Tech Pro Technology Development Limited
德普科技發展有限公司

(incorporated in the Cayman Islands with limited liability)
Stock code : 03823

2014 ANNUAL REPORT

LEDUS

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商界展關懷
caringcompany 2014/15
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香港社會服務聯會頒發

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CORPORATE INFORMATION

Directors

Executive directors
Mr. Li Wing Sang *(Chairman of the board)*
Mr. Liu Xinsheng
Mr. Chiu Chi Hong

Independent non-executive directors
Mr. Tam Tak Wah
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Audit committee
Mr. Tam Tak Wah *(Chairman of the committee)*
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Remuneration committee
Mr. Tam Tak Wah *(Chairman of the committee)*
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Nomination committee
Mr. Li Wing Sang *(Chairman of the committee)*
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Authorised representatives
Mr. Liu Xinsheng
Ms. Lee On Wing

Company secretary
Ms. Lee On Wing

Auditor
Crowe Horwath (HK) CPA Limited
(resigned on 17 October 2014)
BDO Limited (appointed on 24 October 2014)

Principal banker
The Hong Kong and Shanghai Banking Corporation Limited

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

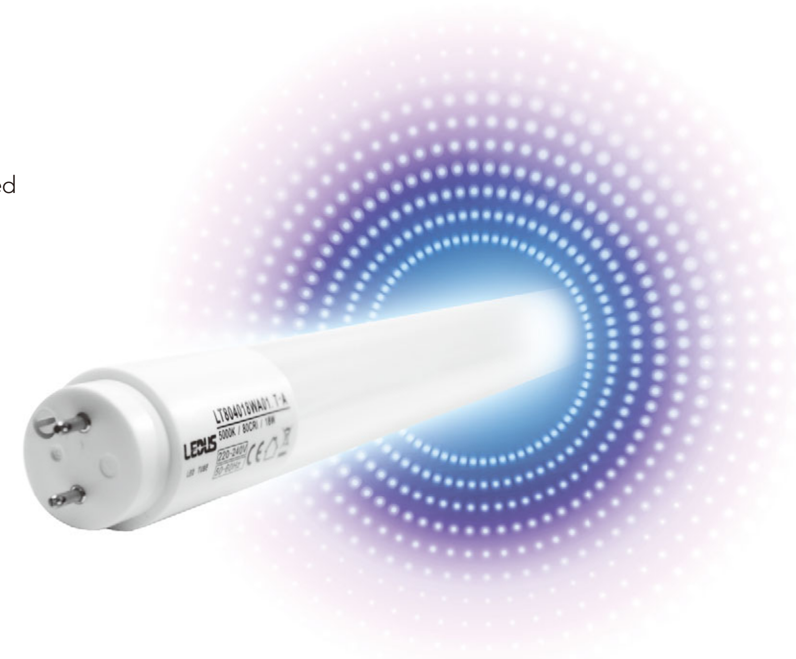
Principal share registrar and transfer office
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

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

Principal place of business
Unit 1402, 14/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Company website
http://www.techprotd.com

Stock code
03823



CORPORATE PROFILE

Tech Pro Technology Development Limited (the "Company", together with its subsidiaries collectively the "Group") (stock code: 03823) is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group is principally engaged in the manufacture and sale of LED lighting products and accessories, energy efficiency projects and provision of property sub-leasing and management services.

The Group strives to be a prevailing LED applications and solutions provider with quality management system, through our quality products, from the components to finished products and professional services, so as to provide one stop solution for green lightings. The Group owns four factories which are located in Shenzhen, Jiangxi, Xiamen of the PRC, manufacturing LED lighting parts and components of aluminum and copper based PCB, LED chips on board packaging, LED chips on board module and LED lighting assembling respectively. The Group has set up sale and marketing centers which are located in Hong Kong, Spain and Shanghai of the PRC respectively. Headquarter is situated in Hong Kong which is responsible for the strategic planning and the co-ordinations among the factories of the Group.

"LEDUS" – the self-owned brand LED lighting products of the Group are distributed throughout the world, from Asia, Europe to Africa. The brand names and trademarks of "LEDUS" and "萊德斯" have been registered in Hong Kong, Macau, Europe, Taiwan, Japan, South Africa. "LEDUS" products include indoor and outdoor lightings which range from light bulbs, light tubes, spotlights and street lamps. All "LEDUS" products are manufactured according to the prevailing LED quality management systems, such as ISO, RoHS and they are all CE certified.

