意科控股

eFORCE HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

ANNUAL REPORT 2014

This Annual Report is printed on environmentally friendly paper

CONTENTS

Page

Corporate Information 2

Biographical Information of Directors and Senior Management 3-6

Chairman's Statement 7-8

Management Discussion and Analysis 9-17

Corporate Governance Report 18-25

Report of the Directors 26-31

Independent Auditor's Report 32-33

Consolidated Statement of Profit or Loss and Other Comprehensive Income 34-35

Consolidated Statement of Financial Position 36-37

Consolidated Statement of Changes in Equity 38

Consolidated Statement of Cash Flows 39-40

Notes to the Consolidated Financial Statements 41-103

Five Year Financial Summary 104

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Au Yeung Yiu Chung
(appointed on 11 June 2014)
Mr. Chan Tat Ming, Thomas
(appointed on 7 March 2014)
Mr. Luo Xiaohong

Independent Non-executive Directors

Mr. Hau Chi Kit
(appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen

AUDIT COMMITTEE

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
(appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Leung Chi Hung

REMUNERATION COMMITTEE

Mr. Lam Bing Kwan *(Chairman)*
Mr. Hau Chi Kit
(appointed on 7 March 2014)
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky

NOMINATION COMMITTEE

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Hau Chi Kit
(appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang

COMPANY SECRETARY

Mr. Chan Tsz Leung

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701-3 & 8, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda)
Limited
26 Burnaby Street,
Hamilton HM 11,
Bermuda

BRANCH REGISTRAR

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

REGISTERED OFFICE

Clarendon House
2 Church Street,
Hamilton HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3008, Man Yee Building,
68 Des Voeux Road Central,
Central,
Hong Kong

STOCK CODE

943

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Lup Wai, Franky ("Mr. Tam")

(Chairman)

Mr. Tam, aged 66, was appointed as executive Director of the Company on 17 December 2001 and the Chairman of the board of Directors of the Company on 21 July 2011. He was also appointed as a member of the remuneration committee of the Company on 3 July 2007 and the chairman of the nomination committee on 29 March 2012. Mr. Tam holds a BA in Applied Mathematics from the University of California at Berkeley, USA. He has diversified management experiences in the fields of property, retail and technology. He also specializes in formulating and executing business strategies for companies and has experience in the investment of technology start-up. He was previously an administration director of a conglomerate comprises four listed companies in Hong Kong and directly oversaw the administration of the group and responsible in managing several subsidiaries' operations, including properties acquisition, strategic investments and hotel start-up project. Mr. Tam also served as executive director of a Hong Kong publicly listed fashion retail chain store with over 200 outlets in Hong Kong and China and was instrumental in setting up the franchise operation in the People's Republic of China (the "PRC") before joining the Company in 2001.

Mr. Liu Liyang ("Mr. Liu")

(CEO and Deputy Chairman)

Mr. Liu, aged 54, was appointed as executive Director, Deputy Chairman of the Board and the Chief Executive Officer ("CEO") and a member of the remuneration committee of the Company on 19 August 2010. He was further appointed as a member of the nomination committee of the Company on 29 March 2012. Mr. Liu has 16 years of experience in the investment banking industry. Before joining the Company, he was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Mr. Liu holds an MBA degree from Columbia University. Mr. Liu is also an independent non-executive Director, a member of each of the audit committee and the nomination committee and chairman of the remuneration committee of Beautiful China Holdings Company Limited (stock code: 706), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Au Yeung Yiu Chung ("Mr. Au Yeung")

Mr. Au Yeung, aged 33, was appointed as executive Director of the Company on 11 June 2014. Mr. Au Yeung was graduated from the Hong Kong Polytechnic University with a bachelor of Applied Biology in Biotechnology. Mr. Au Yeung is also an International Certified Valuation Specialist holder. Mr. Au Yeung has over ten years of experience in financial industry. From 10th March 2012 to 1st April 2014, Mr. Au Yeung was an executive director of TLT Lottotainment Group Limited (now known as Evershine Group Holdings Limited) (stock code: 8022), a company whose shares are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited. Mr. Au Yeung holds a Master of Business Administration degree from the University of Wales, UK.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Tat Ming, Thomas ("Mr. Chan")

Mr. Chan, aged 49, was appointed as executive Director of the Company on 7 March 2014. Mr. Chan was graduated from York University, Toronto, Canada, with a Business Administration Studies degree. Mr. Chan has over 20 years of experience in administration and operational management in international trade business and also on production process facility in the PRC.

Mr. Luo Xiaohong ("Mr. Luo")

Mr. Luo, aged 50, was appointed as executive Director of the Company on 20 December 2011. Mr. Luo has been involved in mineral evaluation work for more than 20 years. He graduated from Chengdu College of Geology (成都地質學院) in 1985 with a major in Mining Studies, specializing in Geology and Mining Investigation. He obtained a title of Senior Engineer in Geology and Mining in 1999 and was qualified as a Mineral Resources Reserves Evaluation Expert of Guangxi Province in 2004. In 2007, he obtained the title of Professor-Level Senior Engineer in Geology and Mining. He acted as Deputy Director-General of the Resources Evaluation Department in Jiangxi Geology Investigation Research Institute (江西省地質調查研究院) from 2006 and was in charge of the work in the Resources Evaluation Department at the end of 2007. In June 2009, he acted as the Deputy Chief Engineer of the Jiangxi Geology 3 Investigation Research Institute and the Director-General of the Resources Evaluation Department. Since 2006, he has been the responsible person of the National Geology Big Investigation Project of "Jiangxi Shangli-Fengxin District Copper Polymetallic Mine Evaluation" (江西上栗一奉新地區銅多金屬礦評價) and "Jiangxi Jiurui District Copper Polymetallic Mine Prospective Study" (江西九瑞地區銅多金屬礦遠景調查).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hau Chi Kit ("Mr. Hau")

Mr. Hau, aged 43, was appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 7 March 2014. Mr. Hau was a barrister-at-law in private practice in Hong Kong from 2001 to 2008, a solicitor in private practice from 2008 to 2014, and currently a solicitor not in private practice. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr. Hau is also an independent non-executive director of CNC Holdings Limited (stock code: 8356), a company whose shares are listed on the GEM of the Stock Exchange, and China Zenith Chemical Group Limited (stock code: 362), a company whose shares are listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Bing Kwan ("Mr. Lam")

Mr. Lam, aged 65, was appointed as an independent non-executive Director and member of the audit committee of the Company on 30 September 2004. He was further appointed as the Chairman of the Remuneration Committee on 1 August 2005 and a member of the nomination committee on 29 March 2012. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. Mr. Lam has been in senior management positions in the banking and financial industry for more than 10 years. He is a non-executive Director of Sino-i Technology Limited (stock code: 250) and Nan Hai Corporation Limited (stock code: 680), and an independent non-executive Director of Lai Fung Holdings Limited(stock code: 1125), Lai Sun Development Company Limited (stock code: 488) and Lai Sun Garment (International) Limited(stock code: 191), all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Leung Chi Hung ("Mr. Leung")

Mr. Leung, aged 59, was appointed as an independent non-executive Director of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 13 December 2013. Mr. Leung commenced his accountancy professional training since 1976 and is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants respectively. Mr. Leung is also a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser and a member of the Society of Registered Financial Planners in Hong Kong. Mr. Leung is a Certified Public Accountant (Practising) in Hong Kong and a Director of Philip Leung & Co. Limited (CPA). Currently, Mr. Leung is an independent non-executive Director of Daido Group Limited (stock code: 544) and Finet Group Limited (stock code: 8317), both of which are companies listed on the Stock Exchange. Mr. Leung is also the chairman of the audit committee and a member of the nomination committee and remuneration committee of Daido Group Limited and the chairman of corporate governance committee and a member of audit committee of Finet Group Limited. From April 2009 until his resignation on 11 April 2011, Mr. Leung was an independent non-executive Director of Temujin International Investments Limited (now known as China Investment Development Limited)(stock code: 204), a company listed on the Stock Exchange.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Hon Kuen ("Mr. Li")

Mr. Li, aged 48, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company on 19 July 2013. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong with general assurance experience in clients operating in a variety of industries, including textile, construction, property development, freight forwarding, golf club, jewellery manufacturing and trading, application software development and installation, website design and development, manufacturing and ATM operation business. Moreover, Mr. Li has extensive experience in public listings and due diligence in Hong Kong. Mr. Li had worked in Deloitte and as senior audit manager in RSM Nelson Wheeler before setting up Alfred H.K. Li & Co., CPA, in 2013.

SENIOR MANAGEMENT

Mr. Sugahara Toshio ("Mr. Sugahara")

Mr. Sugahara, aged 50, joined the Group in 2007. Mr. Sugahara is the General Manager of Fairform Manufacturing Limited, a wholly-owned subsidiary of the Group, and is responsible for the overall production management and quality control of the Group's manufacturing and sales of health and household products. Mr. Sugahara has obtained a Bachelor Degree in Mechanical Engineering from the University of Brighton (UK) and a Master Degree of Business Administration from the University of South Australia. He is a member of the Institution of Engineering and Technology (UK) and has extensive working experience in project engineering, product research and development and production management.

Mr. Wong Sze Yat, Robert ("Mr. Wong")

Mr. Wong, aged 51, joined the Group in 1998. Mr. Wong is the Marketing Director of Fairform Manufacturing Limited and is responsible for sales and marketing function of the Group's manufacturing and sales of health and household products. Mr. Wong has a Diploma in Business Studies from the Salford Technology College (UK). Mr. Wong has over 20 years of working experience in marketing small household electrical appliances and household products.

Mr. Chan Tsz Leung ("Mr. Chan Tsz Leung")

Mr. Chan Tsz Leung, aged 48, is the Company Secretary of the Company. Mr. Chan Tsz Leung is a member of CPA Australia. Mr. Chan Tsz Leung holds a Bachelor degree in Commerce from the Murdoch University, Western Australia, Australia. Mr. Chan Tsz Leung joined the Group in 2004 as Accountant and had working experience in Hong Kong, Singapore and the PRC.

CHAIRMAN'S STATEMENT

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

REVIEW AND PROSPECT

The Group's manufacture business remained as the core business and the only contributor of the Group's revenue in 2014. The revenue for 2014 was increased to HK$184.8 million or by 11.3% as compared to HK$166 million in 2013 as some economies had shown improved consumer confidence and demand. On the other hand, despite a higher labor cost, gross profit margin had also increased slightly from 24.3% in 2013 to 25.6% in 2014, mainly due to stable raw material prices and improving production efficiency. As the combined effect of overall sales improvement and improved profit margin, the Group's manufacturing business recorded a segmental profit of HK$8.2 million in 2014 as compared to HK$2.5 million in 2013.

Although export sentiment improved across the major markets in 2014, we are still pessimistic about sales growth in 2015 as deflationary pressure and faltering growth in the developed countries remain as potential threats. Moreover, we have continued to live with a challenging production environment in the Pearl River Delta, in particular to the rising labor costs. Therefore expanding automatic production and improving product design will remain as the strategic focus for our manufacturing business.

