Jiu Rong Holdings Limited
久融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2358)

2014

Annual Report

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Siu Chi Ming
Mr. Tang Chin Wan
Ms. Wang Liping (appointed on 1 July 2014)

Independent Non-executive Directors
Ms. Au Shui Ming, Anna
Mr. Martin He (resigned on 1 July 2014)
Mr. Wu Yinong
Mr. Tsang Ho Ka, Eugene (appointed on 1 July 2014)

AUDIT COMMITTEE

Ms. Au Shui Ming, Anna *(Chairman)*
Mr. Tsang Ho Ka, Eugene
Mr. Wu Yinong

NOMINATION COMMITTEE

Mr. Wu Yinong *(Chairman)*
Ms. Au Shui Ming, Anna
Mr. Tsang Ho Ka, Eugene

REMUNERATION COMMITTEE

Mr. Tsang Ho Ka, Eugene *(Chairman)*
Ms. Au Shui Ming, Anna
Mr. Wu Yinong
Mr. Siu Chi Ming

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6409, 64/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Siu Chi Ming

AUTHORISED REPRESENTATIVES

(for the purposes of the listing rules)
Mr. Siu Chi Ming
Mr. Tang Chin Wan

AUTHORISED REPRESENTATIVES

(to accept service of process and notices under Part XI of the Hong Kong Companies Ordinance)
Mr. Siu Chi Ming
Mr. Tang Chin Wan

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central, Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 2358

WEBSITE

http://www.irasia.com/listco/hk/2358

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Financial Results

The board (the "**Board**") of directors (the "**Directors**") of Jiu Rong Holdings Limited (the "**Company**") (formerly known as "Mitsumaru East Kit (Holdings) Limited") are pleased to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 (the "**Year**") to the shareholders of the Company.

For the year ended 31 December 2014, the Group achieved a turnover of approximately HK$277,745,000 with a gross profit of approximately HK$51,135,000. The profit for the Year attributable to owners of the Company was approximately HK$14,385,000. Basic profit per share of the Company was approximately HK0.38 cents while basic loss per share for the year ended 31 December 2013 was approximately HK1.67 cents. As at 31 December 2014, balance of cash and cash equivalents of the Group were approximately HK$55,741,000.

Turnover

For the Year under review, the Group recorded a turnover of approximately HK$277,745,000 which was contributed by the TV business and water meter business.

In 2014, the Group's business has two reporting segments (2013: two). Details of the segment information are set out in Note 7 of the consolidated financial statements in this annual report.

Business operations

(i) Water meter

The Group through its non-wholly owned subsidiary, Wuhan Sunbow Science & Technology Co. Limited ("**Sunbow**") to carry out the design, assembly and installation of water meter in the Peoples' Republic of China (the "**PRC**").

(ii) TV business

The Group through its wholly owned subsidiary, Soyea Jiu Rong Technology Co., Ltd. ("**Soyea Jiu Rong**") to carry out the research and development, manufacturing and sales of digital television ("**TV**"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.

Gross Profit Margin

During the Year under review, the decrease of gross profit margin was due to the comparatively low gross profit margin products and services of the TV business.

Expenses

During the Year under review, the Group adopted stringent cost controls on its operation. Management of the Group always believes that maintaining a high standard of cost control on expenses were for the benefits of the Group. Therefore, management regularly reviewed and updated controls and procedures to ensure that cost control objectives can be achieved.

Financial Position and Liquidity

	31 December 2014	31 December 2013
Current ratio	**2.46**	3.02
Quick ratio	**2.18**	2.45
Gearing ratio	**0.13**	N/A

* Gearing ratio = Net debt divided by the capital plus net debt

For the Year under review, the Group used approximately HK$36,766,000 (2013: approximately HK$12,781,000) of cash from its operations. As at 31 December 2014, the Group had cash and cash equivalents of approximately HK$55,741,000 (2013: approximately HK$98,042,000).

As at 31 December 2014, surplus in shareholders' equity was approximately HK$186,292,000 (2013: surplus in shareholders' equity of approximately HK$171,062,000). Current assets of the Group amounted to approximately HK$259,201,000 (2013: approximately HK$219,802,000). The current ratio and quick ratio were approximately 2.46 and 2.18 (2013: approximately 3.02 and 2.45), respectively.

As at 31 December 2014, the Group's net debts amounted to approximately HK$44,952,000 (2013: net cashes of approximately HK$27,722,000).

Trade and notes receivables increased from approximately HK$64,979,000 as at 31 December 2013 to approximately HK$162,240,000 as at 31 December 2014. During the Year under review, the Group did not provide any impairment loss on trade receivables (2013: Nil).

Capital Expenditure

The Group's total capital expenditures on property, plant and equipment during the Year under review amounted to approximately HK$1,832,000 (2013: approximately HK$107,000).

Pledge of Assets

As at 31 December 2014, the Group pledged (i) certain of its trade receivables with amount up to HK$10,086,000 (equivalent to approximately RMB8,000,000) and (ii) equity interests of 91.75% of a subsidiary of the Group, to secure bank loans with maximum amount of HK$10,086,000 (equivalent to approximately RMB8,000,000) obtained by a subsidiary of the Group.

In addition, as at 31 December 2014, the Group has pledged (i) certain of its notes receivables; and (ii) bank deposit of HK$2,332,000 to secure notes payables.

Material Acquisition

During the Year under review, the Group did not have any material acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

During the Year under review, there was no change in the Company's capital structure.

Significant Investment

The Group did not have any significant investments during the Year under review.

Foreign Exchange and Currency Risks

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities and Capital Commitments

The Group does not have any contingent liability in the Year under review (2013: Nil).

The Group does not have any capital commitment in the Year under review (2013: Nil).

Employees Benefit and Expenses

As at 31 December 2014, there were 356 employees (2013: 52 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK$10,435,000 (2013: approximately HK$10,005,000). The Group determines employees' remuneration by the work responsibilities, job performance and professional experience. The Group also provides employees on-job training from time to time to upgrade the knowledge, skills and overall caliber of its employees.

BUSINESS REVIEW AND OUTLOOK

The Company's operating and financial position has significantly improved following the acquisition of 100% equity interests of Soyea Jiu Rong Technology Limited and the open offer in December 2013, the Group recorded approximately HK$277,745,000 (2013: approximately HK$42,303,000) in turnover from TV Business and Water Meter Business for the year ended 31 December 2014, representing an increase of 556.56% which was mainly due to the revenue generated from the TV Business since January 2014. The Group recorded operating profit of approximately HK$20,547,000 (2013: loss of approximately HK$25,451,000) and profit attributable to owners of the Company of approximately HK$14,385,000 (2013: loss of approximately HK$29,071,000).

The Directors will continue to closely monitor and evaluate the performance of the TV Business and Water Meter Business in order to enhance the value of the Group which will be in the interests of the Company and shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Siu Chi Ming, aged 34, holds a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. Mr. Siu is a fellow member of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators. Prior to joining the Group, Mr. Siu was a senior manager of a corporate finance division of a licensed corporation registered under Securities and Futures Ordinance (the "**SFO**") and was a licensed person registered under the SFO to carry on type 6 (advising on corporate finance) regulated activities, Mr. Siu has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganization and a variety of fund raising exercises. He is currently responsible for the overall management of the Group. Mr. Siu joined the Group and was appointed as an executive Director on 9 February 2012.

Mr. Tang Chin Wan, aged 54, obtained a Doctorate degree in Industrial and Systems Engineering (Operations Research) from Virginia Polytechnic Institute and State University in 1995. Mr. Tang has worked in the environmental engineering and information technology business sectors for more than 13 years. He is currently responsible for overall management of the Group. Mr. Tang joined the Group and was appointed as an executive Director on 22 September 2010.

Ms. Wang Liping, aged 54, was appointed as an executive Director on 1 July 2014. Ms. Wang graduated from The Open University of China specializing in electronic equipment and surveying technologies. Ms. Wang has extensive experiences in the electronics operation and management. Ms. Wang is director of Soyea Jiu Rong Technology Co., Ltd., an indirect wholly owned subsidiary of the Company. Ms. Wang was an executive director of SOYEA Technology Co., Ltd, a company established under the laws of the PRC, whose issued shares are listed on the Shenzhen Stock Exchange (stock code: 000909).

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Au Shui Ming, Anna, aged 51, was appointed as an independent non-executive Director on 1 May 2012. Ms. Au holds a bachelor degree in Commerce, majoring in Accounting, from the University of Wollongong in Australia. She is a Certified Practising Accountant of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Au has extensive experience in the finance and accounting fields. She was an executive director of China Digital Culture (Group) Limited (stock code: 8175), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Mr. Wu Yinong, aged 52, was appointed as an independent non-executive Director on 30 December 2013. Mr. Wu graduated from Portland State University in the United States of America with a Master's degree in Business Administration in 1994. Mr. Wu is currently the Managing Director of China Investment Securities International Capital Limited. He has been in the investment banking industry for more than 16 years. Mr. Wu was an independent non-executive Director of Haier Electronics Group Co., Ltd. (stock code: 1169), a company listed on the main board of the Stock Exchange from 28 January 2005 to 28 May 2013.