"LEDUS" – Light up the world and make a better green life together.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

On behalf of Tech Pro Technology Development Limited (the "Company", together with its subsidiaries, is referred to collectively as the "Group"), I am pleased to present its annual report for the year ended 31 December 2014.

The year 2014 was challenging for the Group as the economies of the United States and Europe only managed a slow and modest recovery. Meanwhile, the growth of PRC's economy was slowing down. These developments inevitably affected the Group's performance during the year under review.

Keen competition among the LED product manufacturers of different sizes in the industry has forced them to sell their goods at competitive prices, and they have found it hard to pass on the increases in the costs of production such as labour cost, rental and utilities expenses to the customers. To overcome such difficulties, the Group endeavoured to capture more share of the markets for LED lighting, including Hong Kong and those overseas, and to reduce the costs of production by enhancing both its economies of scale and production efficiency.

In 2014, the Company kept making progress in its LED lighting businesses in Hong Kong, PRC and overseas. As the Company had ceased to operate the agency services in 2014, the turnover of the Group had reduced from approximately RMB167.2 million to approximately RMB144.3 million. To exclude the agency service income, turnover generated from the manufacture and sale of LED lighting business increased by approximately 14.5% to approximately RMB138.8 million for the year ended 2014 from approximately RMB121.2 million for the year ended 2013. With the completion of installation of LED street lights of the energy efficiency projects in Spain, the revenue generated from energy efficiency projects had increased by approximately 161.9% to approximately RMB5.5 million. The consolidated loss before income tax of the Group had slightly increased to approximately RMB267.1 million for the year ended 2014 from approximately RMB255.6 million for the year ended 2013.

CHAIRMAN'S STATEMENT

The Group always aims to build up its own brand "LEDUS" as an international brand. In order to differentiate "LEDUS" from our competitors and foster the brand loyalty, the Company had invited Ms. Bibi Mariam Maria Cordero to be the spokesperson for the Group's own lighting brand products "LEDUS". Ms. Maria Cordero will participate in the production of the television commercials and print advertising and to attend promotional activities arranged by LEDUS, including but not limited to the promotional and charity sales functions. In 2014, Ms. Maria Cordero had participated in the production of the television commercials and is broadcasting in the major televisions channels. Printed posters have been posted on the taxi bodies, various lighting fairs and mass media with Ms. Maria Cordero's pictures. The Group believes that it will promote the image and recognition of the brand "LEDUS", and enhance the sales of the "LEDUS" brand LED lighting products.

In addition to the marketing efforts, the Group always strives to improve its technology in order to advance the quality and competitiveness of the products. In 2014, the Group developed its own brand "Magic Bulb" which is a rechargeable light bulb and can change to different colors. "Magic Bulb" has awarded various international prizes in the lighting fairs and competitions. The Group also keeps on developing IC (integrated circuit) LED lighting products in which traditional power supply is replaced by a durable, more energy saving IC chip. The IC technology is widely adopted in various "LEDUS" LED lighting products such as light bulb, light tube and down light respectively.

In 2014, "LEDUS" had participated various international lighting fairs such as in Germany, Spain, the United Kingdom, Hong Kong and Macau. In the lighting fairs, the Group exhibited its new LED lighting products, and also introduced the energy efficiency projects in Spain with LED street lights to our target customers.

"LEDUS" also supported the local energy saving events. In 2014, the Group had sponsored a campaign for carbon reduction in Hong Kong to renovate the traditional light tubes with LED light tubes. The Group believed that the sponsorship would enhance the public awareness of energy saving and publicize the advantages of using LED lighting products.

In 2014, the Group has completed the installation of LED street lamps in the city of Jaen in Spain and the performance in energy saving is remarkable. This successful project, together with another project in the city of Tarancon in Spain which had completed in 2013, had shown the Group's quality LED lighting products, energy management technologies as well as its capability and professionalism of the Group in executing the energy efficiency projects to the municipal governments. With our achievements in these two projects, the Group has awarded two energy efficiency projects in the cities of Spain, namely Gandia and Cartaya in 2014. The installation works of these two new projects will commence in 2015. The Group will keep on working with other municipal governments in Spain for the opportunities of co-operation.