As mentioned in our circular dated 8 December 2014, given that an unfavorable coal market environment continued in 2014 and the difficulty experienced by the Group in negotiation of the land use right, the Group was cautioned in assessing whether commencing coal development and production for the PT Bara Mine will be economical to the Group and will enable best use of the Group's resources. As such, no exploration activity, development activity and mining activity was carried out by the Group in 2014. In addition, mainly due to the decrease of prevailing coal price in 2014, we had recognized an impairment loss of HK$44.7 million for the exploration and exploitation rights being the carrying amount of the PT Bara Mine that exceeded its recoverable amount as at 31 December 2014. We will inform the shareholders of the Company of any further development in the PT Bara Mine project as and when appropriate.

The Company carried out three fund raising activities in 2014 and had substantially improved the Group's liquidity and financial position. Looking ahead, the Group will continue to seek growth opportunities both within our existing business and in new business areas where we can broaden and improve our profitability in the future.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our utmost appreciation of the continuing supports of our shareholders, business partners and parties from various fields, and also of the contribution and dedication of our management and dedicated staff in previous year.

Tam Lup Wai, Franky
Chairman and Executive Director
26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Results for the year

Revenue of the Group for the year ended 31 December 2014 amounted to HK$184.8 million, which represented an increase of 11.3% as compared to HK$166 million in 2013.

The consolidated loss of the Group for the year ended 31 December 2014 amounted to HK$19.9 million. This represented a decrease of approximately HK$88.3 million or 81.6% as compared to the loss of HK$108.2 million in 2013.

Following is a review of the principal activities of the Group engaged in 2014.

Manufacturing and sales of healthcare and household products

The manufacture and sales of healthcare and household products continue to remain as the Group's core business and the only contributor of the Group's revenue in 2014.

As mentioned in our Interim Report 2014, the revenue has increased by 10% in the first half of 2014 mainly when compared to the revenue in the corresponding period in 2013. Such trend continued in the second half of 2014 and revenue for 2014 was increased to HK$184.8 million or by 11.3% as compared to HK$166 million in 2013. The increase reflected the net combined effect of sales volume changes in different geographical locations of customers with an especially good performance of customers from United States of America.

Despite a higher labor cost, gross profit margin increased slightly form 24.3% in 2013 to 25.6% in 2014 mainly due to stable raw material prices and improving production efficiency. Gross profit increased by HK$7 million to HK$47.3 million in 2014 as compared to HK$40.3 million in 2013. The increase in gross profit was mainly attributable to effect of increase in revenue and gross profit margin of the Group's manufacturing business.

Overall, the Group's manufacturing business recorded a segmental profit of HK$8.2 million in 2014 as compared to HK$2.5 million in 2013 which reflected the combined effect of overall sales improvement, stable raw material prices and improving production efficiency.

Although export sentiment improved across all the major markets, we are still pessimistic about sales growth in 2015 as deflationary pressure and faltering growth in the developed countries remain as potential threats to our outlook. On the operational side, we have continued to live with a challenging production environment in the Pearl River Delta, which include rising labor costs. Authorities in Guangdong Province have already announced to raise the minimum wage by an average 19 percent from May 2015. Therefore expanding automatic production and improving product design will remain as our strategic focus.

MANAGEMENT DISCUSSION AND ANALYSIS

Coal mining

As the Group had not yet started any mining production at the Group's coal mine project in Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), no revenue was recognized from the coal mining business in 2014.

The Group had negotiated with the local landowners and villagers for land use and one-third of them had given verbal acceptance while the others had either rejected the Group's offer or taken a wait-and-see attitude. No significant progress had been made in the land use negotiation in 2013 and 2014.

As mentioned in our circular dated 8 December 2014, given that an unfavorable coal market environment continued from 2013 to 2014 and the difficulty experienced by the Group in negotiating with the local landowners and villagers for land use, the Group was cautioned in assessing whether commencing coal development and production for the PT Bara Mine will be economical to the Group and will enable best use of the Group's resources. As such, no exploration activity, development activity and mining activity was carried out by the Group in 2013 and 2014. In addition, there were no contracts or commitments entered into for arrangement of infrastructure building, mining subcontracting and equipment purchasing in 2013 and 2014.

No capital expenditure was incurred on mining infrastructure as there was no development activity during 2014. Operating expenses related to the Group's mining business charged to statement of profit or loss and other comprehensive income were mainly administrative expenses and amounted approximately HK$2.1 million in 2014 as compared to HK$7 million in 2013.

The coal resource estimates as at 31 December 2014 were as follows:

	Coal Resource Estimate (in thousand tonnes)			
JORC Category	**As at 31 December 2013**	**As at 31 December 2014**	**Change in %**	**Reason of change**
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,097	6,097	Nil	N/A
Total	26,339	26,339		

MANAGEMENT DISCUSSION AND ANALYSIS

The above coal resources estimates of the PT Bara Mine as at 31 December 2014 were the same as they were previously disclosed in the report dated 2 June 2011 (the "2011 Report") prepared by Roma Oil and Mining Associates Limited ("Roma") under the JORC Code because there was no material change to the project since then. In March 2015, the local management team of the PT Bara Mine had conducted an internal review on the coal resources estimates of the PT Bara Mine and concluded the same.

The Company had engaged a third party valuer, Greater China Appraisal Limited ("GCA") to assist the management to determine the fair value (the "Valuation 2014") and the impairment, if any, of the PT Bara Mine for the year ended 31 December 2014. The Valuation 2014 was prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council and on a going concern basis.

After considering the three different approaches of valuation of asset, namely the cost approach, the market approach and the income approach, GCA had selected to use the Comparable Transaction Method under the market approach in the Valuation 2014 as:

(i) There are a number of transactions related to similar Kalimantan coal mines in the public domain;

(ii) It provides additional information to the investors about the value of the mineral asset when comparing with other actual market transactions;

(iii) This method is commonly used in the industry to value coal deposits and companies; and

(iv) Fewer assumptions on the operation and circumstance of the mineral assets in comparison are made and relied on.

The same methodology and method was selected and used in the 2013's valuation.

An underlying assumption when using the Comparable Transaction Method is that the terms negotiated and agreed are linked to the coal price at the time of the transaction. Therefore, to compare any project transaction to the Mineral Asset as at the valuation date, it is necessary to establish what the likely transaction value would have been if it had occurred at that date. GCA has done this by adjusting the actual transaction parameters at the date of the transaction to the change in coal prices by multiplying the acquisition parameters by the following 'normalising' factor:

MANAGEMENT DISCUSSION AND ANALYSIS

US$64.65/tonne (as at 31 December 2014) (US$80.31/tonne as at 31 December 2013) divided by the US$ coal price at the date of the transaction of the comparable project

The comparable transactions involving coal projects in Indonesia in the last 5 years are set forth in the table below:

Table 1 – Details of Comparable Transactions

	Completion Date	Target Name	Acquirer Name	Location	Percentage *(%)*	Reserves *(Mt)*	Consideration *(US$ million)*
1	03 Nov 2009	Fajar Bumi Sakti PT	Bumi Resources	East Kalimantan	77%	142.50	226.48
2	27 Jun 2010	Maruwai Coal Project	Adaro Energy	East and Central Kalimantan	25%	967.50	335.00
3	19 Jul 2012	Ganda Alam Makmur PT	LG International Corp	Kalimantan	60%	275.00	212.57
4	28 Feb 2013	Binamitra Sumberarta coal mine	Altura Mining Limited	East Kalimantan	33%	37.94	25.00

Source: Bloomberg

MANAGEMENT DISCUSSION AND ANALYSIS

The relevant coal prices used for the comparable transactions are shown in table below:

Table 2 – Coal Prices Utilised in GCA's Comparable Valuation

Completion Date	Event	Coal Price* (US$/t)	Adjusted Consideration (US$/t)
31 Dec 2014	GCA Effective Valuation Date for the Mineral Asset	64.65	n/a
03 Nov 2009	Bumi Resources purchases Fajar Bumi Sakti PT	68.99	1.93
27 Jun 2010	Adaro Energy purchases Maruwai Coal Project	97.22	0.92
19 Jul 2012	LG International Corp purchases Ganda Alam Makmur PT	81.69	1.02
28 Feb 2013	Altura Mining Limited purchases Binamitra Sumberarta coal mine	88.35	1.45

* Proxy using Harga Batubara Acuan (HBA), which is a thermal coal international price reference published by Indonesia's Ministry of Energy and Mines calculated using monthly price average based 25% on Platts Kalimantan 1 (5,900 kcal/kg GAR) assessment; 25% on the Argus-Indonesia Coal Index 1 (6,500 kcal/kg GAR); 25% on the Newcastle Export Index -- formerly the Barlow-Jonker index (6,322 kcal/kg GAR) of Energy Publishing; and 25% on the globalCOAL Newcastle (6,000 kcal/kg NAR) index.

To utilize the comparable transactions above in valuing the Mineral Asset, the in-ground coal endowment of the PT Bara Mine is established as follows:

Table 3 – Attributable Coal Resources of Mineral Asset

Resources Category	Coal Resources Tonnage (Million Tonne)	GCA Factor	GCA Factorised Tonnes (Million Tonne)
Measured	8.70	100%	8.70
Indicated	11.50	100%	11.50
Inferred	6.10	0%	–
Total	26.30		20.20

MANAGEMENT DISCUSSION AND ANALYSIS

Consequently using an attributable coal endowment for the Mineral Asset of 20 million tonnes (rounded) (2013: 20 million tonnes) and the average adjusted consideration of the comparable transaction US$/tonne range indicated from Table 2, GCA come up with a range of HK$142.84 million to HK$299.99 million and average of HK$208.51 million (2013: HK$179.2 million to HK$376.3 million and average of HK$251.3 million). (Exchange rate used: 2014 – US$1 = HK$7.7570, 2013 – US$1 = HK$7.7540).

The following table summarized the effect of changes in assumptions/parameters and reconciled the fair value change in 2014:

Table 4 – Reconciliation of fair value change

Item	2013	2014	Effect on Fair Value	Fair Value *(HKD million)*
As at 31 Dec 2013				251.03
Change in prevailing coal price (US$/tonne)	80.31	64.65	Decrease	(50.80)
Market Transaction Update	1.29	1.33	Increase	6.07
Change in exchange rate (US$: HK$)	7.754	7.757	Increase	0.08
As at 31 Dec 2014				206.38

Accordingly, an impairment loss of HK$44.7 million was recognized for the year ended 31 December 2014 (2013: HK$29 million) being the carrying amount of the PT Bara Mine that exceeded its recoverable amount.

2015 set to be another tough year for coal as oversupply and weaker Chinese import demand, with the supply overhang predicted to continue. However coal price should improve with an expected rise in demand from emerging markets such as India and Vietnam and coal in Indonesia is competitively priced to these markets due to the low-cost extraction.

As at the date of this report, no substantial development has been made since the end of 2014. The Company will inform the shareholders of the Company of any further development in the PT Bara Mine project as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Others

Other income increased by HK$11.6 million to HK$13.6 million was mainly attributable to written back of trade and other payables and unsecured loan with accrued interest.

A fair value gain of HK$45.6 million on derivative components of convertible bonds of the Company was recorded in 2014 while a loss of HK$21.7 million was recorded in 2013. The gain in 2014 was mainly the net effect of a fair value gain of HK$90.7 million recorded upon the conversion of the Company's Series A convertible bonds and a fair value loss of HK$45.1 million recorded upon the redemption of the Company's Series B convertible bonds. A loss of HK$8.4 million was also recorded in 2014 upon the redemption of the Company's Series B convertible bonds.