Mr. Tsang Ho Ka, Eugene, aged 33, was appointed as an independent non-executive Director on 1 July 2014. Mr. Tsang is a Certified Practising Accountant of the CPA Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, an international associate of the American Institute of Certified Public Accountants, a member of the Hong Kong Institute of Directors, an associate management accountant of the Institute of Certified Management Accountants, Australia, an associate of the Taxation Institute of Hong Kong, a full member of the Institute of Accountants Exchange, a Certified Tax Adviser of the Taxation Institute of Hong Kong and also the member of the Hong Kong Mining Investment Professionals Association. Mr. Tsang holds a bachelor's degree of commerce from the University of New South Wales, Australia and has also completed an accounting extension course in relation to Australian Taxation Law and Australian Corporations Law in the University of Sydney, Australia. Mr. Tsang has experience in a wide range of business, including general trading, commodities trading, logistics services, coal mining, coal trading, provision of integrated solutions for lightning electromagnetic pulse protection business, provision of energy management, energy conservation and emission reduction business, property investments, business consultancy and financial printing services. Mr. Tsang is currently an independent non-executive Director of Winto Group (Holdings) Limited (stock code: 8238), and was an executive Director from 26 August 2008 to 29 August 2012 and non-executive Director from 29 August 2012 to 27 February 2015 of the Capital Finance Holdings Limited (stock code: 8239), executive Director from 13 May 2013 to 17 September 2013 and non-executive Director from 17 September 2013 to 22 July 2014 of Sky Forever Supply Chain Management Group Limited (stock code: 8047), the three companies are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Tsang was also the executive Director from 24 April 2012 to 31 July 2014 of Newtree Group Holdings Limited (stock code: 1323), a company listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained to safeguard the interests of our shareholders, investors, customers and staff.

The Company has complied with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under the Code Provision A.2.1 of the CG Code, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

   During the Year and up to the date of this report hereof, the posts of chairman and chief executive were vacant. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill, and experience be identified, the Company will make appointments to fill the posts as and when appropriate.

2. Under the Code Provision A.6.7 of the CG Code, the independent non-executive Directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, one independent non-executive Director did not attend the annual general meeting ("**AGM**") held on 29 May 2014, and three and one Independent Non-executive Directors did not attend the extraordinary general meeting ("**EGM**") held on 4 February 2014 and 27 June 2014 respectively.

   However, at the respective general meetings of the Company, there were at least two executive Directors presented to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

3. Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGM and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

   Due to other business engagements, the chairman of the audit and remuneration did not attend the AGM.

The Board has taken remedial steps, actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the "**Code of Conduct**") by Directors on terms no less exacting than the required standard set out in Appendix 10 to Listing Rule (the "**Model Code**"). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 31 December 2014.

All the Directors apart from Mr. Martin He, the former independent non-executive Director, have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2014. The Company is unable to obtain the relevant confirmations from Mr. Martin He due to his resignation on 1 July 2014, and therefore is unable to fully ascertain whether the Company has complied with the required standard set out in the Model Code and Code of Conduct through the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2014 and up to the date of this report, the composition of the Board was:

Executive Directors:

Mr. Siu Chi Ming
Mr. Tang Chin Wan
Ms. Wang Liping (appointed on 1 July 2014)

Independent non-executive Directors

Ms. Au Shui Ming, Anna
Mr. Martin He (resigned on 1 July 2014)
Mr. Wu Yinong
Mr. Tsang Ho Ka, Eugene (appointed on 1 July 2014)

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationships among members of the Board.

The list of Directors of the Company and their roles and functions is posted on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange. Detailed biographies outlining each director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of "**Directors and Senior Management Profile**" on pages 6 and 7 of this annual report.

The Role of the Board

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment, controls over business operations and ensures good corporate governance and compliance with legal and regulatory requirements. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board delegates day-to-day operations of the Group to executive Directors and senior management of the Company for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its senior management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Directors' Appointment, Re-election and Removal

Details of the service contracts of each Executive Directors and Independent Non-executive Directors are set out in the header of "**Directors' Service Contracts**" on page 21 of the Directors' Report.

In accordance with the Company's articles of association (the "**Article(s)**"), (i) Directors appointed by the Board to fill a casual vacancy shall hold office until the next following AGM of the Company after appointment and be subject to re-election at such meeting; and (ii) one-third of the Directors for including Executive Directors and Independent Non-executive Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) are subject to retirement by rotation at every AGM.

Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has three independent non-executive Directors representing half of the Board. Among the three independent non-executive Directors, Ms. Au Shui Ming, Anna and Mr. Tsang Ho Ka, Eugene have appropriate professional qualification in accounting and related financial management expertise as required by Rules 3.10(2) of the Listing Rules. None of the independent non-executive Directors is related to one another.

The independent non-executive Directors are persons of high calibre; with academic and professional qualifications in the fields of accounting, corporate finance and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The independent non-executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the independent non-executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board of the Company.

Ms. Au Shui Ming, Anna, has entered into a service contract with the Company for a term of two years, subject to re-election by shareholders at the AGM of the Company at least once every three years by rotation. Mr. Wu Yinong, has entered into a service contract with the Company for a term of one year, subject to re-election by shareholders at the AGM of the Company at least once every three years by rotation. Mr. Tsang Ho Ka, Eugene has entered into a service contract with the Company for a term of two years, subject to re-election by shareholders at the AGM of the Company at least once every three years by rotation. No Director has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence

The Company has received the annual confirmation of independence from all existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company is unable to obtain the relevant confirmation of independence from Mr. Martin He due to his resignation on 1 July 2014 and therefore is unable to fully ascertain his independence through the year ended 31 December 2014.

The Board considers that Mr. Martin He is independent.

Directors' Training

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

Directors' training is an ongoing process. During the Year, Directors received regular updates on changes and development to the Group's business and to legislative and regulatory environments in which the Group operate. All Directors are encouraged to attend external forum or training courses on relevant topics when count towards continuous professional development training. The Directors also disclose to the Company their interests as Directors or other offices in other public companies in a timely manner and provide updates to the Company on any subsequent changes.

The record of the trainings of the Directors, on a named basis, is set out as below:

	Reading articles, newspapers, journal and/or updates	Attending trainings and/or seminars
Executive Directors		
Mr. Siu Chi Ming		√
Mr. Tang Chin Wan	√	
Ms. Wang Liping (appointed on 1 July 2014)	√	
Independent Non-executive Directors		
Ms. Au Shui Ming, Anna		√
Mr. Martin He (resigned on 1 July 2014)		√
Mr. Wu Yinong		√
Mr. Tsang Ho Ka, Eugene (appointed on 1 July 2014)		√

Board Meetings and Board Practices

The Board holds at least four meetings a year. The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. All Directors are invited to attend the Board meetings in person or by telephone conference.

Sufficient notices for regular Board meetings and notice of reasonable notice for non-regular Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings. Board papers will be given to the Board before the date of the Board meeting by the Company Secretary.

If a substantial shareholder or a Director has a conflict of interest in a matter, the matter will be dealt by a physical Board meeting rather than a written resolution.

During the Year, the Board held totally four meetings and reviewed, inter alia, the performance and formulated business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31 December 2013 and six months ended 30 June 2014 respectively; and appointment of an executive director and an independent non-executive director.

The attendance records for the Directors' meetings are set out below:

	Number of Board Meetings Attended	Attendance Rate
Executive Directors		
Mr. Siu Chi Ming	4/4	100%
Mr. Tang Chin Wan	4/4	100%
Ms. Wang Liping *(Note 1)*	1/4	25%
Independent non-executive Directors		
Ms. Au Shui Ming, Anna	4/4	100%
Mr. Martin He *(Note 2)*	3/4	75%
Mr. Wu Yinong	4/4	100%
Mr. Tsang Ho Ka, Eugene *(Note 3)*	1/4	25%

Notes:

1. Ms. Wang Liping was appointed as an executive Director on 1 July 2014.

2. Mr. Martin He resigned as an independent non-executive Director on 1 July 2014.

3. Mr. Tsang Ho Ka, Eugene was appointed as an independent non-executive Director on 1 July 2014.

Any Director wishing to do so in the furtherance of his or her duties, may take independent professional advice at the Company's expense. The Directors are encouraged to update their skills, knowledge and familiarity with the Group through their initial induction, ongoing participation at Board and committee meetings, and through meeting key members of management.

COMMITTEES OF THE BOARD

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 22 June 2004. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Audit Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Audit Committee comprises three members; all of them are independent non-executive Directors. The Audit Committee is chaired by Ms. Au Shui Ming, Anna who possesses the accounting and related financial management expertise. The members of the Audit Committee are Mr. Tsang Ho Ka, Eugene and Mr. Wu Yinong.

The Audit Committee acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. The duties of the Audit Committee are to review and discuss on the effectiveness of external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim report and to provide advice and comments to the Board. The Audit Committee has reviewed the audited financial statements of the Group for the Year.

The Audit Committee meets regularly with the management and the external auditor to discuss the accounting principles and practices adopted by the Group and financial reporting matters. During the Year, the Audit Committee held 2 meetings to review, among others, the audited financial statements for the year ended 31 December 2013 and the unaudited financial statements for the six months ended 30 June 2014 with the recommendations to the Board for approval; and had reviewed the accounting principles and policies adopted by the Group and its system of internal control.

