and 51% (2013: 59%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the cold storage and related services segment. In order to minimise the concentration risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds are limited because the counterparties are banks with good reputation.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and will continuously monitor the forecast and actual cash flows.

41. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	6 months or less HK$'000	6–12 months or less HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2014								
Non-interest bearing	–	38,894	–	–	–	–	38,894	38,894
Finance lease obligations								
– fixed rate	2.5	323	323	645	483	–	1,774	1,659
Promissory notes	7.5	–	5,000	5,000	–	–	10,000	9,193
Bonds	6	–	2,400	2,400	7,200	44,800	56,800	40,000
		39,217	7,723	8,045	7,683	44,800	107,468	89,746

	Weighted average effective interest rate %	6 months or less HK$'000	6–12 months or less HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2013								
Non-interest bearing	–	17,936	–	–	–	–	17,936	17,936
Finance lease obligations								
– fixed rate	3.7	199	159	–	–	–	358	347
Promissory notes	7.5	–	5,000	5,000	5,000	–	15,000	13,317
		18,135	5,159	5,000	5,000	–	33,294	31,600

41. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial statements

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	2014		
	Level 1	**Level 2**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Held for trading investments			
Listed equity securities (note)	**834**	**–**	**834**

	2013		
	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Held for trading investments			
Listed equity securities (note)	949	–	949

Note: The fair value of listed equity securities is determined with reference to quoted market bid price from the Stock Exchange.

There were no transfers between Levels 1 and 2 during the year.

Except for the promissory notes as disclosed in note 27, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost (including pledged bank deposits, trade and other receivables, bank balances and cash, trade and other payables, amount due from non-controlling interests of a subsidiary, amount due to an investee and bonds) in the consolidated financial statements approximate their fair values.

42. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31st December, 2014 and 2013 are as follows:

Name	Place of incorporation/ operation	Issued and paid-up registered capital	Proportion of ownership interest held by the Company 2014	2013	Principal activities
Direct subsidiary:					
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	**100%**	100%	Investment holding
Indirect subsidiary:					
Autoyield Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Investment holding
Brilliant Cold Storage Management Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services

42. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Issued and paid-up registered capital	Proportion of ownership interest held by the Company 2014	2013	Principal activities
Indirect subsidiary: (continued)					
Brilliant Gold International Limited	British Virgin Islands	US$1,000 Ordinary shares	**75%**	75%	Investment holding
Brilliant Giant Trading Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Provision of cold storage and related services
Brilliant Top In Logistics Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary share	**100%**	100%	Sub-leasing of investment properties
Lubrano Properties Limited	British Virgin Islands	US$50,000 Ordinary shares	**100%**	100%	Investment holding
Mayfair Pacific Finance (HK) Limited	Hong Kong	HK$5,000,000 Ordinary shares	**100%**	–	Inactive; provision of money lending services commenced in January 2015
Sanson Investments Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Investment holding
Topgain Investments Limited	British Virgin Islands	US$1 Ordinary share	**100%**	100%	Investment holding
Win System Investments Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Financial investment
同瞬貿易(上海)有限公司	PRC#	RMB15,000,000 Registered capital paid-up capital	**100%**	100%	Trading and related services

Wholly foreign owned enterprise

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, 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 excess length.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**213,752**	223,112	214,691	172,793	178,080
(Loss) profit for the year	**(23,851)**	(41,894)	(181,174)	(81,242)	2,403

	As at 31st December,				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**386,311**	350,633	422,420	480,964	489,218
Total liabilities	**(96,591)**	(37,244)	(113,386)	(71,840)	(95,976)
	289,720	313,389	309,034	409,124	393,242
Attributable to:					
Owners of the Company	**274,797**	298,466	294,797	397,602	385,122
Non-controlling interests	**14,923**	14,923	14,237	11,522	8,120
	289,720	313,389	309,034	409,124	393,242

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	2013
	HK$'000	HK$'000
Total assets		
Unlisted investments in subsidiaries	**1**	1
Amounts due from subsidiaries	**256,883**	177,332
Bank balances and cash	**60,516**	115,566
Other current assets	**582**	641
	317,982	293,540
Total liabilities		
Bonds	**40,000**	–
Promissory notes	**9,193**	13,317
Amount due to a subsidiary	**17,836**	8,669
Other current liabilities	**1,211**	1,133
	68,240	23,119
	249,742	270,421
Total equity		
Share capital	**24,323**	24,323
Reserves	**225,419**	246,098
	249,742	270,421

Movement in reserve

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note)	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2013	20,723	332,220	39,984	84,239	(296,961)	180,205
Profit for the year	–	–	–	–	44,610	44,610
Issues of shares pursuant to placing arrangement	3,600	42,480	–	–	–	46,080
Transaction costs attributable to issue of new shares	–	(474)	–	–	–	(474)
At 31st December, 2013	24,323	374,226	39,984	84,239	(252,351)	270,421
Loss for the year	–	–	–	–	(20,679)	(20,679)
At 31st December, 2014	24,323	374,226	39,984	84,239	(273,030)	249,742

Note: On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company consolidated into one consolidated share of HK$0.05 (the "Share Consolidation"). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the "Capital Reduction") and the credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.