Finance costs decreased by HK$21.9 million to HK$6.3 million (2013: HK$28.2 million) mainly due to the decrease of effective interest expenses on liability component of convertible bonds upon the conversion of the Company's Series A convertible bonds and the redemption of the Company's Series B convertible bonds.

THE GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 31 December 2014, the Group had cash and bank deposits of HK$31.3 million (2013: HK$13.4 million) with foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$4.8 million (2013: HK$7.9 million).

Current ratio

As at 31 December 2014, the Group had net current assets of HK$1.2 million (2013 net current liabilities of HK$206.2 million) and current ratio (being current assets over current liabilities) of 1.01 (2013: 0.36).

Debts and borrowings

As at 31 December 2014, the Group had total debts and borrowings of HK$15.3 million (2013: HK$479.8 million) including unsecured loan form financial institute and secured bank loan and factoring loan of HK$14.8 million in total (2013: HK$17.3 million). 2013 amount also included unsecured other loans of HK$6.5 million and convertible bonds of HK$456 million. The unsecured other loans were written back and the convertible bonds were fully converted and redeemed during the year ended 31 December 2014.

Gearing ratio

The Group's gearing ratio being total debt over total equity is 0.06 (2013: N/A as the Group had a net deficiency in equity).

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Fluctuation in Exchange Rates, Interest Rates and Related Hedges

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 management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

The interest rates profile of the Group's borrowings comprises a mixture of fixed and floating rates. The Group does not hedge against interest rates risk as the management does not foresee the impact of any fluctuation in interest rates to be material to the Group. At 31 December 2014, as the Group has mininal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

Fund Raising Activities

The Company had carried out the following fund raising activities during the year under review:

(i) On 27 March 2014, the Company entered into a placing agreement with a placing agent in respect of the placement of 36,575,414 ordinary shares of HK$0.001 each to independent investors at a price of HK$0.235 per share. The placement was completed on 15 April 2014 and its net proceeds of approximately HK$8.1 million was used, as intended, for general working capital of the Group.

(ii) On 14 August 2014, the Company entered into an underwriting agreement with an underwriter in respect of the rights issue of 524,096,944 ordinary shares of HK$0.01 each to the qualifying shareholders at a price of HK$0.5 per share on the basis of sixteen rights shares for every ordinary share held on the record date. The rights issue was completed on 29 August 2014, and the net proceeds of approximately HK$252 million was used, as intended, for payment of the accrued interest and repayment of the principal amount of the Company's Series B convertible bonds.

(iii) On 24 September 2014, the Company entered into a placing agreement with a placing agent in respect of the placement of 111,370,600 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.46 per share. The placement was completed on 8 October 2014. HK$29.3 million of the net proceeds of approximately HK$49.3 million was used, as intended, for repayment of the outstanding indebtedness and general working capital of the Group whereas HK$20 million of the net proceeds was used for payment of the refundable earnest money as mentioned in the Company's MOU Announcement dated 2 February 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposal of Subsidiaries
The Group had neither any material acquisition nor disposal in 2014.

Material Contingent Liabilities
The Group is not aware of any material contingent liabilities as at 31 December 2014.

Employees and Remuneration Policy
As at 31 December 2014, the Group had 28 employees (2013: 26) in Hong Kong, 808 employees (2013: 676) in PRC and 2 employees (2013: 15) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

The Company has an option scheme which was approved in a shareholders' special general meeting on 3 March 2010 (the "Share Option Scheme 2010"). Under the Share Option Scheme 2010, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of the Share Option Scheme 2010 were set out in the Company's circular on 11 February 2010. No share options were granted or exercised under the Share Option Scheme 2010 during the year under review.

The valid and effective period of the Share Option Scheme 2010 was expired on 2 March 2015.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The board of directors of the Company (the "Board") commits to maintain and ensure high standards of corporate governance and has adopted the provisions contained in the Code on Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2014 except for the deviations as disclosed in this report. This report also outlines the main corporate governance processes and practices adopted by the Company with specific reference to the provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Company is led and controlled through the Board. Apart from its statutory responsibilities, the Board sets the Group's overall business and financial strategies as well as setting policies on various matters including major investments, key operational targets and financial control.

Following is the list of Directors during the year under review:

Executive Directors

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Au Yeung Yiu Chung (appointed on 11 June 2014)
Mr. Chan Tat Ming, Thomas (appointed on 7 March 2014)
Mr. Jiang Chunming (resigned on 18 March 2014)
Madam Lu Mujuan (resigned on 21 February 2014)
Mr. Luo Xiaohong
Mr. Wan Shouquan (resigned on 21 February 2014)

Independent Non-executive Directors ("INEDs")

Mr. Hau Chi Kit (appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen

CORPORATE GOVERNANCE REPORT

All INEDs have confirmed in writing to the Company that they meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

During the year ended 31 December 2014, the Company has complied with all provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the following:

(i) Provision A.4.1 stipulates that INEDs should be appointed for a specific term and subject to re-election. During the year under reviewed, all INEDs of the Company were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As all Directors' appointment will be reviewed when they are due for reelection thus the Company is of the view that this meets the same objectives of the said code provision.

BOARD DIVERSITY

The Board has a policy concerning diversity of board members. Appointment of board members are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity of the Board, including but not limited to gender, age, cultural and educational background, professional qualification and experience, skills, knowledge and length of service.

The profiles of the Directors' qualifications and experience are set out on pages 3 to 6 of this annual report. The Board is of the view that it collectively has adequate knowledge and expertise relevant to the Group's principal activities as well as development strategies.

DIRECTORS' TRAINING

Newly appointed Directors will be provided with necessary induction and information to ensure he has a proper understanding of the Group's operations and businesses as well as his responsibilities under the Listing Rules and the other applicable regulatory requirements.

The Company also provides Directors with updates on changes regarding the Listing Rules and other applicable regulatory requirements from time to time so as to ensure compliance and enhance their awareness of good corporate governance practices. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company had arranged Directors to attend seminars/trainings on relevant industrial development, regulatory updates or directors' duties organized by professional bodies or private organizations and Directors had provided records of training they received during the year to the Company.

CORPORATE GOVERNANCE REPORT

Participation of Directors in continuous professional developments during the year was as follows:

	Type of continuous professional development	
	Attending seminars/trainings on relevant industrial development, regulatory updates or directors' duties	Reading regulatory updates or information relevant to directors' duties
Executive Directors		
Mr. Tam Lup Wai, Franky	✓	✓
Mr. Liu Liyang	✓	✓
Mr. Au Yeung Yiu Chung	✓	✓
Mr. Chan Tat Ming, Thomas	✓	✓
Mr. Jiang Chunming *(Note 1)*	N/A	N/A
Madam Lu Mujuan *(Note 2)*	N/A	N/A
Mr. Luo Xiaohong	–	✓
Mr. Wan Shouquan *(Note 2)*	N/A	N/A
Independent Non-executive Directors		
Mr. Hau Chi Kit	✓	✓
Mr. Lam Bing Kwan	✓	✓
Mr. Leung Chi Hung	✓	✓
Mr. Li Hon Kuen	✓	✓

Notes:

1 Mr. Jiang was resigned on 18 March 2014

2 Madam Lu and Mr. Wan were resigned on 21 February 2014

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company's Audit Committee was established in December 1999. Following were the members during 2014:

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit (appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Leung Chi Hung

The Audit Committee has adopted terms of reference which are in line with the Code. The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, re-appointment or removal of the external auditor.

During the year ended 31 December 2014, the Audit Committee had reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the audited financial statements and unaudited interim financial statements. The Audit Committee had also reviewed the resources, qualifications and experience of staffs of the Group's accounting and financial reporting function, and their training and budget, and was satisfied with their adequacy. Moreover, the Audit Committee had made recommendation to the Board regarding the appointment of ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") to fill the casual vacancy following the resignation of RSM Nelson Wheeler ("RSM") as the auditor of the Group on 3 December 2014.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. Following were the members during 2014:

Mr. Lam Bing Kwan *(Chairman)*
Mr. Hau Chi Kit (appointed on 7 March 2014)
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky

The Remuneration Committee has adopted terms of reference which are in line with the Code to make recommendations to the Board to determine the remuneration of Directors and senior management. During 2014, the Committee had assessed the performance of the executive directors and senior management and considered their remuneration by reference to their experiences and remuneration paid by comparable companies. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 13 to the financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company's Nomination Committee was established on 29 March 2012. Following were the members during 2014:

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Hau Chi Kit (appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang

The Nomination Committee has adopted terms of reference which are in line with the Code. The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

During the year ended 31 December 2014, the Committee had reviewed the structure, size and composition of the Board. The Committee had also made recommendation to the Board regarding the appointment of Mr. Au Yeung Yiu Chung, Mr. Chan Tat Ming, Thomas and Mr. Hau Chi Kit. No actual meeting was held by the Nomination Committee during the year but members meet and communicate as and when required.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of 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 applicable to employees and directors; and

(e) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

BOARD, AUDIT COMMITTEE AND REMUNERATION COMMITTEE MEETING

The total number of the meetings and the individual attendance of each Director during the year ended 31 December 2014 were as follows:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee *(Note 1)*	Annual General Meeting	Special General Meeting
Executive Directors						
Mr. Tam Lup Wai, Franky (Chairman of the Board)	5/5	N/A	1/1	–	1/1	3/3
Mr. Liu Liyang (CEO and Deputy Chairman of the Board)	5/5	N/A	1/1	–	1/1	3/3
Mr. Au Yeung Yiu Chung *(Note 2)*	2/3	N/A	N/A	N/A	0/0	3/3
Mr. Chan Tat Ming, Thomas *(Note 3)*	5/5	N/A	N/A	N/A	1/1	3/3
Mr. Jiang Chunming *(Note 4)*	0/0	N/A	N/A	N/A	0/0	0/0
Madam Lu Mujuan *(Note 5)*	0/0	N/A	N/A	N/A	0/0	0/0
Mr. Luo Xiaohong	4/5	N/A	N/A	N/A	0/1	0/3
Mr. Wan Shouquan *(Note 5)*	0/0	N/A	N/A	N/A	0/0	0/0
Independent Non-executive Directors						
Mr. Hau Chi Kit *(Note 3)*	5/5	2/2	1/1	–	0/1	1/3
Mr. Lam Bing Kwan	5/5	2/2	1/1	–	1/1	3/3
Mr. Leung Chi Hung	5/5	2/2	1/1	–	1/1	3/3
Mr. Li Hon Kuen	5/5	2/2	1/1	–	1/1	3/3

Notes:

1 No meeting was held by the nomination committee during the year.

2 Mr. Au Yeung Yiu Chung was appointed on 11 June 2014.

3 Mr. Chan and Mr. Hau were appointed on 7 March 2014.

4 Mr. Jiang was resigned on 18 March 2014.

5 Madam Lu and Mr. Wan were resigned on 21 February 2014.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparing of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results, and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates on a going concern basis.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of ZHONGHUI ANDA regarding their report responsibilities is set out in the Independent Auditor's Report on pages 32 to 33 of this annual report.