The attendance records for the Audit Committee meetings are set out below:

	Number of Audit Committee Meetings Attended	Attendance Rate
Independent non-executive Directors		
Ms. Au Shui Ming	2/2	100%
Mr. Martin He *(Note 1)*	1/2	50%
Mr. Wu Yinong	2/2	100%
Mr. Tsang Ho Ka, Eugene *(Note 2)*	1/2	50%

Notes:

1. Mr. Martin He resigned as an independent non-executive Director on 1 July 2014.

2. Mr. Tsang Ho Ka, Eugene was appointed as an independent non-executive Director on 1 July 2014.

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 12 December 2005. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Remuneration Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Remuneration Committee comprises four members and is chaired by Mr. Tsang Ho Ka, Eugene (independent non-executive Director). The other members of the Remuneration Committee are Ms. Au Shui Ming, Anna (independent non-executive Director), Mr. Wu Yinong (independent non-executive Director) and Mr. Siu Chi Ming (executive Director). Accordingly, the Remuneration Committee comprises a majority of independent non-executive Directors.

The role of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the compensation arrangements relating to dismissal or removal of Directors to ensure that such arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate.

During the Year, the Remuneration Committee held 1 meeting to review the remuneration packages of all the Directors and the senior management of the Group. No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee.

The attendance records for the Remuneration Committee meeting are set out below:

	Number of Remuneration Committee Meetings Attended	Attendance Rate
Independent non-executive Directors		
Ms. Au Shui Ming, Anna	1/1	100%
Mr. Martin He *(Note 1)*	1/1	100%
Mr. Wu Yinong	1/1	100%
Mr. Tsang Ho Ka, Eugene *(Note 2)*	0/1	0%
Executive Directors		
Mr. Siu Chi Ming	1/1	100%

Notes:

1. Mr. Martin He resigned as an independent non-executive Director on 1 July 2014.

2. Mr. Tsang Ho Ka, Eugene was appointed as an independent non-executive Director on 1 July 2014.

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") on 12 December 2005. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Nomination Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Nomination Committee comprises three members, all of them are independent non-executive Directors. The Nomination Committee is chaired by Mr. Wu Yinong. The other members of the Nomination Committee are Ms. Au Shui Ming, Anna and Mr. Tsang Ho Ka, Eugene.

The role of the Nomination Committee is to review the compositions of the Board, select, identify and recommend to the Board suitable candidates to be Directors, and assess the independence of the independent non-executive Directors.

During the Year under review, the Nomination Committee held two meetings to review the qualifications and the performance of the current Directors and the composition of the Board, assessed the independence of the independent non-executive Directors and recommended to the Board on relevant matters relating to the appointment of senior management.

The attendance records for the Nomination Committee meetings are set out below:

	Number of Nomination Committee Meetings Attended	Attendance Rate
Independent non-executive Directors		
Ms. Au Shui Ming, Anna	2/2	100%
Mr. Martin He *(Note 1)*	2/2	100%
Mr. Wu Yinong	2/2	100%
Mr. Tsang Ho Ka, Eugene *(Note 2)*	0/2	0%

Notes:

1. Mr. Martin He resigned as an independent non-executive Director on 1 July 2014.

2. Mr. Tsang Ho Ka, Eugene was appointed as an independent non-executive Director on 1 July 2014.

CORPORATE GOVERNANCE FUNCTIONS

The terms of reference on corporate governance functions was adopted by the Board on 27 December 2013. The Board is responsible for performing the following corporate governance duties with its written terms of reference:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations;

b. to review and monitor the training and continuous professional development of Directors and senior management;

c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e. to review the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Listing Rules and disclosure in this Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements and Financial Reporting

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

For the year ended 31 December 2014, the remuneration paid/payable to ZHONGHUI ANDA CPA Limited, the auditor of the Company, is set as follows:

Services	**HK$'000**
Audit Services	**600**
Non-audit services	
– Report on continuing connected transaction	**20**
– Review on preliminary result announcement	**20**
– Other services	**35**
	75
Total	**675**

Company Secretary

The Company Secretary, Mr. Siu Chi Ming ("**Mr. Siu**"), is responsible for facilitating the Board process, as well as the communications among the Board members, shareholders and management. Mr. Siu also prepares detailed minutes of each meeting. Board minutes would be sent to the Board for comments as soon as practicable. Mr. Siu reports directly to the Board. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed.

During the Year, Mr. Siu undertook over 15 hours of professional training to update his skills and knowledge.

Access to information

All Directors are kept informed major changes of the Group's business from time to time. They have unrestricted access to the advices from the Company Secretary who is responsible to provide the Board papers and related materials.

Minutes of Board Meeting and Board Committee meetings are kept by the Company Secretary and are open for inspection by any Director. The Directors including independent non-executive Directors may seek legal advices at the Company's expenses to discharge their duties.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board delegated to the management the implementation of such systems of internal controls as well as the annual review of relevant financial, operational and compliance controls and risk management procedures. The management of the Group reviewed the Group's internal control and risk management system for the Year.

SHAREHOLDERS' RIGHT

Pursuant to Article 58, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The requisition in writing should be sent to the Company's office at Suite 6409, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. The Board will review shareholders' enquires on a regular basis. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the above address.

In case of shareholding enquires, shareholders should direct their enquiries to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, via its online holding enquiry at www.computershare.com/hk, or by email to hkinfo@computershare.com.hk or dial its hotline at (852) 2862-8555 or go in person at its public counter at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

INVESTOR AND SHAREHOLDER RELATION

The Board recognises the importance of good communications with its shareholders and investors. A Shareholders' Communication Policy setting out the principles of the Company in relation to shareholders' communications, with the objectives of ensuring a transparent and timely communication with shareholders via various means, has been established.

The Company's AGM is a valuable forum for the Board to communicate directly with the shareholders and to answer questions shareholders may raise. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election and election of individual Directors. The detailed procedures of conducting a poll are explained to shareholders at the commencement of the AGM, to ensure that shareholders are familiar with such procedures.

The Company's last AGM was held on Thursday, 29 May 2014 at 10:00 a.m. at Suite 5005-5006, 50/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. All the resolutions proposed at that meeting were approved by shareholders of the Company by poll. Details of the poll results are available on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange. All Directors, except Ms. Au Shui Ming, Anna, Ms. Wang Liping and Mr. Tsang Ho Ka, Eugene, attended the AGM held on Thursday, 29 May 2014. Ms. Au Shui Ming, Anna did not attend the AGM was due to other business engagement; Ms. Wang Liping did not attend the AGM as she was appointed as an executive Director on 1 July 2014; and Mr. Tsang Ho Ka, Eugene did not attend the AGM as he was appointed as an independent non-executive Director on 1 July 2014. The previous Company Secretary Mr. Jan Wing Fu, Barry also attended the AGM together with the external auditors, ZHONGHUI ANDA CPA Limited.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner of the relevant periods in 2014, which fulfill the time limits as laid down in the Listing Rules.

The Directors are responsible for investor relations of the Company including holding meetings with equity research analysts, fund managers and institutional shareholders and investors. The market capitalisation of the Company as at 31 December 2014 was HK$421,800,000 (issued share capital: 3,800,000,000 shares at closing market price: HK$0.111 per share) and the public float of the Company was around 66.7%.

The 2015 AGM of the Company will be held at Suite 6409, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong scheduled on Friday, 29 May 2015 at 11:30 a.m..

CONSTITUTIONAL DOCUMENTS

There was no change to the Memorandum and Articles of Association of the Company during the financial year 2014. A copy of the latest consolidated version of the Memorandum and Articles of Association of the Company is posted on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange.

On Behalf of the Board

Siu Chi Ming
Executive Director

Hong Kong
30 March 2015

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Notes 1 and 18 to the consolidated financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's profit for the year and the state of affairs of the Company and of the Group at 31 December 2014 are set out in the consolidated financial statements on pages 25 to 71. The Directors do not recommend the payment of any dividend for the year ended 31 December 2014.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated financial results and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 72 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Details of movements in the property, plant and equipment and intangible assets of the Group during the year are set out in Notes 16 to 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and movements in the Company's share options during the year are set out in Notes 31 and 33 to the consolidated financial statements, respectively.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best knowledge of the Directors, as at the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as the Directors are aware, the following persons have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Type of interests	Number of Shares	Percentage of interests
New Prime Holdings Limited ("New Prime") *(Note 1)*	Beneficial owner	1,000,000,000(L)	26.32%
China Water Affairs Group Limited ("China Water") *(Note 2)*	Interest of controlled corporation	1,000,000,000(L)	26.32%
SOYEA Technology Co., Limited	Beneficial owner	266,616,000(L)	7.02%

Notes:

1. New Prime is a direct wholly owned subsidiary of China Water.

2. The interest in 1,000,000,000 shares is deemed corporate interest through New Prime.

3. The letter "L" denotes a long position and "S" denotes a short position.

Save as disclosed above, so far as was known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 22 June 2004, the Company approved and adopted a share option scheme (the "2004 Scheme"). The purpose of the 2004 Scheme is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employee of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The 2004 Scheme became effective on 22 June 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. During the year, at 31 December 2013 and 2014 and up to the date of approval of these financial statements, no share options have been granted under the 2004 Scheme. The 2004 Scheme was expired on 21 June 2014.