"LEDUS" brand LED lighting products hit the shelves at large supermarket chains, department stores and hundreds of small electrical retail shops in Hong Kong. Distributors in oversea markets, such as the United Kingdom, Belgium, South Africa, have promoted "LEDUS" LED lighting products through different channels of TV sales, internet sales, retail shops and wholesales.

The Group also operates the property sub-leasing and management business since the completion of the acquisition of 50% equity interest in Shanghai Fuchao Property Management Company Limited in March 2014, which is principally engaged in sub-leasing a property in Jing An District, Shanghai to tenants and provision of property management services for the building. As the property is located in a prime location in Shanghai which is less sensitive to the effect of increase in property supply, the premise is fully occupied and the rental income is stable which has broadened the source of revenue of the Group. Moreover, the property sub-leasing and management business will generate a stable income for the Group.

It is the Group's corporate strategy to raise the awareness and recognition of "LEDUS" brand name which is owned by the Group. As an attempt to develop "LEDUS" in to an international brand, the Group has made its foray into the European markets for LED lighting, covering the public sectors and private sectors, and aims for a bigger shares of markets. It took the initative by signing a non-legally binding letter of intent with Automobiles Peugeot SA, a French société anonyme company, pursuant to which the Group will acquire 250,000 ordinary shares of the target company, representing all the issued share capital and voting rights of Football Club Sochaux – Montbeliard SA ("FC Sochaux"), a French société anonyme company. FC Sochaux is a professional football club established in 1928 in the form of a sport association, which subsequently became a limited liability company and is principally engaged in the development and promotion of a professional football club. FC Sochaux is one of the historical football clubs in France which had won many significant champions in France and is one of the well-known football clubs in France and Europe. The Group believes that the proposed acquisition of FC Sochaux is an effective way to promote and market the Group's products in Europe. It plans to have the logo of "LEDUS" and that of the French football club emblazoned together on the football club's T-shirts, increasing the exposure of the brand in the media and the public and thus raising the awareness and recognition of "LEDUS" not only in France but also the whole Europe. This will be achieved through television broadcast of French football matches and the marketing materials of the football club such as the club's T-shirts and souvenirs. The move will broaden the source of income of the Group. The consideration of the acquisition shall amount to seven million Euros (subject to such adjustment to be agreed between the parties in the formal agreement) and will be settled in cash upon completion.

Looking ahead, we believe the Group's LED business has a bright prospect and will contribute consistently to the Group. Building on its success with urban projects in a number of cities and towns in Europe, the Group will keep on seeking opportunities to tender for more energy efficiency projects in Spain and other European countries where the electricity fee is comparatively high. With more advertising and promotional efforts have been made, private enterprises have an added incentive now to convert their lighting systems to LED, which have become more affordable. The Group will continue to explore opportunities to expand its shares of the LED lighting markets in Hong Kong, mainland China and overseas. To facilitate its business expansion, the Group will keep on products and technological developments so that more new products can be launched, enhancement of efficiency and lower the cost of production. All these developments bode well for the future of the Group's LED lighting business.

For the property sub-leasing business, as the property is located in a prime location in Shanghai which is less sensitive to the effect of increase in property supply and slowing down of economic growth in the PRC. It is believed that it will still provide a stable income to the Group. The Group is going to set up the sales and marketing center in this premise so as to explore the opportunities in the LED lighting business in the PRC.

The Group is going to conduct a due diligence review on the accounting, legal and tax aspects of FC Sochaux and expects the acquisition will be completed on or before 30 June 2015. Upon completion, the Group plans to put the logo of "LEDUS" into the football club logo and T-shirts in order to increase the exposure of "LEDUS" brand name. The Group also plans to renovate the existing lighting systems in the football stadium and training school of the FC

Sochaux from traditional lighting to LED lighting. It will be a pilot project which will promote the Group's products to the private sectors in France. It will help to build up "LEDUS" as an international brand.

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their unwavering support, as well as the management team and all staff of the Group for their dedication and contribution over the past year.

Li Wing Sang
Chairman

Hong Kong, 25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The consolidated financial information in 2014 includes only the result of the continuing operations, which comprise the manufacture and sale of LED lighting products and accessories, incomes from energy efficiency projects and property sub-leasing and management services, of the Group.

For the year ended 31 December 2014, the Group recorded a turnover from the continuing operations of approximately RMB144.3 million (2013: approximately RMB167.2 million), representing a decrease of approximately 13.7%.