The service fees incurred/paid by the Group in 2014 and 2013 to ZHONGHUI ANDA and RSM Nelson Wheeler were as follows:

	2014		2013	
	ZHONGHUI ANDA	**RSM Nelson Wheeler**	ZHONGHUI ANDA	RSM Nelson Wheeler
Audit service	**HK$600,000**	**–**	–	HK$750,000
Non-audit service	**–**	**HK$216,500**	–	HK$8,000

INTERNAL CONTROLS

The Board has the overall responsibilities for the Group's internal control system and has adopted a set of internal controls, which facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with relevant laws and regulations. The system is designed to minimize risks of failure to achieve corporate objectives.

The Company had reviewed the effectiveness of the Group's certain internal control system in 2014 and had reported the results to the Audit Committee.

COMPANY SECRETARY

Mr. Chan Tsz Leung has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful channel for shareholders to communicate with the Board. All shareholders have at least 20 clear business days' notice of annual general meeting at which Directors are available to answer questions on the Company's affair. Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual Director. Pursuant to Rule 13.39 of the Listing Rule, any votes of the shareholders at a general meeting must be taken by poll.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of the written 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. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office and principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, their contact details and the proposal regarding any specified transaction/business and its supporting documents. The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures as set out in the above "Convening of extraordinary general meeting by Shareholders".

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office and principal place of business in Hong Kong at Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 39 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2014 are set out in note 9 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during 2014 is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	44%	N/A
Five largest customers in aggregate	84%	N/A
The largest supplier	N/A	9%
Five largest suppliers in aggregate	N/A	32%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interesting in these major customers and suppliers.

FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2014 and the state of the Group's affairs as at that date are set out in the financial statements on pages 34 to 103.

The Directors do not recommend or declare the payment of any dividend in respect of the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2014 are set out in note 32 to the financial statements and the consolidated statement of changes in equity on page 38 of this annual report.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2014 are set out in note 18 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Particulars of the Company's subsidiaries, associates and joint venture are set out in notes 39, 19 and 20, respectively, to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2014 are set out in note 31 to the financial statements.

CONVERTIBLE BONDS

Details of convertible bonds in issue and their subsequent conversion and settlement are set out in note 29 to the financial statements respectively.

DIRECTORS

The Directors during the year were:

Executive Directors
Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Au Yeung Yiu Chung *(appointed on 11 June 2014)*
Mr. Chan Tat Ming, Thomas *(appointed on 7 March 2014)*
Mr. Jiang Chunming *(resigned on 18 March 2014)*
Madam Lu Mujuan *(resigned on 21 February 2014)*
Mr. Luo Xiaohong
Mr. Wan Shouquan *(resigned on 21 February 2014)*

Independent non-executive Directors
Mr. Hau Chi Kit *(appointed on 7 March 2014)*
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen

REPORT OF THE DIRECTORS

Pursuant to Bye-law 86(2), the Directors shall have the power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy on the Board or as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting (but shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at such meeting). Accordingly, Mr. Au Yeung Yiu Chung (appointed on 11 June 2014) will retire from office and being eligible, will put himself up for re-election.

Pursuant to Bye-law 87, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation. Accordingly, Mr. Lam Bing Kwan, Mr. Leung Chi Hung and Mr. Tam Lup Wai, Franky will retire from office by rotation and being eligible, will put themselves up for re-election.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

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

As at 31 December 2014, none of the Directors nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained 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 for Securities Transactions by Directors of Listed Companies.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company has an option scheme which was approved in a shareholders' special general meeting on 3 March 2010 (the "Share Option Scheme 2010"). Under the Share Option Scheme 2010, the Company may offer to any persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Details of the Share Option Scheme 2010 were set out in the Company's circular on 11 February 2010. No share options were granted or exercised during the year under the Share Option Scheme 2010. The valid and effective period of Share Option Scheme 2010 was expired on 2 March 2015.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouses or children aged below 18 had any right to subscribe for equity or debt securities of the Company or had exercised any such right during the year under review.

DIRECTORS' EMOLUMENTS

Particulars of the Directors' emoluments disclosed pursuant to section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 13 to the financial statements.

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

As at 31 December 2013, the Company according to the records required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN CONTRACT

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

DISTRIBUTABLE RESERVES

The Company's share premium account, with a balance of HK$1,983,606,000 as at 31 December 2014, may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares.

The Company's contributed surplus account, with a balance of HK$237,767,000 as at 31 December 2014, is distributable subject to satisfaction of certain solvency requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-law of the Company.

Save as disclosed above, the Company had no reserves available for distribution to shareholders of the Company, as computed in accordance with the Companies Act 1981 of Bermuda.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

There were no material transactions that need to be disclosed as connected transactions in accordance with the requirement of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

To facilitate the Share Consolidation of the Company which effected on 29 July 2014, the Company had repurchased and cancelled three (3) shares of the Company on 29 May 2014 and 5 June 2014, respectively.

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

LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Particulars of loans from banks and other financial institutions of the Group as at 31 December 2014 are set out in note 25 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104 of this annual report.

PENSION SCHEME

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5%-10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 and HK$30,000 from June 2014. Mandatory contributions to the scheme vest immediately.

REPORT OF THE DIRECTORS

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans("Plans") organized by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

Details of the pension scheme contributions of the employees, net of forfeited contributions, which have been dealt with in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, are set out in note 30 to the financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code except for the deviations disclosed in the "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 28 December 1999 with written terms of reference. As at the date of this annual report, the Audit Committee comprising four independent non-executive Directors, namely Mr. Li Hon Kuen (Chairman of the Audit Committee), Mr. Hau Chi Kit, Mr. Lam Bing Kwan and Mr. Leung Chi Hung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

AUDITOR

ZHONGHUI ANDA was appointed as the auditor of the Group upon the conclusion of the special general meeting of the Company on 23 December 2014 to fill the casual vacancy following the resignation of RSM as the auditors of the Group on 3 December 2014.

The financial statements of the Company for the year under review have been audited by ZHONGHUI ANDA, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board
Tam Lup Wai, Franky
Chairman and Executive Director

Hong Kong, 26 March 2015

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
eFORCE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of eForce Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 103, 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 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's results 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
Sze Lin Tang
Practising Certificate Number P03614
Hong Kong, 26 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	**184,750**	166,013
Cost of sales		**(137,451)**	(125,707)
Gross profit		**47,299**	40,306
Other income	8	**13,620**	2,002
Selling and distribution expenses		**(4,086)**	(3,884)
Administrative expenses		**(62,975)**	(66,610)
Loss from operations		**(6,142)**	(28,186)
Impairment loss on exploration and evaluation assets	17	**(44,651)**	(29,000)
Fair value gain/(loss) on derivative components of convertible bonds	29	**45,589**	(21,679)
Share of results of a joint venture		**407**	–
Loss on early redemption of convertible bonds	29	**(8,434)**	–
Finance costs	10	**(6,302)**	(28,203)
Loss before tax		**(19,533)**	(107,068)
Income tax expense	11	**(343)**	(1,084)
Loss for the year attributable to owners of the Company	12	**(19,876)**	(108,152)
Other comprehensive income:	16		
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(217)**	1,227
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		**617**	6,692
Total other comprehensive income for the year, net of tax		**400**	7,919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** **_HK$'000_**	2013 *HK$'000*
Total comprehensive loss for the year attributable to owners of the Company		**(19,476)**	(100,233)
Loss per share	*15*		
Basic (cents per share)		**(7.82)**	(297.34)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Exploration and evaluation assets	17	**206,380**	251,031
Property, plant and equipment	18	**61,777**	63,490
Investments in associates	19	**–**	–
Investment in a joint venture	20	**368**	(40)
		268,525	314,481
Current assets			
Inventories	21	**29,548**	28,192
Trade and other receivables	22	**42,973**	30,193
Derivative components of convertible bonds	29	**–**	45,759
Bank and cash balances	23	**31,266**	13,446
		103,787	117,590
Current liabilities			
Trade and other payables	24	**(82,441)**	(73,786)
Liability component of convertible bonds	29	**–**	(220,954)
Bank loans	25	**(14,814)**	(17,284)
Unsecured other loans	26	**–**	(6,500)
Finance lease payables	27	**(141)**	–
Current tax liabilities		**(5,211)**	(5,225)
		(102,607)	(323,749)
Net current assets/(liabilities)		**1,180**	(206,159)
Total assets less current liabilities		**269,705**	108,322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Finance lease payables	27	**(315)**	–
Deferred tax liabilities	28	**(9,428)**	(9,334)
Liability component of convertible bonds	29	**–**	(235,031)
		(9,743)	(244,365)
NET ASSETS/(LIABILITIES)		**259,962**	(136,043)
Capital and reserves			
Share capital	31	**6,682**	183
Reserves	32	**253,280**	(136,226)
TOTAL EQUITY		**259,962**	(136,043)

Approved and authorised for issue by the board of directors on 26 March 2015 and are signed on its behalf by:

Tam Lup Wai, Franky
Director

Mr. Liu Liyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital	Share premium account	Contributed surplus	Foreign currency translation reserve	Warrant reserve	Property revaluation reserve	Convertible bonds equity reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	183	1,556,959	228,413	(2,915)	24,226	20,022	17,665	(1,880,363)	(35,810)
Total comprehensive loss for the year	–	–	–	1,227	–	6,692	–	(108,152)	(100,233)
At 31 December 2013	183	1,556,959	228,413	(1,688)	24,226	26,714	17,665	(1,988,515)	(136,043)
At 1 January 2014	183	1,556,959	228,413	(1,688)	24,226	26,714	17,665	(1,988,515)	(136,043)
Total comprehensive loss for the year	–	–	–	(217)	–	617	–	(19,876)	(19,476)
Issue of shares on placements	1,150	56,267	–	–	–	–	–	–	57,417
Rights issue	5,241	246,461	–	–	–	–	–	–	251,702
Conversion on convertible bonds	108	123,919	–	–	–	–	(17,665)	–	106,362
At 31 December 2014	6,682	1,983,606	228,413	(1,905)	24,226	27,331	–	(2,008,391)	259,962

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 *HK$'000*	2013 *HK$'000*
Cash flows from operating activities		
Loss before tax	**(19,533)**	(107,068)
Adjustments for:		
Finance costs	**6,302**	28,203
Interest income	**(13)**	(27)
Depreciation	**5,830**	6,127
Fair value (gain)/loss on derivative components of convertible bonds	**(45,589)**	21,679
Impairment loss on exploration and evaluation assets	**44,651**	29,000
Loss on early redemption of convertible bonds	**8,434**	–
Net gain on disposals of property, plant and equipment	**(360)**	(78)
Written off of irrecoverable receivables	**–**	140
Written off of property, plant and equipment	**–**	350
Written back of trade and other payables	**(1,483)**	(795)
Written back of unsecured other loans	**(9,729)**	–
Share of results of a joint venture	**(407)**	–
Operating loss before working capital changes	**(11,897)**	(22,469)
Change in inventories	**(1,356)**	(10,421)
Change in trade receivables and bills receivables	**(11,368)**	(463)
Change in other receivables, deposits and prepayments	**(1,412)**	953
Change in amount due from a joint venture	**–**	8
Change in trade and bills payables	**2,205**	163
Change in other payables and accrued charges	**11,101**	8,508
Change in amounts due to directors	**61**	150
Cash used in operations	**(12,666)**	(23,571)
Interest received	**13**	27
Tax paid	**(271)**	(432)
Net cash used in operating activities	**(12,924)**	(23,976)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 *HK$'000*	2013 *HK$'000*
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,283)**	(4,129)
Proceeds from disposal of property, plant and equipment	**583**	518
Changes in pledged bank deposit	**–**	1,500
Net cash used in investing activities	**(3,700)**	(2,111)
Cash flows from financing activities		
New borrowings	**14,542**	112,920
Net decrease in factoring loans	**(1,469)**	–
Repayment of borrowings	**(14,784)**	(113,231)
Repayment of finance lease payables	**(124)**	–
Repayment of convertible bonds	**(250,000)**	–
Net proceeds from the issue of shares on placements	**57,417**	–
Net proceeds from the right issue	**251,702**	–
Interests paid	**(23,011)**	(1,229)
Net cash generated from/(used in) financing activities	**34,273**	(1,540)
Net increase/(decrease) in cash and cash equivalents	**17,649**	(27,627)
Cash and cash equivalents at beginning of year	**13,446**	40,646
Effect of changes in foreign exchange rate	**171**	427
Cash and cash equivalents at end of year	**31,266**	13,446
Analysis of cash and cash equivalents		
Bank and cash balances	**31,266**	13,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

eForce Holdings Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the financial statements.