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 29 May 2014, the Company approved and adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employee of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The schemes became effective on 30 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

DIRECTORS' REPORT

The Scheme

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

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the independent non- executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, at 31 December 2014 and up to the date of approval of these financial statements, no share options have been granted under the Scheme.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the Companies Laws (2004 Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 32 to the consolidated financial statements and in the consolidated statement of changes in equity on page 28, respectively.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company include share premium and contributed surplus which amounted to an aggregate of approximately HK$152,764,000 as at 31 December 2014. These reserves may be distributed, provided that immediately following the date on which the dividend is proposed to be paid, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 47.6% of the total sales for the year and sales to the Group's largest customer included therein accounted for approximately 13.2% of total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 31.9% of the total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 13.5% of total purchases for the year.

At no time during the year have the Directors, their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and customers.

DIRECTORS

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

Executive Directors:

Mr. Siu Chi Ming
Mr. Tang Chin Wan
Ms. Wang Liping (appointed on 1 July 2014)

Independent non-executive Directors

Ms. Au Shui Ming, Anna
Mr. Martin He (resigned on 1 July 2014)
Mr. Wu Yinong
Mr. Tsang Ho Ka, Eugene (appointed on 1 July 2014)

Pursuant to Article 86(3), 87(1) and 87(2), Ms. Wang Liping and Mr. Tsang Ho Ka, Eugene shall retire from office at the forthcoming AGM of the Company. All of the above retiring Directors are eligible and will offer themselves for re-election at the forthcoming AGM of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 and 7 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Siu Chi Ming, an Executive Director, has entered into a service contract with the Company which shall continue to be effective unless terminated by three months' notice in writing served by either party on the other or payment in lieu. He is entitled to receive a director's fee of HK$10,000 per month and director salary of HK$90,000 per month, and thirteen month basis, which was determined with reference to market terms, qualifications and work experience of him, plus a discretionary year-end bonus to be determined by the Board from time to time.

Mr. Tang Chin Wan, an Executive Director, has entered into a service contract with the Company on 22 September 2014 for a term of one year unless terminated by three months' notice in writing served by either party on the other or payment in lieu. He is entitled to receive a director's salary of HK$20,000 per month which was determined with reference to market terms, qualification and work experience of him.

Ms. Wang Liping, an Executive Director, has entered into a service contract with the Company on 25 June 2014 from 1 July 2014 for a fixed term of two years unless terminated by three months' notice in writing served by either party on the other. She is entitled to receive the discretionary bonus for the performance of her duties which was determined with reference to the market.

Ms. Au Shui Ming, Anna, an Independent Non-executive Director, has entered into a service contract with the Company on 1 May 2014 for a term of two years for an annual fee of HK$120,000.

Mr. Wu Yinong, an Independent Non-executive Director, has entered into a service contract with the Company on 30 December 2014 for a term of one year for an annual fee of HK$120,000.

Mr. Tsang Ho Ka, Eugene, an Independent Non-executive Director, has entered into a service contract with the Company on 1 July 2014 for a term of two years for an annual fee of HK$120,000.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors had any interest in a business which competes or may compete with the businesses of the Group during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2014, none of the Directors and chief executive had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Division 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in the paragraph headed "**Share Option Schemes**" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Pursuant to the Company's special general meeting on 2 February 2014, an ordinary resolution was passed to approve the sales of water meters to China Water (a substantial shareholder of the Company which has 26.32% equity interests of the Company) and its subsidiary (the "**China Water Group**") and the maximum aggregate annual values for these sales transactions were set at RMB60,000,000 (equivalent to approximately HK$76,200,000), RMB70,000,000 (equivalent to approximately HK$88,900,000) and RMB80,000,000 (equivalent to approximately HK$101,600,000) for the three financial years ended/ending 31 December 2014, 2015 and 2016 respectively.

During the year, the Group had continuing connected transactions with the China Water Group for the sale of water meters amounting to approximately HK$44,441,000 which are conducted in the ordinary and usual course of the Group's business.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions with the China Water Group as set out above and have confirmed that these continuing connected transactions have been entered into:

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

(ii) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ZHONGHUI ANDA CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. ZHONGHUI ANDA CPA Limited has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practices. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 8 to 17 of this annual report.

AUDIT COMMITTEE

The Company has an Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control system and providing advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors of the Company.

The Audit Committee of the Company has reviewed the annual results of the Group for the Year including the accounting principles and practices adopted by the Company.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 have been audited by ZHONGHUI ANDA CPA Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company. A resolution will be submitted to the forthcoming AGM of the Company for the re-appointment of Messrs. ZHONGHUI ANDA CPA Limited as the auditor of the Company.

On Behalf of the Board

Siu Chi Ming
Executive Director

Hong Kong
30 March 2015

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF JIU RONG HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jiu Rong Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 71, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company (the "Directors") 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Ngan Hing Hon
Practising Certificate Number P05294

Hong Kong, 30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	7	**277,745**	42,303
Cost of sales		**(226,610)**	(26,703)
Gross profit		**51,135**	15,600
Other income and gains	8	**6,361**	870
Selling and distribution costs		**(12,733)**	(4,443)
Administrative expenses		**(23,143)**	(19,607)
Other operating expenses		**(466)**	(77)
Finance costs	9	**(607)**	(17,794)
PROFIT/(LOSS) BEFORE TAX	10	**20,547**	(25,451)
Income tax expense	12	**(5,237)**	(1,538)
PROFIT/(LOSS) FOR THE YEAR		**15,310**	(26,989)
Other comprehensive (loss)/income for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(784)**	204
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	13	**14,526**	(26,785)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**14,385**	(29,071)
Non-controlling interests		**925**	2,082
		15,310	(26,989)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**13,608**	(28,923)
Non-controlling interests		**918**	2,138
		14,526	(26,785)
EARNINGS/(LOSS) PER SHARE (HK$ cents)	14		
– Basic		**0.38**	(1.67)
– Diluted		**0.38**	(1.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**4,576**	4,660
Intangible assets	17	**15,387**	8,344
Goodwill	19	**16,417**	16,417
Deferred tax assets	20	**19**	35
		36,399	29,456
CURRENT ASSETS			
Inventories	21	**29,048**	41,991
Trade and notes receivables	22	**162,240**	64,979
Amounts due from non-controlling shareholders	28	**124**	–
Prepayments, deposits and other receivables	23	**9,716**	14,790
Pledged bank deposits	24	**2,332**	–
Cash and cash equivalents	25	**55,741**	98,042
		259,201	219,802
CURRENT LIABILITIES			
Trade and notes payables	26	**77,128**	47,220
Other payables and accruals	27	**13,921**	22,206
Amount due to non-controlling shareholder	28	**–**	133
Bank loans	29	**8,888**	–
Other loan	30	**756**	761
Tax payable		**4,690**	2,349
		105,383	72,669
NET CURRENT ASSETS		**153,818**	147,133
TOTAL ASSETS LESS CURRENT LIABILITIES		**190,217**	176,589

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	20	**1,659**	2,557
		1,659	2,557
NET ASSETS		**188,558**	174,032
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**380,000**	380,000
Reserves	32	**(193,708)**	(208,938)
		186,292	171,062
Non-controlling interests		**2,266**	2,970
TOTAL EQUITY		**188,558**	174,032

The consolidated financial statements on pages 25 to 71 were approved and authorised for issue by the board of directors on 30 March 2015 and are signed on its behalf by:

Approved by:

Siu Chi Ming **Tang Chin Wan**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to owners of the Company								
	Note	Issued capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000	Statutory surplus reserve* HK$'000	Foreign currency translation reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		40,000	52,557	4,990	–	(84)	(238,747)	(141,284)	832	(140,452)
Issue of shares on open offer		240,000	(9,682)	–	–	–	–	230,318	–	230,318
Issue of shares on conversion of the convertible loans		100,000	10,951	–	–	–	–	110,951	–	110,951
Total comprehensive loss for the year		–	–	–	–	148	(29,071)	(28,923)	2,138	(26,785)
At 31 December 2013		380,000	53,826	4,990	–	64	(267,818)	171,062	2,970	174,032
At 1 January 2014		**380,000**	**53,826**	**4,990**	**–**	**64**	**(267,818)**	**171,062**	**2,970**	**174,032**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(777)**	**14,385**	**13,608**	**918**	**14,526**
Transfer to statutory surplus reserve		**–**	**–**	**–**	**1,109**	**–**	**(1,109)**	**–**	**–**	**–**
Gain on capital injection in a subsidiary	**34**	**–**	**–**	**–**	**–**	**–**	**1,622**	**1,622**	**(1,622)**	**–**
At 31 December 2014		**380,000**	**53,826**	**4,990**	**1,109**	**(713)**	**(252,920)**	**186,292**	**2,266**	**188,558**