The Group's turnover by products is shown in the following table:

	2014		2013	
	RMB'000	**%**	RMB'000	%
Manufacture and sale of LED lighting products and accessories	**138,820**	**96.2**	121,245	72.5
Commission income from distribution of LED lighting products	**–**	**–**	43,873	26.2
Service income from energy efficiency projects	**5,507**	**3.8**	2,092	1.3
Total	**144,327**	**100.0**	167,210	100.0

The decrease in the Group's total turnover was primarily attributed to the cease of performing agency services in relation to the agency agreements which were entered in 2013. The turnover from the manufacture and sale of LED lighting products and accessories was increased by approximately 14.5%, which amounted from approximately RMB121.2 million in 2013 to approximately RMB138.8 million in 2014. As the installation of the Spanish energy efficiency projects were completed in 2014, income from these two projects was increased by approximately 161.9%, which amounted from approximately RMB2.1 million in 2013 to approximately RMB5.5 million in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The consolidated loss before income tax of the Group for the year ended 31 December 2014 was approximately RMB267.1 million (2013: approximately RMB255.6 million), represents an increase of approximately 4.5%. The consolidated loss was primarily attributable to the (i) impairment loss on goodwill of approximately RMB96.0 million (2013: approximately RMB197.0 million); (ii) impairment on other intangible assets of approximately RMB28.2 million (2013: RMB Nil); (iii) amortisation of other intangible assets of approximately RMB71.4 million (2013: approximately RMB71.4 million); (iv) the net fair value loss on bonds and convertible bonds approximately RMB22.0 million (2013: approximately RMB3.5 million); (v) allowance for impairment on trade and other receivables of approximately RMB10.0 million (2013: approximately RMB0.2 million); and (vi) finance costs, including imputed interests, incurred on the bonds and convertible bonds approximately RMB33.3 million (2013: approximately RMB9.8 million). All of the above from (i) to (v) and the imputed interest incurred on the bonds and convertible bonds are non-cash or non-recurring items.

In addition, selling and distribution costs and administrative expenses of the Group's continuing operations for the year ended 31 December 2014 had been increased which were approximately RMB24.3 million (2013: approximately RMB15.3 million) and approximately RMB50.6 million (2013: approximately RMB35.0 million) respectively. The increase in administrative expenses was primarily attributed to the increase in allowance for impairment on trade and other receivables of approximately RMB10.0 million (2013: approximately RMB0.2 million) in 2014.

Impairment loss on goodwill and other intangible assets

The impairment loss on goodwill and other intangible assets of the Group for the 2014 was approximately RMB96.0 million (2013: approximately RMB197.0 million and approximately RMB28.2 million (2013: Nil), respectively, as during the year ended 31 December 2014, the turnover and/or gross profit margin in certain group of subsidiaries were reduced as compared to 2013. The reduction was mainly attributable to (i) selling prices of the LED lighting products have been decreased as there was keen competition in those particular LED lighting products and accessories sectors; (ii) the cost of production was kept on rising such as the labour cost, utilities cost; and (iii) the increased costs of production cannot shift to the customers.

Further, the managements expect that the selling prices of the LED lighting products will keep on decreasing as most of the LED lighting manufacturers will intend to capture more of their market share by reducing the selling prices.

Gross profit margin

The gross profit margin (excluding the commission income from distribution of LED lighting products and service income from energy efficiency projects) of the Group was approximately 24.5% (2013: approximately 21.8%). This was mainly attributed to the higher gross profit margin in selling the LED lighting products in overseas markets.

Finance costs

For the year ended 31 December 2014, finance costs of the Group's continuing operations were approximately RMB33.3 million (2013: approximately RMB9.8 million), which represents an increase of approximately 239.8%. This was mainly due to the imputed interest expenses incurred from the convertible bonds issued in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

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

Liquidity and financial resources

As at 31 December 2014, the Group had current assets of approximately RMB286.1 million (2013: approximately RMB288.1 million) and current liabilities of approximately RMB138.7 million (2013: approximately RMB147.9 million). The current ratio of the Group as at 31 December 2014 was approximately 2.1 (2013: approximately 1.9) where an improvement in current ratio was recorded. The improvement is mainly due to the reduction in liabilities of the Group.