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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); 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 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 and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative components of convertible bonds which are carried at their fair values.

The preparation of 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 financial statements, are disclosed in note 4 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

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.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Associates *(Continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group'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.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint arrangements *(Continued)*

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group'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.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Foreign currency translation

(a) *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 functional and presentation currency.

(b) *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.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Foreign currency translation *(Continued)*

(b) *Transactions and balances in each entity's financial statements (Continued)*

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *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.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

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

Land and buildings	30 years
Leasehold improvements	Over the unexpired term of the lease
Plant and machinery	5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 5 years
Moulds and tools	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less accumulated impairment losses. Exploration and evaluation assets include the cost of exploration and exploitation rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as intangible assets and property, plant and equipment.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Operating 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables

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

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

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.

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.

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 end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Convertible bonds

(i) Compound instrument

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist that of a liability and equity components. At the date of issue, the fair value of derivative components, if any, are determined using an option pricing model; and the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the derivatives and liability components, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds equity reserve subsequently. The derivative components are measured at fair value through profit or loss, and the liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

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

(ii) Combined instrument

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist that of derivatives and liability components. At the date of issue, the fair value of the derivative components are determined using an option pricing model; and these amounts are carried as derivatives until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value through profit or loss.

Transaction costs are apportioned between the derivatives and liability components of the convertible bonds based on the allocation of proceeds to the derivatives and liability components on initial recognition.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Equity instruments

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

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.

(a) Revenues from the sales of manufactured goods and trading of raw materials and moulds 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; and

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

Employee benefits

(a) 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.

(b) 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 in profit or loss represents contributions payable by the Group to the funds.

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

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

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 and associates, and its joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Related parties *(Continued)*

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) *Split of land and building elements*

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

Key sources of estimation uncertainty

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

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

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment except land and buildings. 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.

(b) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Fair value of land and buildings

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

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(f) Impairment of exploration and evaluation assets

The Group tests annually whether exploration and evaluation assets have suffered any impairment in accordance with the accounting policy stated in note 4 to the financial statements. An impairment loss is recognised when the carrying amount of exploration and evaluation assets exceeds their recoverable amount. In determining the recoverable amount, certain estimates have been involved based on the events or changes in circumstances as stated in the accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT

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

(a) 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) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables, investments, derivative financial instruments and amounts due from related companies included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over approximately 44% of the revenue for the year and shared over approximately 67% of the trade and bills receivables at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverablity of the receivables and there is no recent history of default for the customer.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) 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 analysis of the Group's financial liabilities is as follows:

	Less than 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*
At 31 December 2014		
Borrowings	**14,982**	**–**
Unsecured other loans	**–**	**–**
Trade and other payables	**82,441**	**–**
Liability component of convertible bonds	**–**	**–**
Finance lease payables	**158**	**329**
At 31 December 2013		
Borrowings	17,559	–
Unsecured other loans	6,500	–
Trade and other payables	73,786	–
Liability component of convertible bonds	230,750	255,000

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, borrowings, unsecured other loans and liability component of convertible bonds.

Unsecured other loans and liability component of convertible bonds are arranged at fixed interest rates and expose the Group to fair value interest rate risks. Other bank deposits and borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 December 2014, as the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair values

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.

(f) Categories of financial instruments at 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss		
– Held for trading	–	45,759
Loans and receivables (including cash and cash equivalents)	**74,239**	43,639
Financial liabilities		
Financial liabilities at amortised cost	**97,255**	553,555

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December 2014:

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2014
Description	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Land and buildings	–	–	54,588	54,588
Exploration and evaluation assets	–	206,380	–	206,380
Derivative components of convertible bonds	–	–	–	–
Total recurring fair value measurements	–	206,380	54,588	260,968

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2013
Description	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Land and buildings	–	–	56,272	56,272
Exploration and evaluation assets	–	251,031	–	251,031
Derivative components of convertible bonds	–	45,759	–	45,759
Total recurring fair value measurements	–	296,790	56,272	353,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. **FAIR VALUE MEASUREMENTS** *(Continued)*

(b) **Reconciliation of assets measured at fair value based on level 3:**

Description	Land and buildings 2014 HK$'000	Land and buildings 2013 HK$'000
At 1 January	**56,272**	47,722
Total gains or losses recognised in other comprehensive income	**822**	8,923
Depreciation	**(1,831)**	(1,608)
Exchange difference	**(675)**	1,235
At 31 December	**54,588**	56,272

The total gains or losses recognised in other comprehensive income are presented in property revaluation reserve in the statement of profit or loss and other comprehensive income.

(c) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2014:**

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

(i) Current cost of replacing the improvement is estimated by unit construction cost for constructing buildings with similar structure, size and location

(ii) Deduction for physical deterioration and all relevant forms of obsolescence and optimisation is estimated by calculation of depreciation based on building age of the buildings

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2014: *(Continued)*

Level 2 fair value measurements

Description	Valuation technique	Inputs	**Fair value 2014** *HK$'000*	Fair value 2013 *HK$'000*
Exploration and evaluation assets	Market comparable approach	Coal prices (US$/ton)	**206,380**	251,031

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2014 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB825/m^2	Increase	
		Current cost of replacing the improvements	RMB1,270/m^2 – RMB1,693/m^2	Decrease	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	45% – 50%	Increase	**54,588**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2014: *(Continued)*

Level 3 fair value measurements (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2013 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB800/m^2	Increase	
		Current cost of replacing the improvements	RMB1,272/m^2 – RMB1,696/m^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	43% – 48%	Decrease	56,272

There are no changes in the valuation techniques used.

7. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognised during the year represents manufacture and sale of healthcare and household products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Income from scrap sales	**475**	781
Interest income	**13**	27
Net exchange gains	**300**	–
Net gain on disposals of property, plant and equipment	**360**	78
Written back of trade and other payables	**1,483**	795
Written back of unsecured loan with accrued interest	**9,729**	–
Others	**1,260**	321
	13,620	2,002

9. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has two reportable segments: manufacturing and sales of healthcare and household products and coal mining business.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include unallocated corporate income and expenses. Segment assets do not include interest in an associate, investment in a joint venture, and other unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities:

	Coal mining business *HK$'000*	**Healthcare and household business** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2014:			
Revenue	**–**	**184,750**	**184,750**
Segment (loss)/profit	**(5,040)**	**8,246**	**3,206**
Finance costs	**5,082**	**1,220**	**6,302**
Depreciation	**155**	**5,208**	**5,363**
Income tax expense	**–**	**343**	**343**
Other material non-cash items:			
Impairment of assets	**44,651**	**–**	**44,651**
Additions to segment non-current assets	**–**	**4,283**	**4,283**
At 31 December 2014:			
Segment assets	**206,714**	**138,660**	**345,374**
Segment liabilities	**–**	**93,409**	**93,409**
Investment in a joint venture	**–**	**368**	**368**
Year ended 31 December 2013:			
Revenue	–	166,013	166,013
Segment (loss)/profit	(84,372)	2,500	(81,872)
Interest income	–	12	12
Finance costs	26,660	1,229	27,889
Depreciation	181	4,838	5,019
Income tax expense	–	1,039	1,039
Other material non-cash items:			
Impairment of assets	29,000	–	29,000
Additions to segment non-current assets	136	3,977	4,113
At 31 December 2013:			
Segment assets	297,322	128,346	425,668
Segment liabilities	455,985	83,293	539,278
Investment in a joint venture	–	(40)	(40)

9. **SEGMENT INFORMATION** *(Continued)*

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2014 *HK$'000*	2013 *HK$'000*
Revenue:		
Total revenue of reportable segments and consolidated revenue	**184,750**	166,013
Profit or loss:		
Total profit/(loss) of reportable segments	**3,206**	(81,872)
Corporate and unallocated loss	**(23,082)**	(26,280)
Consolidated loss for the year	**(19,876)**	(108,152)
Assets:		
Total assets of reportable segments	**345,374**	425,668
Corporate and unallocated assets	**26,938**	6,403
Consolidated total assets	**372,312**	432,071
Liabilities:		
Total liabilities of reportable segments	**93,409**	539,278
Corporate and unallocated liabilities	**18,941**	28,836
Consolidated total liabilities	**112,350**	568,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. SEGMENT INFORMATION *(Continued)*

Geographical information:

	2014 *HK$'000*	2013 *HK$'000*
Revenue:		
United States of America	**85,715**	58,364
The People's Republic of China (the "PRC")	**23,993**	21,407
Germany	**19,901**	20,894
France	**12,017**	13,404
Italy	**9,777**	9,005
United Kingdom	**9,676**	8,291
Japan	**4,446**	3,772
Hong Kong and others	**19,225**	30,876
	184,750	166,013

In presenting the geographical information, revenue is based on the locations of the customers. No revenue has been recorded for coal mining business for both years.