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**20,547**	(25,451)
Adjustments for:		
Finance costs	**607**	17,794
Interest on bank and other loans	**(2,758)**	(93)
Fair value change of a derivative financial instrument	**–**	(204)
Gain on disposal of property, plant and equipment	**(149)**	–
Depreciation of property, plant and equipment	**800**	386
Amortisation of intangible assets	**1,808**	–
Impairment of inventories	**281**	128
	21,136	(7,440)
Change in inventories	**12,662**	(1,421)
Change in trade and notes receivables	**(97,261)**	(18,025)
Change in prepayments, deposits and other receivables	**5,074**	433
Change in trade and notes payables	**29,908**	19,277
Change in other payables and accruals	**(8,285)**	(5,605)
Cash used in operations	**(36,766)**	(12,781)
Income tax paid	**(3,785)**	(933)
Net cash flows used in operating activities	**(40,551)**	(13,714)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,832)**	(107)
Proceeds from disposal of property, plant and equipment	**1,175**	–
Increase in pledged bank deposits	**(2,332)**	–
Increase in intangible assets	**(8,904)**	–
Acquisition of subsidiaries	**–**	(70,681)
Interest received	**2,758**	93
Net cash flows used in investing activities	**(9,135)**	(70,695)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New other loans from third parties	–	290,150
Repayment of other loans from third parties	–	(324,157)
Bank loans raised	8,888	–
Proceeds from issue of shares	–	240,000
Share issue expenses paid	–	(9,682)
Repayment of advances from the non-controlling shareholders	(257)	(410)
Interest on bank loans/other loan	(607)	(15,832)
Net cash flows generated from financing activities	8,024	180,069
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(41,662)	95,660
Cash and cash equivalents at beginning of year	98,042	2,171
Net foreign exchange difference	(639)	211
Cash and cash equivalents at end of year	55,741	98,042
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	55,741	98,042

1. GENERAL INFORMATION

Jiu Rong Holdings Limited (the "Company") (formerly known as "Mitsumaru East Kit (Holdings) Limited"), changed its name on 30 June 2014 and is a public limited liabilities company incorporated in the Cayman Islands. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT., George Town, Grand Cayman, British West Indies. The address of its principal place of business is Suite 6409, 64/F., Central Plaza, No. 18 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

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

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

(a) Consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

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

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

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

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill *(continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's presentation currency and functional currency.

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

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

(iii) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Plant and machinery	3-15 years
Motor vehicles	4-6 years
Office equipment	3-9 years
Leasehold improvement	5 years

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

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

(e) Leases

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

(f) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment loses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Intangible assets *(continued)*

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Recognition and derecognition of financial instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Trade and other receivables

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

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

(j) Cash and cash equivalents

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

(k) Financial liabilities and equity instruments

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

(l) Borrowings

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

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

(m) Trade and other payables

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

(n) Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition

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

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

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

(iii) Management fee income is recognised when the services are rendered.

(iv) A government grant and subsidy for value-added tax are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

(p) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

(r) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Taxation *(continued)*

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

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

(s) Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Segment reporting

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

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

(u) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Provisions and contingent liabilities

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

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

(w) Events after the reporting period

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4 to the consolidated financial statements, the Directors are required to make judgments, 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.

Key sources of estimation uncertainty

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

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 and 2013 was approximately HK$16,417,000 and HK$16,417,000 respectively. The details are described in note 19 to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) *Property, plant and equipment and depreciation*

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

(c) *Recoverability of intangible asset*

During the year, the Group reconsidered the recoverability of its intangible asset arising from the Group's development, which is included in its consolidated statement of financial position at 31 December 2014 at HK$15,387,000. Detailed sensitivity analysis has been carried out and the Group is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(d) *Impairment of trade and notes receivables, deposits and prepayments*

Impairment of trade and notes receivables, deposits and prepayments is made based on an assessment of the recoverability of trade and notes receivables, deposits and prepayments. The assessment of impairment of receivables, deposits and prepayments involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of trade and notes receivables, deposits and prepayments and thus the impairment loss in the period in which such estimate is changed.

(e) *Estimated impairment of inventories*

The Group impairs inventories to net realisable value based on the current market conditions and the historical experience of selling inventory items with similar nature. Any change in the assumptions would increase or decrease the amount of inventory write-down or the related reversal of write-down made in prior years and affect the Group's net assets value. The Group recognised an inventory write-down of approximately HK$281,000 for the year (2013: HK$128,000).

5. 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 debt and equity balance.

During the reporting period, the capital structure of the Group consist of debt which includes interest-bearing loans and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial instruments of the Group mainly include cash and cash equivalents, trade and notes receivables, other receivables, trade and bills payables, other payables and other loans.

The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarised below.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's consolidated profit or loss for the years ended 31 December 2014 and 2013.

(c) Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Credit risk *(continued)*

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to director's approval. Receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

At the end of the reporting period, the Group had a certain concentration of credit risk as 27.5% (2013: 73%) of the total trade receivables was due from the Group's five largest customers. Details of the credit quality of the trade receivables that are neither past due nor impaired were set out in Note 22 to the consolidated financial statements.

Cash and cash equivalents are deposits at banks with sound credit ratings. Given their high credit ratings, the Group does not expect to have any associated credit risk.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Company' s financial liabilities as at the end of reporting period, based on the contracted undiscounted payments, was as follows:

2014	**On demand HK$'000**	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**Total HK$'000**
Trade and notes payables	**77,128**	**–**	**–**	**77,128**
Other payables and accruals	**13,921**	**–**	**–**	**13,921**
Bank loans	**8,888**	**–**	**–**	**8,888**
Other loan	**756**	**–**	**–**	**756**
	100,693	**–**	**–**	**100,693**

2013	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Total HK$'000
Trade and notes payables	47,220	–	–	47,220
Other payables and accruals	22,206	–	–	22,206
Amount due to non-controlling shareholder	133	–	–	133
Other loan	761	–	–	761
	70,320	–	–	70,320

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(e) Categories of financial instruments

	At 31 December 2014 HK$'000	2013 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
– Trade and notes receivables	**162,240**	64,979
– Amounts due from non-controlling shareholders	**124**	–
– Financial assets included in prepayments, deposits and other receivables	**8,577**	4,915
– Pledged bank deposits	**2,332**	–
– Cash and cash equivalents	**55,741**	98,042
	229,014	167,936
Financial liabilities:		
Financial liabilities at amortised cost		
– Trade and notes payables	**77,128**	47,220
– Other payables, accrued expenses and deposits received	**13,921**	22,206
– Amount due to non-controlling shareholder	**–**	133
– Bank loans	**8,888**	–
– Other loan	**756**	761
	100,693	70,320

(f) Fair value

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

7. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold upon delivery of goods, after allowances for returns and trade discounts and business/sales tax where applicable.

(a) Reportable segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two (2013: two) reportable segments. The segments are managed separately as each business segment offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Water meter: Design, assembling and installation of water meter.

– TV Business: manufacturing and sales of digital television ("TV"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.

Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit or loss that is used by the chief operating decision-maker for assessment of segment performance.

(i) Business segments

	For the year ended 31 December 2014		
	Water meter HK$'000	**TV Business HK$'000**	**Total HK$'000**
Reportable segment revenue:			
Sales to external customers	**49,861**	**227,884**	**277,745**
Reportable segment profit	**10,506**	**15,105**	**25,611**
Interest expenses	**(358)**	**(249)**	**(607)**
Depreciation of property, plant and equipment	**(171)**	**(615)**	**(786)**
Amortisation of intangible assets	**(88)**	**(1,720)**	**(1,808)**
Other material items of income and expense			
– Subsidy for value-added tax on software integrated circuit	**–**	**1,955**	**1,955**
Impairment of inventories	**–**	**(281)**	**(281)**
Additions to property, plant and equipment	**422**	**1,410**	**1,832**
Additions to intangible assets	**5,286**	**3,618**	**8,904**

	At 31 December 2014		
	Water meter HK$'000	**TV Business HK$'000**	**Total HK$'000**
Reportable segment assets	**64,575**	**217,149**	**281,724**
Reportable segment liabilities	**(27,341)**	**(75,576)**	**(102,917)**

7. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(a) Reportable segments *(continued)*

(i) Business segments (continued)

	For the year ended 31 December 2013		
	Water meter HK$'000	TV Business HK$'000	Total HK$'000
Reportable segment revenue:			
Sales to external customers	42,303	–	42,303
Reportable segment profit	9,026	–	9,026
Interest expenses	(4)	–	(4)
Depreciation of property, plant and equipment	(371)	–	(371)
Property, plant and equipment from acquisition of a subsidiary	–	4,171	4,171
Intangible assets from acquisition of a subsidiary	–	8,344	8,344
Impairment of inventories	128	–	128
Additions to property, plant and equipment	107	–	107

	At 31 December 2013		
	Water meter HK$'000	TV Business HK$'000	Total HK$'000
Reportable segment assets	30,348	179,435	209,783
Reportable segment liabilities	(19,546)	(44,456)	(64,002)

7. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(a) Reportable segments *(continued)*

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

Year ended 31 December	**2014 HK$'000**	2013 HK$'000
Revenue		
Reportable segment revenue	**277,745**	42,303
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**277,745**	42,303
Profit or loss		
Reportable segment profit	**25,611**	9,026
Unallocated corporate expenses	**(5,064)**	(16,687)
Unallocated finance costs	**–**	(17,790)
Consolidated profit/(loss) before income tax	**20,547**	(25,451)