Revenue from major customers:

	2014 *HK$'000*	2013 *HK$'000*
Customer A	**81,470**	54,111
Customer B	**27,632**	36,225
Customer C	**22,305**	21,534

Revenue from above customers individually contributed more than 10% of the total consolidated revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. SEGMENT INFORMATION *(Continued)*

	2014 *HK$'000*	2013 *HK$'000*
Non-current assets:		
Indonesia	**206,414**	251,390
The PRC	**60,885**	62,669
Hong Kong and others	**1,226**	422
	268,525	314,481

10. FINANCE COSTS

	2014 *HK$'000*	2013 *HK$'000*
Effective interest expenses on liability component of convertible bonds wholly repayable within five years	**5,002**	26,660
Interests on bank loans	**1,176**	1,122
Interests on other unsecured loans	**103**	421
Finance leases charges	**21**	–
	6,302	28,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**14**	864
– Under-provision in prior years	**329**	220
	343	1,084

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (2013: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by Hong Kong Profits Tax rate is as follows:

	2014 HK$'000	2013 HK$'000
Loss before tax	**(19,533)**	(107,068)
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	**(3,223)**	(17,666)
Tax effect of non-taxable income	**(9,329)**	(14)
Tax effect of non-deductible expenses	**14,477**	18,302
Tax effect of temporary differences not recognised	**23**	3
Tax effect of utilisation of tax losses not previously recognised	**(1,632)**	(109)
Under-provision in prior years	**329**	220
Effect of different tax rates of subsidiaries	**(302)**	348
Income tax for the year	**343**	1,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss for the year is stated after charging/(crediting) the following:

	2014 *HK$'000*	2013 *HK$'000*
Auditor's remuneration	**600**	750
Cost of inventories sold#	**137,451**	125,707
Depreciation	**5,830**	6,127
Fair value (gain)/loss on derivative components of convertible bonds	**(45,589)**	21,679
Impairment loss on exploration and evaluation assets	**44,651**	29,000
Net exchange (gains)/losses	**(300)**	211
Operating lease charges in respect of land and buildings	**4,671**	6,177
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**68,979**	67,698
– Retirement benefits scheme contributions	**367**	340
	69,346	68,038
Research and development costs*	**2,948**	3,790
Written off of irrecoverable receivables	**–**	140
Written off of property, plant and equipment	**–**	350

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$34,045,000 in total (2013: approximately HK$33,222,000), which are included in the amounts disclosed separately above.

* Research and development costs include staff costs of approximately HK$2,629,000(2013: approximately HK$3,559,000) which are included in the amount disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Au Yeung Yiu Chung	*a*	–	167	–	167
Mr. Chan Tat Ming, Thomas	*b*	–	299	–	299
Mr. Jiang Chunming	*c*	–	215	–	215
Mr. Liu Liyang		–	3,000	17	3,017
Madam Lu Mujuan	*d*	–	22	–	22
Mr. Luo Xiaohong		–	227	–	227
Mr. Tam Lup Wai, Franky		–	1,423	17	1,440
Mr. Wan Shouquan	*e*	–	22	–	22
Independent Non-executive Directors					
Mr. Hau Chi Kit	*f*	98	–	–	98
Mr. Lam Bing Kwan		120	–	–	120
Mr. Leung Chi Hung		126	–	–	126
Mr. Li Hon Kuen		120	–	–	120
Total for the year ended 31 December 2014		**464**	**5,375**	**34**	**5,873**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Jiang Chunming		–	1,000	–	1,000
Mr. Liu Liyang		–	3,000	14	3,014
Madam Lu Mujuan		–	152	–	152
Mr. Luo Xiaohong		–	228	–	228
Mr. Siswo Awaliyanto	*g*	–	62	–	62
Mr. Tam Lup Wai, Franky		–	1,423	15	1,438
Mr. Wan Shouquan		–	152	–	152
Independent Non-executive Directors					
Mr. Lam Bing Kwan		120	–	–	120
Mr. Lam Ming On	*h*	70	–	–	70
Mr. Leung Chi Hung	*i*	–	–	–	–
Mr. Li Hon Kuen	*j*	54	–	–	54
Mr. Wong Man Chung, Francis	*k*	36	–	–	36
Total for the year ended 31 December 2013		280	6,017	29	6,326

Notes:

a Appointed on 11 June 2014
b Appointed on 7 March 2014
c Resigned on 18 March 2014
d Resigned on 21 February 2014
e Resigned on 21 February 2014
f Appointed on 7 March 2014
g Resigned on 18 March 2013
h Resigned on 1 August 2013
i Appointed on 13 December 2013
j Appointed on 19 July 2013
k Resigned on 19 April 2013

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals in the Group during the year included two (2013: three) directors, whose emoluments are reflected in the analysis above. The emoluments of the remaining three (2013: two) individuals are set out below:

	2014	2013
	HK$'000	*HK$'000*
Basic salaries and allowances	**2,849**	4,572
Retirement benefits scheme contributions	**50**	30
	2,899	4,602

The emoluments fell within the following bands:

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

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$19,876,000 (2013: approximately HK$108,152,000) and the weighted average number of ordinary shares of 254,046,747 (2013: 36,373,563, as adjusted to reflect the impact of share consolidation on 28 July 2014) in issue during the year.

Diluted earnings per share

No diluted loss per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the years ended 31 December 2014 and 2013.

16. OTHER COMPREHENSIVE INCOME

Items of other comprehensive income for the year with their respective related tax effects as follows:

	2014			2013		
	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000
Exchange differences on translating foreign operations	(217)	–	(217)	1,227	–	1,227
Gain on property revaluation *(note 28)*	822	(205)	617	8,923	(2,231)	6,692
Other comprehensive income	605	(205)	400	10,150	(2,231)	7,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

17. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights *(note a)* *HK$'000*	Others *(note b)* *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	444,127	17,904	462,031
Accumulated impairment			
At 1 January 2013	175,000	7,000	182,000
Impairment loss	27,800	1,200	29,000
At 31 December 2013 and 1 January 2014	202,800	8,200	211,000
Impairment loss	42,925	1,726	44,651
At 31 December 2014	**245,725**	**9,926**	**255,651**
Carrying amount			
At 31 December 2014	**198,402**	**7,978**	**206,380**
At 31 December 2013	241,327	9,704	251,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. EXPLORATION AND EVALUATION ASSETS *(Continued)*

(a) This represents exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia. Exploration and exploitation rights are granted for the period from 28 December 2009 to 23 December 2019 and can be extended for 2 times, for 10 years each. In respect of the decreasing trend of coal price and increasing capital expenditures as expected, the directors of the Company consider it is not the appropriate time to expand its coal business for the year ended 31 December 2014. Therefore, the Group's coal business remains inactive during the year.

(b) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

(c) The continuing decline in the price of coal and the delay in the commencement of operations of the coal mine indicate that the Group should test the exploration and evaluation assets for impairment.

In assessing whether impairment is required for the exploration and evaluation assets, their carrying value is compared with their recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. The Group engaged an independent valuer, Greater China Appraisal Limited, to determine the fair value of the exploration and evaluation assets. The fair value of exploration and evaluation assets was determined using the market approach as consistent with last year's. The recoverable amount used in assessing the impairment loss is the fair value less costs of disposal. The fair value was determined by reference to the average coal price of actual market transactions multiplied by coal resources of the Group.

Based on this evaluation, the carrying amount of the exploration and evaluation assets exceeded its recoverable amount at 31 December 2014. Accordingly, an impairment loss of HK$44,651,000 was recognised for the year ended 31 December 2014 (2013: HK$29,000,000).

(d) No amortisation provided as this exploration and exploitation rights are not available for use for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1 January 2013	47,722	3,415	18,591	26,119	31,958	127,805
Additions	–	99	1,396	1,634	1,000	4,129
Surplus on revaluation	7,290	–	–	–	–	7,290
Disposals	–	–	(208)	(36)	(455)	(699)
Written off	–	(461)	(589)	(718)	(1,096)	(2,864)
Exchange differences	1,260	–	603	378	508	2,749
At 31 December 2013 and 1 January 2014	56,272	3,053	19,793	27,377	31,915	138,410
Additions	–	–	1,784	1,808	691	4,283
Loss on revaluation	(1,011)	–	–	–	–	(1,011)
Disposals	–	(1,190)	(240)	(1,495)	(23)	(2,948)
Exchange differences	(673)	–	(280)	(181)	(233)	(1,367)
At 31 December 2014	**54,588**	**1,863**	**21,057**	**27,509**	**32,350**	**137,367**
Accumulated depreciation and impairment						
At 1 January 2013	–	2,950	16,628	20,906	31,391	71,875
Charge for the year	1,608	311	809	2,540	859	6,127
Write back on revaluation	(1,633)	–	–	–	–	(1,633)
Disposals	–	–	(208)	(33)	(18)	(259)
Written off	–	(323)	(585)	(534)	(1,072)	(2,514)
Exchange differences	25	–	543	291	465	1,324
At 31 December 2013 and 1 January 2014	–	2,938	17,187	23,170	31,625	74,920
Charge for the year	1,831	36	1,054	2,102	807	5,830
Write back on revaluation	(1,833)	–	–	–	–	(1,833)
Disposals	–	(1,111)	(238)	(1,370)	(6)	(2,725)
Exchange differences	2	–	(251)	(139)	(214)	(602)
At 31 December 2014	**–**	**1,863**	**17,752**	**23,763**	**32,212**	**75,590**
Carrying amounts						
At 31 December 2014	**54,588**	**–**	**3,305**	**3,746**	**138**	**61,777**
At 31 December 2013	56,272	115	2,606	4,207	290	63,490

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

The analysis of the cost or valuation at 31 December 2014 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
At cost 2014	–	1,863	21,057	27,509	32,350	82,779
At valuation 2014	54,588	–	–	–	–	54,588
	54,588	1,863	21,057	27,509	32,350	137,367

The analysis of the cost or valuation at 31 December 2013 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
At cost 2013	–	3,053	19,793	27,377	31,915	82,138
At valuation 2013	56,272	–	–	–	–	56,272
	56,272	3,053	19,793	27,377	31,915	138,410

(a) All land and buildings of the Group are outside Hong Kong under medium-term leases.

(b) The Group's land and buildings were revalued at 31 December 2014 and 2013 on the open market value basis with reference to market evidence of recent transactions for similar properties by Greater China Appraisal Limited, an independent firm of professional valuer.

The carrying amount of the Group's land and buildings would be approximately HK$16,836,000 (2013: approximately HK$18,518,000) had they been stated at cost less accumulated depreciation and impairment losses.

(c) At 31 December 2014, all land and buildings of the Group were pledged to secure banking facilities granted to the Group (note 34) and the carrying amount of motor vehicles held by the Group under finance leases amounted to HK$606,000 (note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTEREST IN ASSOCIATES

	2014 *HK$'000*	2013 *HK$'000*
Unlisted investment		
Share of net assets	–	–

Details of the Group's associates at 31 December 2014 are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of the Company's indirect ownership interest	Principal activities
Dynasty L.L.C.	United States of America	140,000 ordinary shares of US$1 each	50%	Dormant
Esterham Enterprise Inc.	British Virgin Islands ("BVI")	2 ordinary shares of US$1 each	50%	Dormant

The Group's share of net assets and results for the year are immaterial to the Group.

20. INVESTMENT IN A JOINT VENTURE

	2014 *HK$'000*	2013 *HK$'000*
Unlisted investments		
– Share of net assets/(liabilities)	**368**	(40)
	368	(40)

20. INVESTMENT IN A JOINT VENTURE *(Continued)*

Details of the Group's joint venture at 31 December 2014 are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of the ownership interest/voting power/profit sharing	Principal activities
Kato Fairform Strategic Holdings Limited ("Kato")	Hong Kong	Ordinary shares of HK$1	40%	Investment holding

Although the Group holds more than 20% of the voting power of Kato, the Group exercises joint control over Kato because the Group is entitled to appoint two directors out of four directors of Kato. The remaining two directors are appointed by another shareholder of Kato.

The following table shows, in aggregate, the Group's share of the amounts of individually immaterial joint venture that are accounted for using the equity method.