At 31 December	**2014 HK$'000**	2013 HK$'000
Assets		
Reportable segment assets	**281,724**	209,783
Unallocated cash and cash equivalents	**10,929**	33,419
Other unallocated corporate assets	**2,947**	6,056
Consolidated total assets	**295,600**	249,258
Liabilities		
Reportable segment liabilities	**(102,917)**	(64,002)
Unallocated tax payable	**–**	(690)
Unallocated corporate liabilities	**(4,125)**	(10,534)
Consolidated total liabilities	**(107,042)**	(75,226)

7. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

The Group is domiciled in the PRC. The following tables provide an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers	
	2014	2013
	HK$'000	HK$'000
PRC	**269,203**	42,303
Hong Kong	**6,900**	–
Others	**1,642**	–
	277,745	42,303

	Specified non-current assets	
	2014	2013
	HK$'000	HK$'000
PRC	**29,715**	20,553
Hong Kong	**6,665**	8,868
	36,380	29,421

(c) Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

			2014	2013
	Segment	Note	**HK$'000**	HK$'000
Customer A	Water meter	(i)	**6,488**	8,744
Customer B	Water meter	(i)	**6,876**	4,991
Customer C	TV business		**36,574**	–
Customer D	TV business		**32,074**	–

Note:

(i) Revenue from these customers did not exceed 10% of total revenue in current year. These amounts were shown for comparative purpose.

8. OTHER INCOME AND GAINS

	Notes	2014 HK$'000	2013 HK$'000
Bank interest income		**1,155**	93
Fair value change of a derivative financial instrument		**–**	204
Management fee from China Water	(i)	**960**	240
Compensation income		**219**	–
Loan interest income from third parties		**1,498**	–
Loan interest income from related companies	(ii)	**105**	–
Gain on disposal of property, plant and equipment		**149**	–
Government grant		**157**	–
Subsidy for value-added tax on software integrated circuit		**1,955**	–
Others		**163**	333
		6,361	870

Notes:

(i) China Water is a shareholder of the Company with significant influence on the Company.

(ii) The related companies are subsidiaries of China Water.

9. FINANCE COSTS

	Note	2014 HK$'000	2013 HK$'000
Interest expenses on borrowings wholly repayable within five years:			
– Interest on loans from third parties		**392**	15,122
– Imputed interest on loan from New Prime		**–**	1,962
– Interest on outstanding consideration payable for acquisition of a subsidiary		**–**	710
– Interest on loans from a related company	(i)	**215**	–
		607	17,794

Note:

(i) The related company is a subsidiary of China Water.

10. PROFIT/(LOSS) BEFORE TAX

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

	2014 HK$'000	2013 HK$'000
Cost of inventories sold	**226,610**	26,703
Staff costs (including directors' remuneration):		
Wages and salaries	**9,208**	8,583
Pension scheme contributions		
– Defined contribution scheme	**796**	215
Other staff benefits	**431**	1,207
	10,435	10,005
Auditors' remuneration	**600**	550
Depreciation of items of property, plant and equipment	**800**	386
Amortisation of intangible assets	**1,808**	–
Minimum lease payments under operating lease in respect of		
– Land and buildings	**1,256**	1,947
Exchange losses, net	**133**	77
Impairment of inventories	**281**	128

11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) Directors' and senior management's emoluments

	Notes	For the year ended 31 December 2014 Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement scheme HK$'000	Total emoluments HK$'000
Executive directors:					
Mr. Siu Chi Ming		**120**	**1,385**	**17**	**1,522**
Mr. Tang Chin Wan		**–**	**240**	**12**	**252**
Ms. Wang Liping	(i)	**–**	**120**	**–**	**120**
Independent non-executive directors:					
Ms. Au Shui Ming, Anna		**120**	**–**	**–**	**120**
Mr. He Chi Hung, Martin	(ii)	**60**	**–**	**–**	**60**
Mr. Wu Yinong	(iii)	**120**	**–**	**–**	**120**
Mr. Tsang Ho Ka, Eugene	(iv)	**60**	**–**	**–**	**60**
		480	**1,745**	**29**	**2,254**

11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	Notes	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement scheme HK$'000	Total emoluments HK$'000
		For the year ended 31 December 2013			
Executive directors:					
Mr. Siu Chi Ming		120	6,568	15	6,703
Mr. Tang Chin Wan		120	–	–	120
Independent non-executive directors:					
Ms. Au Shui Ming, Anna		120	–	–	120
Mr. He Chi Hung, Martin	(ii)	120	–	–	120
Mr. Wu Yinong	(iii)	–	–	–	–
Mr. Mu Xiangming	(v)	52	–	–	52
		532	6,568	15	7,115

Notes:

(i) Appointed on 1 July 2014

(ii) Resigned on 1 July 2014

(iii) Appointed on 30 December 2013

(iv) Appointed on 1 July 2014

(v) Resigned on 7 June 2013

(vi) The post of chief executive was vacant during the year 2014 and 2013. There was no emoluments paid or payable to chief executive who is not a director during the year (2013: Nil).

11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(b) Five highest paid individual emoluments

Two (2013: two) of the five highest paid individuals of the Group were the directors whose emolument is set out in the above. For the year ended 31 December 2014, the remaining three (2013: three) employees' emoluments of the Company were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries, allowances and other benefits in kind	**955**	1,056
Contributions to pension scheme	**9**	34
	964	1,090

Their emoluments fell within the following bands:

	Number of employees	
	2014	2013
Emolument band:		
Nil - HK$500,000	**3**	2
HK$500,001 - HK$1,000,000	**–**	1
	3	3

(c) No emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 December 2014 and 2013.

12. INCOME TAX EXPENSE

No provision of Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group incurred losses for the current and prior years in Hong Kong.

PRC corporate income tax is calculated at a standard rate of 25% (2013: 25%) on the estimated assessable profits arising from its operation in the PRC.

The amount of income tax expenses includes in profit or loss represents:

	2014	2013
	HK$'000	HK$'000
Current – the PRC		
– Charge for the year	**6,105**	2,112
– Over-provision in prior years	**–**	(574)
Deferred tax	**(868)**	–
	5,237	1,538

The income tax expenses for the year can be reconciled to the profit for the year multiplied by applicable tax rate as follows:

	2014	2013
	HK$'000	HK$'000
Profit/(loss) before tax	**20,547**	(25,451)
Tax calculated at the domestic tax rate of 16.5% (2013: 16.5%)	**3,390**	(4,199)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,177**	774
Tax effect of revenue not taxable for tax purposes	**(1,545)**	(172)
Tax effect of expenses not deductible for tax purposes	**383**	3,914
Tax effect of tax losses not recognised	**832**	1,795
Over-provision in prior years	**–**	(574)
Income tax expenses	**5,237**	1,538

At 31 December 2014, the Group has unused tax losses of approximately HK$44,097,000 (2013: HK$39,057,000) available indefinitely for offset against future profits. During the year, deferred tax asset of approximately HK$15,000 (2013: Nil) has been recognised in respect of such tax losses, due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

13. TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR

The profit/(loss) attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$4,977,000 (2013: HK$30,804,000), which has been dealt with in the financial statements of the Company (note 32).

14. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings (2013: loss) per share attributable to owners of the Company is based on the profit (2013: loss) for the year attributable to owners of the Company of HK$14,385,000 (2013: loss of HK$29,071,000) and the weighted average number of 3,800,000,000 (2013: 1,737,733,000) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 December 2014 (2013: The effect of all potential ordinary shares are anti-dilutive).

15. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2014 and 2013.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvement HK$'000	Total HK$'000
As at 31 December 2014					
COST:					
At 1 January 2014	**4,092**	**181**	**674**	**439**	**5,386**
Additions	**739**	**436**	**314**	**343**	**1,832**
Disposal	**(1,131)**	**(3)**	**(31)**	**(436)**	**(1,601)**
Exchange realignment	**519**	**–**	**97**	**(3)**	**613**
At 31 December 2014	**4,219**	**614**	**1,054**	**343**	**6,230**
ACCUMULATED DEPRECIATION:					
At 1 January 2014	**283**	**20**	**42**	**381**	**726**
Provided during the year	**487**	**68**	**178**	**67**	**800**
Disposal	**(107)**	**–**	**(25)**	**(379)**	**(511)**
Exchange realignment	**541**	**–**	**100**	**(2)**	**639**
At 31 December 2014	**1,204**	**88**	**295**	**67**	**1,654**
CARRYING AMOUNT:					
At 31 December 2014	**3,015**	**526**	**759**	**276**	**4,576**

	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvement HK$'000	Total HK$'000
As at 31 December 2013					
COST:					
At 1 January 2013	497	24	107	425	1,053
Additions	5	89	13	–	107
Acquisition of a subsidiary	3,555	66	550	–	4,171
Exchange realignment	35	2	4	14	55
At 31 December 2013	4,092	181	674	439	5,386
ACCUMULATED DEPRECIATION:					
At 1 January 2013	144	2	12	145	303
Provided during the year	114	18	26	228	386
Exchange realignment	25	–	4	8	37
At 31 December 2013	283	20	42	381	726
CARRYING AMOUNT:					
At 31 December 2013	3,809	161	632	58	4,660

17. INTANGIBLE ASSETS

	Customer relationship HK$'000	Intelligent emergency broadcast system HK$'000	Intelligent water meter data collection system HK$'000	Total HK$'000
COST:				
At 1 January 2013	–	–	–	–
Acquisition of a subsidiary	8,344	–	–	8,344
Exchange realignment	–	–	–	–
At 31 December 2013 and 1 January 2014	8,344	–	–	8,344
Additions	–	3,618	5,286	8,904
Exchange realignment	(50)	(2)	(2)	(54)
At 31 December 2014	8,294	3,616	5,284	17,194
ACCUMULATED AMORTISATION:				
At 1 January 2013	–	–	–	–
Amortisation for the year	–	–	–	–
Exchange realignment	–	–	–	–
At 31 December 2013 and 1 January 2014	–	–	–	–
Amortisation for the year	1,660	60	88	1,808
Exchange realignment	(1)	–	–	(1)
At 31 December 2014	1,659	60	88	1,807
CARRYING AMOUNT:				
At 31 December 2014	6,635	3,556	5,196	15,387
At 31 December 2013	8,344	–	–	8,344

Customers relationship represents the expectation to generate revenues and profit to the business.

The Group has self-developed two new technologies for water meter and TV business during the year, namely Intelligent emergency broadcast system and Intelligent water meter data collection system respectively. The capitalisation of the expenses started from development stage, May 2014 and February 2014 respectively. The total amount of capitalised expenses are approximately HK$3,618,000 and HK$5,286,000.

The intangible assets have been assessed to have weighted average remaining useful lives of 4.52 (2013: 5) years.

17. INTANGIBLE ASSETS *(continued)*

Impairment test of intangible assets

Customer relationship

The Group carried out reviews of the recoverable amount of its intangible assets of customer relationship in 2014. The Group's intangible assets are used in the Group's TV Business cash generating unit. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 5 year period. Key assumptions used by the management in the value in use calculations of the cash cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.00% (2013: 15.27%).

Intelligent emergency broadcast system

The Group carried out reviews of the recoverable amount of its intangible assets of intelligent emergency broadcast system in 2014. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 2 year period. Key assumptions used by the management in the value in use calculations of the cash cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.00%.

Intelligent water meter data collection system

The Group carried out reviews of the recoverable amount of its intangible assets of intelligent water meter data collection system in 2014. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 5 year period. Key assumptions used by the management in the value in use calculations of the cash cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 11.00%.

No impairment loss on intangible assets has been recognized for the year ended 31 December 2014 as a result of the impairment test (2013: HK$Nil).

18. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Company name	Place of incorporation/ registration	Nominal value of issued and paid-up share/ registered paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
Mitsumaru East Kit (Group) Limited	BVI	US$1	100%	Investment holding
Ace Earn Limited	Hong Kong	HK$1	100%	Investment holding
Indirectly held:				
Wuhan Sunbow Science & Technology Co., Limited* ("Sunbow")	the PRC	RMB10,000,000	91.75%	Design, assembly and installation of water meter
Soyea Jiu Rong Technology Co., Limited* ("Soyea Jiu Rong")	the PRC	RMB90,000,000	100%	TV Business

* The English names are for identification only

18. SUBSIDIARIES *(continued)*

The following table shows information of a subsidiary that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Sunbow 2014	2013
Principal place of business and country of registration	**PRC**	
% of ownership interests and voting rights held by NCI	**8.25%**	27.50%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**630**	441
Current assets	**54,172**	29,907
Current liabilities	**(27,341)**	(19,546)
Net assets	**27,461**	10,802
Accumulated NCI	**2,266**	2,970
Year ended 31 December:		
Revenue	**49,861**	42,303
Profit for the year	**7,880**	7,572
Total comprehensive income	**7,840**	7,776
Profit allocated to NCI	**925**	2,082
Net cash used in operation activities	**(8,011)**	(1,018)
Net cash used in investing activities	**(2,688)**	(109)
Net cash generated from financing activities	**17,074**	130
Net increase/(decrease) in cash and cash equivalents	**6,375**	(997)

As at 31 December 2014, the bank and cash balances of the subsidiary in the PRC denominated in Renminbi ("RMB") amounted to HK$6,259,000 (2013: HK$165,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

19. GOODWILL

	2014 HK$'000	2013 HK$'000
COST:		
At beginning of the reporting period	**16,417**	4,617
Acquisition of a subsidiary	**–**	11,800
At end of the reporting period	**16,417**	16,417
CARRYING AMOUNTS:		
At end of the reporting period	**16,417**	16,417

19. GOODWILL *(continued)*

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

	TV Business		Water meter		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Goodwill	**11,800**	11,800	**4,617**	4,617	**16,417**	16,417

Impairment testing of goodwill

TV Business cash-generating unit

The amount of goodwill is allocated to the cash-generating units within the TV Business segment. Goodwill is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations.

As at 31 December 2014, the value in use calculation uses cash flow projections based on the financial budgets approved by the management covering a 5 year period. Key assumptions used by the management in the value in use calculation of the cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.00% (2013: 15.27%).

The assumptions have been determined based on past performance and management's expectations in respect of the TV Business market in the PRC.

The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Water meter cash-generating unit

The amount of goodwill is allocated to the cash-generating units within the water meters segment. Goodwill is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations.

As at 31 December 2014, the value in use calculation uses cash flow projections based on the financial budgets approved by the management covering 3 (2013: 1) years. Key assumptions used by the management in the value in use calculations of these cash-generating units include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 11.00% (2013: No discount rate had been applied to the cash flow projection).

The assumptions have been determined based on past performance and management's expectations in respect of the water meters market in the PRC.

The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

No impairment loss has been recognised for the year ended 31 December 2014 as a result of the impairment test (2013: HK$Nil).

20. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax assets are as follows:

	Temporary difference	
	2014	2013
	HK$'000	HK$'000
At beginning of the reporting period	**35**	–
Acquisition of a subsidiary	**–**	35
Charge to profit and loss	**(15)**	–
Exchange realignment	**(1)**	–
At end of the reporting period	**19**	35

The movements in deferred tax liabilities are as follows:

	Fair value adjustments arising from acquisition of a subsidiary	
	2014	2013
	HK$'000	HK$'000
At beginning of the reporting period	**2,557**	–
Acquisition of a subsidiary	**–**	2,557
Charge to profit and loss	**(883)**	–
Exchange realignment	**(15)**	–
At end of the reporting period	**1,659**	2,557

21. INVENTORIES

	2014	2013
	HK$'000	HK$'000
Raw materials	**14,893**	18,949
Work in progress	**1,037**	762
Finished goods	**13,118**	22,280
	29,048	41,991

22. TRADE AND NOTES RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**149,268**	48,971
Notes receivables	**12,972**	16,008
	162,240	64,979

The Group's trading terms with its customers are mainly on credit, except for the new customers, where payment in advance is normally required. The credit period generally ranges from 15 to 185 days (2013: 15 to 185 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

As at the end of the reporting periods, certain trade receivables are pledged to a bank to secure general banking facilities granted to the Group are set out in note 29 below.

As at the end of the reporting periods, certain notes receivables are pledged to banks to secure certain notes payables are set out in note 26 below.

An aged analysis of trade receivables, as at the end of the reporting periods based on the goods delivery date, and net of impairments, is as follows:

	2014 HK$'000	2013 HK$'000
Within 90 days	**78,506**	36,779
91 days to 180 days	**31,472**	10,037
181 days to 1 year	**37,600**	214
Over 1 year	**1,690**	1,941
	149,268	48,971

The ageing of trade receivables which are past due but not impaired are as follows:

	2014 HK$'000	2013 HK$'000
Less than 1 month past due	**18,021**	5,120
1 to 3 months past due	**14,223**	294
More than 3 months but less than 12 months past due	**8,977**	214
Over 1 year past due	**1,323**	1,941
	42,544	7,569

Receivables that were past due but not impaired relate to a number of customers that have good settlement records with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these receivables.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Details of the prepayments, deposits and other receivables are as follows:

	Note	2014 HK$'000	2013 HK$'000
Prepayments		**1,040**	9,546
Loan to a third party	(i)	**2,600**	–
Deposits and other receivables		**6,076**	5,244
		9,716	14,790

Note

(i) The loan to a third party is unsecured, bears interest at 20% p.a. and repayable within one year.

None of the above balances are past due nor impaired as there was no recent history of default by the counterparties.

24. PLEDGED BANK DEPOSITS

	2014 HK$'000	2013 HK$'000
	2,332	–

As at the end of the reporting period, certain notes payables were secured by the pledged bank deposits.

25. CASH AND CASH EQUIVALENTS

	2014 HK$'000	2013 HK$'000
Cash and bank balances	**55,741**	98,042

Cash and cash equivalents denominated in:

	2014 HK$'000	2013 HK$'000
USD	**3,159**	7,533
RMB	**41,930**	64,463
HK$	**10,652**	26,046
	55,741	98,042

The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND NOTES PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**51,283**	32,734
Notes payables	**25,845**	14,486
	77,128	47,220

An aged analysis of trade payables, based on the invoice date, is as follows:

	2014 HK$'000	2013 HK$'000
Outstanding balances with ages:		
Within 180 days	**50,859**	30,738
181 days to 1 year	**244**	1,037
1 to 2 years	**111**	959
Over 2 years	**69**	–
	51,283	32,734

As at 31 December 2014, the notes payables were secured by (i) pledged bank deposits, and (ii) personal guarantee from a shareholder of amount up to RMB29,400,000 (equivalence to approximately HK$37,065,000).