	2014 *HK$'000*	2013 *HK$'000*
At 31 December		
Carrying amounts of interest	**368**	(40)

The Group has no unrecognised loss for the year (2013: HK$ 1,000) for Kato. The accumulated losses not recognised were approximately HK$Nil (2013: approximately HK$7,000).

21. INVENTORIES

	2014 *HK$'000*	2013 *HK$'000*
Raw materials	**16,421**	15,486
Work in progress	**9,186**	9,753
Finished goods	**3,941**	2,953
	29,548	28,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. TRADE AND OTHER RECEIVABLES

	2014 *HK$'000*	2013 *HK$'000*
Trade receivables and bills receivables	**37,273**	25,905
Prepayment, deposits and other receivables	**5,572**	4,160
Amount due from associates	**21**	21
Amount due from a joint venture	**107**	107
	42,973	30,193

Trade receivables and bills receivables

The Group allows an average credit period of 30 to 120 days to its trade customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follow:

	2014 *HK$'000*	2013 *HK$'000*
0 to 30 days	**14,384**	6,875
31 to 90 days	**21,000**	16,677
91 to 180 days	**1,781**	2,142
Over 181 days	**108**	211
	37,273	25,905

As at 31 December 2014, trade receivables and bills receivables of approximately HK$ 2,169,000 (2013: approximately HK$4,504,000) are assigned to a bank for a factoring loan as set out in notes 25 and 34 to the financial statements.

Amounts due from associates and a joint venture are unsecured, interest-free and repayable on demand.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables and bills receivables *(Continued)*

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

	USD *HK$'000*	**RMB** *HK$'000*	**Total** *HK$'000*
2014	**35,303**	**1,970**	**37,273**
2013	24,722	1,183	25,905

As of 31 December 2014, trade receivables of approximately HK$8,757,000 (2013: approximately HK$8,269,000) were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default and with a good track record with the Group. The Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The aging analysis of these trade receivables is as follows:

	2014 ***HK$'000***	2013 *HK$'000*
Up to 3 months	**8,649**	8,058
More than 6 months	**108**	211
	8,757	8,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. BANK AND CASH BALANCES

As at 31 December 2014, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$4,835,000 (2013: approximately HK$7,877,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

24. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables and bills payables	**23,476**	22,754
Accruals and other payables	**58,533**	50,661
Amounts due to directors	**432**	371
	82,441	73,786

Trade payables

The aging analysis of the trade payables and bills payables, based on the date of receipt of goods, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**7,713**	6,520
31 to 90 days	**14,561**	11,783
91 to 180 days	**32**	2,589
181 to 365 days	**1,170**	1,862
	23,476	22,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. TRADE AND OTHER PAYABLES *(Continued)*

The carrying amounts of the Group's trade payables and bills payables are denominated in the following currencies:

	HKD *HK$'000*	USD *HK$'000*	RMB *HK$'000*	Total *HK$'000*
2014	**3,667**	**1,451**	**18,358**	**23,476**
2013	6,304	703	15,747	22,754

Amounts due to directors are unsecured, interest-free and repayable on demand.

25. BANK LOANS

	2014 ***HK$'000***	2013 *HK$'000*
Unsecured loan from a financial institution	**380**	380
Secured bank loan	**13,962**	14,963
Secured factoring loan	**472**	1,941
	14,814	17,284

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Analysed as:

	HKD *HK$'000*	USD *HK$'000*	RMB *HK$'000*	Total *HK$'000*
2014	**380**	**472**	**13,962**	**14,814**
2013	380	1,941	14,963	17,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

25. BANK LOANS *(Continued)*

The unsecured loan is interest bearing at 3% per annum over the prevailing prime lending rate offered by The Hong Kong and Shanghai Banking Corporation Limited and exposes the Group to cash flow interest rate risk.

The bank loan is secured by a charge over the Group's land and buildings in the PRC as set out in note 34 to the financial statements and is arranged at floating interest rate with an average rate of 5.5% (2013: 7.3%) per annum, thus exposing the Group to cash flow interest rate risk.

The factoring loan is secured by charge over the Group's certain trade and bill receivables as set out in note 22 to the financial statements and is arranged at the standard bills rate as quoted by the bank, and thus exposing the Group to cash flow interest rate risk.

26. UNSECURED OTHER LOANS

On 1 February 2000, pursuant to a placing and underwriting agreement dated 16 December 1999 entered into between the Company and independent placing agents, 4% convertible notes with an aggregate principal amount of HK$9 million were issued (the "Notes"). The Notes were convertible to ordinary shares of HK$0.05 each of the Company at any time between 1 April 2000 and 27 January 2002 and the Notes of HK$2.5 million were subsequently converted during the year 2000.

Upon maturity of the Notes, holders of the remaining Notes of HK$6.5 million had not exercised the conversion right, therefore, the directors of the Company consider that the conversion right attaching to the Notes had lapsed and recognised the outstanding Notes as unsecured other loans which became immediately due for repayment. As at 31 December 2014, the outstanding balances together with its accrued interests amounted to approximately HK$9.7 million in total. With regard to the very long outstanding nature of the Notes and the fact that the Notes holders had not requested for repayment since the maturity of the Notes, the directors of the Company, based on the legal opinion, considered it was appropriate to write back the outstanding amount of the Notes together with its accrued interest as other income in the profit or loss for the year ended 31 December 2014 (note 8).

27. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**158**	–	**141**	–
In the second to fifth years, inclusive	**329**	–	**315**	–
	487	–		–
Less: Future finance charges	**(31)**	–		
Present value of lease obligations	**456**	–	**456**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(141)**	–
Amount due for settlement after 12 months			**315**	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4 years. At 31 December 2014, the average effective borrowing rate was 3.62% (2013: Nil). Interest rates are fixed on the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All finance lease payables are denominated in Hong Kong dollars.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

28. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Revaluation of land and buildings
	HK$'000
At 1 January 2013	(6,921)
Charge to equity for the year	(2,231)
Exchange differences	(182)
At 31 December 2013 and 1 January 2014	(9,334)
Charge to equity for the year	(205)
Exchange differences	111
At 31 December 2014	**(9,428)**

At the end of the reporting period, the Group has unused tax losses of approximately HK$95,000,000 (2013: HK$105,000,000) available for offset against future profits and such losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams.

29. CONVERTIBLE BONDS

	2014	2013
	HK$'000	*HK$'000*
Derivative components of convertible bonds		
Series A convertible bonds *(note a)*	–	(636)
Series B convertible bonds *(note b)*	–	(45,123)
	–	(45,759)
Liability component of convertible bonds		
Series A convertible bonds *(note a)*	–	213,550
Series B convertible bonds *(note b)*	–	242,435
	–	455,985
The maturity of the liability component of the convertible bonds:		
Within one year	–	220,954
In the second to fifth years inclusive	–	235,031
	–	455,985

(a) Series A convertible bonds (the "SA")

On 13 July 2011, the Group issued the SA with a principal amount of HK$200,000,000. The SA had a maturity period of three years from the issue date to 12 July 2014. During the period from 13 July 2011 to 12 July 2014, the SA entitles the holder to convert the bonds into new ordinary shares of the Company at an initial conversion price, subject to adjustment of HK$0.074 per share. The conversion price was adjusted to HK$1.85 per share due to share consolidation of every 25 shares of HK$0.05 each in the share capital consolidated into 1 consolidated share of HK$1.25 each on 9 November 2011.

Any SA not converted will be redeemed on 12 July 2014 at 100% of their principal amount. Interest of 5% will be paid annually up until that settlement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. CONVERTIBLE BONDS *(Continued)*

(a) Series A convertible bonds (the "SA") *(Continued)*

The SA contains derivatives, a liability and an equity components. The equity component is presented in equity as part of the "convertible bonds equity reserve". The effective interest rate of the liability component for the SA is 6.17% per annum. The derivative components are measured at fair value with changes in fair value recognised in the profit or loss.

On 27 February 2014, the bond holders of SA had exercised the conversion right to convert the whole amount of the SA with a principal amount of HK$200,000,000 into 108,108,108 new ordinary shares of HK$0.001 each of the Company at the exercise price of HK$1.85 per share, such new shares ranking pari passu in all respects with the existing shares of the Company. The Company has engaged an independent professional valuer, Greater China Appraisal Limited, to carry out an independent valuation of the SA on the conversion date. A fair value gain of HK$90.7 million was recognized on the derivative components of the SA upon its full conversion.

The movement of the derivative, liability and equity components of SA is set out below:

	Derivative component assets *HK$'000*	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 1 January 2013	–	200,971	17,665	218,636
Fair value changes for the year	(636)	–	–	(636)
Interests charged	–	12,579	–	12,579
At 31 December 2013 and 1 January 2014	(636)	213,550	17,665	230,579
Fair value changes for the year	(90,712)	–	–	(90,712)
Interests over charged in prior years	–	(5,094)	–	(5,094)
Conversion	91,348	(197,710)	(17,665)	(124,027)
Settlement of interest	–	(10,746)	–	(10,746)
At 31 December 2014	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. CONVERTIBLE BONDS *(Continued)*

(a) Series A convertible bonds (the "SA") *(Continued)*

The derivative components are measured at their fair value at the date of issue and at the date of conversion. The fair values are estimated using Black-Scholes model with Trinomial Tree method. The key assumptions used are as follows:

	27 February 2014	31 December 2013
Stock price	**HK$0.88**	HK$0.39
Conversion price	**HK$1.85**	HK$1.85
Risk-free rate	**0.1401%**	–0.063%
Effective interest rate	**16.9417%**	21.0737%
Time to maturity	**0.37 years**	0.53 years
Volatility	**156.66%**	115.64%
Dividend yield	**0%**	0%

(b) Series B convertible bonds (the "SB")

On 13 July 2011, the Group issued the SB with a principal amount of HK$300,000,000 of which a part of the SB with a principal amount of HK$50,000,000 was redeemed by the Group on 27 July 2011. The SB had a maturity period of four years from the issue date to 12 July 2015. During the period from 13 July 2011 to 12 July 2015, the SB entitles the holder to convert the bonds into new ordinary shares of the Company at the higher of the following:

(i) the average closing price of the shares as quoted on the Stock Exchange for the last 5 trading days before the date of the conversion notice; and

(ii) the initial conversion price, subject to adjustment, of HK$0.05 per share. The conversion price was adjusted to HK$1.25 per share due to share consolidation of every 25 shares of HK$0.05 each in the share capital consolidated into 1 consolidated share of HK$1.25 each on 9 November 2011.

Any SB not converted will be redeemed on 12 July 2015 at 100% of their principal amount. Interest of 2% will be paid annually up until that settlement date.

The SB contains derivatives and a liability components. The effective interest rate of the liability components for the SB is 6.1% per annum. The derivative components are measured at fair value with changes in fair value recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. CONVERTIBLE BONDS *(Continued)*

(b) Series B convertible bonds (the "SB") *(Continued)*

On 5 September 2014, the Group redeemed the whole amount of the remaining part of the SB with a principal amount of HK$250,000,000. The Company has engaged an independent valuer, Greater China Appraisal Limited, to carry out an independent valuation of the SB on redemption date. A fair value loss of HK$45.1 million on the derivative component of the SB together with a loss on early redemption of HK$8.4 million was recorded upon the full redemption of the SB.