27. OTHER PAYABLES AND ACCRUALS

	2014 HK$'000	2013 HK$'000
Advances from customers	**3,250**	5,819
Other tax payables	**5,272**	2,272
Salary payable	**684**	5,259
Others	**4,715**	8,856
	13,921	22,206

28. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS

The advances are unsecured, interest-free and repayable on demand.

29. BANK LOANS

	2014 HK$'000	2013 HK$'000
Bank loans	**8,888**	–

The borrowings are repayable as follows:

	2014 HK$'000	2013 HK$'000
On demand or within one year	**8,888**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(8,888)**	–
Amount due for settlement after 12 months	**–**	–

At the end of reporting period, borrowings of the Group denominated in RMB amounted to approximately HK$8,888,000 (2013: Nil). The average interest rates were 7.8% per annum (2013: Nil).

As at 31 December 2014, the Group's bank loans were secured by (i) pledged of certain of the Group's trade receivables amount up to RMB 8,000,000 (equivalence to approximately HK$10,086,000), (ii) personal guarantee from a non-controlling shareholder amount up to RMB 8,000,000 (equivalence to approximately HK$10,086,000), (iii) personal guarantee from a subsidiary of China Water amount up to RMB 8,000,000 (equivalence to approximately HK$10,086,000), (iv) equity interests of 6.75% of a subsidiary of the Group held by a non-controlling shareholder, and (v) equity interests of 91.75% of a subsidiary of the Group.

30. OTHER LOAN

	Note	2014 HK$'000	2013 HK$'000
Unsecured other loans and repayable within one year from:			
Interest bearing:			
– Non-controlling beneficial shareholder of a subsidiary	(i)	**756**	761
		756	761

Note:

(i) The loan from the non-controlling beneficial shareholder of a subsidiary of the Company is unsecured, bore interest at a fixed rate of 5.76% per annum and is repayable on 16 June 2012. On 16 June 2012, the maturity date of the loan was extended to 31 December 2013. On 1 January 2014, the maturity date of the loan was extended to 30 June 2014. As at 31 December 2014, the loan is still outstanding. The Company did not enter into any extension agreement with the non-controlling beneficial shareholder.

31. SHARE CAPITAL

Ordinary shares of HK$0.1 each	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2013	1,000,000,000	500,000
Increase during the year	4,000,000,000	400,000
At 31 December 2013, 1 January 2014 and 31 December 2014	5,000,000,000	900,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2013	400,000,000	40,000
Issue of shares on open offer	2,400,000,000	240,000
Issue of shares on conversion of the convertible loans	1,000,000,000	100,000
At 31 December 2013, 1 January 2014 and 31 December 2014	3,800,000,000	380,000

32. RESERVES

Group

(a) Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(b) Statutory surplus reserve

In accordance with the relevant regulation in the PRC, the subsidiaries operating in the PRC are required to transfer 10% of their profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of their respective registered capital. The statutory surplus reserve and the expansion reserve are non-distributable, and are subject to certain restrictions set out in the relevant regulations in the PRC. These reserves can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above mentioned usages.

32. RESERVES *(continued)*

Company

The amounts of the Company's reserves and the movements therein for the year ended 31 December 2014 are as follows:

	Share premium HK$'000	Contribution surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	52,557	98,938	(337,151)	(185,656)
Total comprehensive loss for the year	–	–	(30,804)	(30,804)
Issue of shares on open offer	(9,682)	–	–	(9,682)
Issue of shares on conversion of the convertible loans	10,951	–	–	10,951
At 31 December 2013 and 1 January 2014	53,826	98,938	(367,955)	(215,191)
Total comprehensive loss for the year	–	–	(4,977)	(4,977)
At 31 December 2014	53,826	98,938	(372,932)	(220,168)

33. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 22 June 2004, the Company approved and adopted a share option scheme (the "2004 Scheme"). The purpose of the 2004 Scheme is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employee of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The 2004 Scheme became effective on 22 June 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. During the year, at 31 December 2013 and 2014 and up to the date of approval of these financial statements, no share options have been granted under the 2004 Scheme. The 2004 Scheme was expired on 21 June 2014.

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 29 May 2014, the Company approved and adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employee of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The schemes became effective on 30 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

33. SHARE OPTION SCHEME *(continued)*

The Scheme

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

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the independent non- executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, at 31 December 2014 and up to the date of approval of these financial statements, no share options have been granted under the Scheme.

34. GAIN ON CAPITAL INJECTION IN A SUBSIDIARY

During the year, the Group increased its interest in a 72.5% subsidiary by 19.25% through cash injection of HK$8,797,000 on increment of registered paid-up capital. The Group's shareholding in this subsidiary has been increased to 91.75% after the capital injection. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$'000
Share of net assets of NCI in a subsidiary before capital injection	3,357
Less: Share of net assets of NCI in a subsidiary after capital injection	(1,735)
Gain on capital injection in a subsidiary	1,622

35. COMMITMENTS

Commitments under operating leases

As lessee

During the year ended 31 December 2014, the Group leased its office properties under operating lease arrangements which were negotiated for terms of one to three years. At 31 December 2014, the Group's minimum lease obligation under non-cancellable operating leases in respect of land and buildings are as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**517**	823
In the second to fifth years, inclusive	**57**	–
	574	823

36. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The compensation of key management personnel is disclosed in note 11 to the consolidated financial statements.

(b) Included in trade receivables of the Group are amounts due from subsidiaries of China Water totaling approximately HK$33,109,000 (2013: HK$15,763,000).

(c) Included in other payables and accruals of the Group are amounts due to certain shareholders totaling approximately HK$Nil (2013: HK$99,000). The balances are unsecured, interest-free and have no specific terms of repayment.

(d) Included in other payables and accruals of the Group are amounts due to subsidiaries of China Water totaling approximately HK$2,346,000 (2013: HK$Nil). The balances are unsecured, interest-free and have no specific terms of repayment.

(e) Included in prepayments, deposits and other receivables of the Group are amounts due from subsidiaries of China Water totaling approximately HK$ Nil (2013: HK$5,537,000). The balances are unsecured, interest-free and have no specific terms of repayment.

(f) Sales to subsidiaries of China Water of approximately HK$44,441,000 (2013: HK$Nil) were credited to the profit or loss for the year included under revenue which are considered as continuing connected transactions (the "CCT") under Chapter 14A of the Listing Rules. An independent report on the CCT issued by the Group's auditor is disclosed in the Report of the Directors.

(g) Management fee income received from China Water of approximately HK$960,000 (2013: HK$240,000) were credited to the profit or loss for the year included under other income and gains.

(h) Loan interest income received from subsidiaries of China Water of approximately HK$105,000 (2013: HK$Nil) were credited to the profit or loss for the year included under other income and gains.

(i) Loan interest expenses paid to subsidiaries of China Water of approximately HK$215,000 (2013: HK$Nil) were charged to the profit or loss for the year included under finance costs.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**30**	49
Investments in subsidiaries	**–**	–
	30	49
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2,818**	1,132
Amounts due from subsidiaries	**150,819**	148,364
Cash and cash equivalents	**10,290**	25,705
	163,927	175,201
CURRENT LIABILITIES		
Other payables and accruals	**4,125**	9,751
Tax payable	**–**	690
	4,125	10,441
NET CURRENT ASSETS	**159,802**	164,760
TOTAL ASSETS LESS CURRENT LIABILITIES	**159,832**	164,809
NET ASSETS	**159,832**	164,809
EQUITY		
Issued capital	**380,000**	380,000
Reserves	**(220,168)**	(215,191)
TOTAL EQUITY	**159,832**	164,809

38. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2015.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the published consolidated results from continuing operations and a discontinued operation and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years.

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Turnover	**277,745**	42,303	17,854	–	–
Profit/(loss) before tax	**20,547**	(25,451)	(18,788)	(21,159)	(7,243)
Income tax	**(5,237)**	(1,538)	(563)	–	–
Profit/(loss) for the year from continuing operations	**15,310**	(26,989)	(19,351)	(21,159)	(7,243)
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	–	32,129	(6,102)	(43,135)
Profit/(loss) for the year	**15,310**	(26,989)	12,778	(27,261)	(50,378)
Profit/(loss) attributable to:					
Owners of the Company	**14,385**	(29,071)	12,816	(27,175)	(49,749)
Non-controlling interests	**925**	2,082	(38)	(86)	(629)
	15,310	(26,989)	12,778	(27,261)	(50,378)

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**295,600**	249,258	19,625	191,958	233,526
Total liabilities	**(107,042)**	(75,226)	(160,077)	(339,167)	(352,995)
Non-controlling interests	**(2,266)**	(2,970)	(832)	(747)	(774)
Net assets/(liabilities)	**186,292**	171,062	(141,284)	(147,956)	(120,243)