The movement of the derivative and liability components of SB is set out below:

	Derivative component assets HK$'000	Liability component HK$'000	Total HK$'000
At 1 January 2013	(67,438)	228,354	160,916
Fair value changes for the year	22,315	–	22,315
Interests charged	–	14,081	14,081
At 31 December 2013 and 1 January 2014	(45,123)	242,435	197,312
Fair value changes for the year	45,123	–	45,123
Interests charged	–	10,096	10,096
Loss on early redemption	–	8,434	8,434
Early redemption	–	(250,000)	(250,000)
Settlement of interest	–	(10,965)	(10,965)
At 31 December 2014	**–**	**–**	**–**

29. CONVERTIBLE BONDS *(Continued)*

(b) Series B convertible bonds (the "SB") *(Continued)*

The derivative components are measured at their fair value at the date of issue and at the date of redemption. The fair values are estimated using Black-Scholes model with Monte Carlo Simulation method. The key assumptions used are as follows:

	5 September 2014	31 December 2013
Stock price	**HK$0.47**	HK$0.39
Conversion price	**HK$12.5***	HK$1.25
Risk-free rate	**0.1168%**	0.5301%
Effective interest rate	**15.4213%**	21.5226%
Time to maturity	**0.8493 years**	1.53 years
Volatility	**124.8030%**	85.693%
Dividend yield	**0%**	0%

* Adjusted after taking into account the share consolidation of the Group on 28 July 2014 (note 31).

30. RETIREMENT BENEFIT OBLIGATIONS

Employee retirement benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% – 10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 and HK$30,000 from June 2014. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.001 each at 1 January 2013, 31 December 2013 and 1 January 2014		1,000,000,000,000	1,000,000
Share consolidation	(a)	(900,000,000,000)	–
Ordinary shares of HK$0.01 each at 31 December 2014		100,000,000,000	1,000,000

	Notes	Number of shares	Amount HK$'000
Issued and fully paid:			
Ordinary shares of HK$0.001 each at 1 January 2013, 31 December 2013 and 1 January 2014		182,877,071	183
Conversion of convertible bonds	(b)	108,108,108	108
Issue of shares on placement	(c)	36,575,414	36
Share consolidation	(a)	(294,804,534)	–
		32,756,059	327
Rights issue	(d)	524,096,944	5,241
Issue of shares on placement	(e)	111,370,600	1,114
At 31 December 2014		668,223,603	6,682

(a) Pursuant to an ordinary resolution passed on 28 July 2014, every 10 ordinary shares of HK$0.001 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK$0.01 each in the issued and unissued share capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. SHARE CAPITAL *(Continued)*

(b) On 27 February 2014, the bond holders of the SA had exercised the conversion right to convert the SA with principal amount of HK$200,000,000 into 108,108,108 new ordinary shares of HK$0.001 each of the Company at the exercise price of HK$1.85 per share, such new shares ranking pari passu in all respects with the existing shares of the Company.

(c) On 27 March 2014, the Company entered into a placing agreement with a placing agent in respect of the placement of 36,575,414 ordinary shares of HK$0.001 each to independent investors at a price of HK$0.235 per share. The placement was completed on 15 April 2014 and the premium on the issue of shares, amounting to approximately HK$8,046,000, net of share issue expenses of approximately HK$513,000, was credited to the Company's share premium account.

(d) On 14 August 2014, the Company entered into an underwriting agreement with an underwriter in respect of the right issue of 524,096,944 ordinary shares of HK$0.01 each to the qualifying shareholders at a price of HK$0.5 per share on the basis of sixteen right shares for every ordinary share held on the record date. The right issue was completed on 29 August 2014, and the premium on the issue of shares, amounting to approximately HK$246,461,000, net of share issue expenses of approximately HK$10,347,000, was credited to the Company's share premium account.

(e) On 24 September 2014, the Company entered into a placing agreement with a placing agent in respect of the placement of 111,370,600 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.46 per share. The placement was completed on 8 October 2014 and the premium on the issue of shares, amounting to approximately HK$48,221,000, net of share issue expenses of approximately HK$1,896,000, was credited to the Company's share premium account.

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

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts in order to maintain sufficiency of working capital.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. SHARE CAPITAL *(Continued)*

Significant decrease in the debt-to-adjusted capital ratio for the year ended 31 December 2014 was primarily resulted from the issue of new shares and the reduction in net debts upon the full conversion and settlement of the convertible bonds of the Group during the year as set out in note 29 to the financial statements.

32. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium	Contributed surplus	Warrant reserve	Convertible bonds equity reserves	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	1,556,959	237,767	24,226	17,665	(1,910,436)	(73,819)
Loss for the year	–	–	–	–	(107,745)	(107,745)
At 31 December 2013	1,556,959	237,767	24,226	17,665	(2,018,181)	(181,564)
At 1 January 2014	1,556,959	237,767	24,226	17,665	(2,018,181)	(181,564)
Rights issue	246,461	–	–	–	–	246,461
Issue of shares on placements	56,267	–	–	–	–	56,267
Conversion on convertible bonds	123,919	–	–	(17,665)	–	106,254
Profit for the year	–	–	–	–	(6,109)	(6,109)
At 31 December 2014	**1,983,606**	**237,767**	**24,226**	**–**	**(2,024,290)**	**221,309**

32. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premium payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 1997 and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

The contributed surplus arose in the years represented the net effect of the capital reduction of the Group.

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

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

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Warrant reserve

The warrant reserve represents the proceeds received from the issue of 370,000,000 warrants at a placing price of HK$0.07 per warrant on 27 November 2003, net of warrant issue expenses. The trading of the warrants on the Stock Exchange had ceased after 2 December 2004 and the listing of the warrants on the Stock Exchange was withdrawn from 4 December 2004. The subscription rights attaching to the 365,880,000 outstanding warrants had expired on 7 December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(iv) Foreign currency translation reserve

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

(v) Convertible bonds equity reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 3 to the financial statements.

(vi) Property revaluation reserve

Property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014	2013
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**191,351**	191,351
Current assets		
Amounts due from subsidiaries	**2,062,399**	2,047,771
Impairment loss on investments and amounts due from subsidiaries	**(2,018,779)**	(1,974,128)
Amount due from a related company	**109**	109
Derivative components of convertible bonds	**–**	45,759
Other current assets	**400**	388
Bank and cash balances	**22,431**	2,619
	66,560	122,518
Current liabilities		
Amounts due to subsidiaries	**(26,890)**	(26,890)
Liability component of convertible bonds	**–**	(455,985)
Other current liabilities	**(3,030)**	(12,375)
	(29,920)	(495,250)
Net current assets/(liabilities)	**36,640**	(372,732)
NET ASSETS/(LIABILITIES)	**227,991**	(181,381)
Capital and reserves		
Share capital	**6,682**	183
Reserves	**221,309**	(181,564)
TOTAL EQUITY	**227,991**	(181,381)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. BANKING FACILITIES

At 31 December 2014 the Group had banking facilities amounted to approximately HK$32 million (2013: approximately HK$33 million), which were secured by the followings:

(a) land and buildings of the Group (note 18);

(b) trade receivables of the Group amounted to approximately HK$2.2 million (2013: approximately HK$4.5 million) under factoring arrangement (notes 22 and 25); and

(c) guarantee for an unlimited amount duly executed by the Company.

At 31 December 2014, the Group had available approximately HK$17 million (2013: approximately HK$16 million) undrawn borrowing facilities.

35. CONTINGENT LIABILITIES

At the end of the reporting period, the Company has issued a financial guarantee to a bank in respect of a banking facility granted to a wholly-owned subsidiary of the Company as set out in note 34 to the financial statements. Apart from the foresaid, the Group and the Company did not have any significant contingent liabilities (2013: Nil).

36. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of certain office premises are analysed as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**4,428**	5,953
In the second to fifth year inclusive	**3,690**	2,778
After five years	**–**	7,889
	8,118	16,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2014 *HK$'000*	2013 *HK$'000*
Contracted but not provided for:		
Quality guarantee deposit	**17,500**	17,500
Interest-free loan to a joint venture	**4,000**	4,000
	21,500	21,500

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had no other transactions and balances with its related parties during the year.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up registered capital	Percentage of the ownership interest/voting power		Principal activities
			Direct	Indirect	
Dongguan Weihang Electrical Product Company Limited	The PRC	Registered capital US$9,000,000	–	100%	Manufacturing and trading of healthcare and household products
eForce Management Limited	Hong Kong	Ordinary shares of HK$2	100%	–	Provision of management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Name	Place of incorporation/ registration	Issued/ paid-uptered registered capital	Percentage of the ownership interest/voting power Direct	Indirect	Principal activities
Fairform Group Limited	BVI	15,700,200 shares of US$1 each	100%	–	Investment holding
Fairform Manufacturing Company Limited	Hong Kong	Ordinary shares of HK$138,750,000 and non-voting deferred shares of HK$250,000	–	100%	Manufacturing and trading of healthcare and household products
Fastport Investments Holdings Limited	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding
Gainford Internationals Inc.	BVI	50 shares of US$1 each	–	100%	Investment holding
Oasis Global Limited	BVI	10 shares of US$1 each	–	100%	Trademark holding
PT Bara Utama Persada Raya	Republic of Indonesia	4,999 shares of IDR100,000 each	–	99.98%	Own a coal mining concession
PT Karya Dasar Bumi	Republic of Indonesia	1,000 shares of IDR1,000,000 each	–	100%	Investment holding
Smart Guard Limited	BVI	1 share of US$1	–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

40. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 February 2015, the Company entered into a memorandum of understanding (the "MOU") with independent third parties (the "vendors") in relation to the proposal acquisition of the entire equity interest in a target company. The target company and its subsidiaries (collectively refer to as the "target group") are principally engaged in the production and sales of micro-organism fertilizers in the PRC.

According to the MOU, a refundable earnest money of HK$30 million has been paid to the vendors in return for the vendors granting an exclusive period of 12 months to the Company.

(b) On 5 February 2015, the Company entered into an underwriting agreement with an underwriter in respect of the placement of 133,644,720 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.188 per share. The placement was completed on 24 February 2015. The net proceeds from the placing, after deducting the underwriting commission and other related expenses payable to the Company, is approximately HK$24.3 million.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2015.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below:

	For the twelve months ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	141,627	137,061	149,534	166,013	**184,750**
Operating loss after finance costs	(28,353)	(55,016)	(202,017)	(107,068)	**(19,940)**
Share of loss of a joint venture	–	–	–	–	**407**
Loss before tax	(28,353)	(55,016)	(202,017)	(107,068)	**(19,533)**
Income tax expense/(credit)	21	(299)	(364)	(1,084)	**(343)**
Loss for the year	(28,332)	(55,315)	(202,381)	(108,152)	**(19,876)**
Attributable to:					
Equity holders of the Company	(28,332)	(55,315)	(202,381)	(108,152)	**(19,876)**

	As at 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	224,993	691,542	493,562	432,071	**372,312**
Total liabilities	(102,422)	(527,914)	(529,372)	(568,114)	**(112,350)**
Net (liabilities)/assets	122,571	163,628	(35,810)	(136,043)	**259,962**
Attributable to:					
Equity holders of the Company	122,571	163,628	(35,810)	(136,043)	**259,962**