As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB33.4 million (2013: approximately RMB42.5 million), wholly representing cash at banks and in hand. Total bank loans were approximately RMB11.3 million (2013: approximately RMB3.3 million), all of which were short term borrowings. As at 31 December 2014, the Group's bank loans were subject to variable interest rates and were denominated in HKD. As at 31 December 2014, there was outstanding bonds were approximately RMB66.4 million (2013: approximately RMB65.3 million). The bond is redeemable only on the 24th month, 36th month, 48th month and finally with the maturity on the 5th anniversary after the bond issue date, namely 6 December 2017. The bondholder has exercised its Put Option to redeem the bond on 21 October 2014. The Company paid approximately RMB6 million to the bondholder on 17 December 2014 and subsequently entered into an extension agreement with the bondholder on 7 January 2015 pursuant to which the Company will pay to the bondholder the outstanding bonds in several tranches.

As at 31 December 2014, the gearing ratio (calculated by dividing total borrowings less cash and cash equivalent over total equity) of the Group was approximately 4.4 (2013: approximately 3.2). The increase in gearing ratio as at 31 December 2014 was principally attributable to the increase in borrowings of the Group by approximately 13.3%.

Exchange risk exposure and contingent liabilities

The Group's sales were principally denominated in Renminbi, Hong Kong Dollars and US Dollars, with the majority denominated in RMB. This may expose the Group to foreign currency exchange risks. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during 2014. However, in view of the fluctuation of Renminbi against Hong Kong Dollars and US Dollars, the Group will adopt all applicable financial instruments to hedge against currency risks whenever necessary.

As at 31 December 2014, the Group had contingent liabilities regarding to the corporate guarantee to banks for granting the banking facilities to three subsidiaries (2013: two).

Capital commitment

As at 31 December 2014, the capital commitments contracted but not provided for in respect of the purchase of property, plant and equipment and other non-current assets was approximately RMB2.9 million (2013: approximately RMB5.0 million) and nil balance for acquisition of equity interest in a joint venture (2013: approximately RMB351.4 million). There was no outstanding capital commitments authorised but not provided for in respect of property, plant and equipment as at 31 December 2014 (2013: Nil).

Employee information

As at 31 December 2014, the Group had over 500 employees the majority of whom stationed in the PRC. Total employee remuneration for the year ended 31 December 2014 amounted to approximately RMB29.8 million (2013: approximately RMB29.2 million). The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to individual's performance. Employees are encouraged to take training courses or seminars from time to time to enhance their knowledge and skills.

Charge on assets

As at 31 December 2014, pledged bank deposits of approximately RMB23.9 million (2013: approximately RMB12.2 million) was pledged to secure banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposal of subsidiaries and associated companies

On 27 November 2013, Champion Miracle Limited ("Champion Miracle"), an indirectly wholly owned subsidiary of the Company as the purchaser, entered into a sale and purchase agreement with Mr. Fan Lin ("Mr. Fan") as the vendor, pursuant to which Champion Miracle has conditionally agreed to purchase and Mr. Fan has conditionally agreed to sell the 50% of entire equity interest of Shanghai Fuchao Property Management Company Limited (上海富朝物業管理有限公司) (formerly known as Shanghai Fuchao Investment Company Limited (上海富朝投資有限公司)) ("Fuchao"), a company established in the PRC with limited liability at a consideration of HK$450.0 million (approximately RMB351.4 million). Fuchao is principally engaged in the sub-leasing of the property located at 1/F to 10F, Block B, Huan Qiu Shi Jie Building, No. 1–5 Wan Huang Du Lu, Jing An, Shanghai, the PRC (the "Property") to tenants and provision of property management services for the Property. The consideration was satisfied by Champion Miracle as to HK$20.0 million in cash upon signing the agreement, HK$20.0 million in cash, HK$270.0 million by procuring the Company to issue the convertible bonds to Mr. Fan or his nominee and HK$140.0 million by procuring the Company to allot and issue the consideration shares to Mr. Fan upon completion. The acquisition was subsequently completed on 24 March 2014. Details of which, please refer to the announcement of the Company dated 27 November 2013.

Save as disclosed above, during the year ended 31 December 2014, there was no material acquisition and disposal of subsidiaries and associated company by the Group.

REPORT OF THE DIRECTORS

The board (the "Board") of directors of Tech Pro Technology Development Limited (the "Company") is pleased to present to the shareholders the annual report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively the "Group") for the year ended 31 December 2014.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 20 to the consolidated financial statements.

Results and dividends

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Group and the Company as at 31 December 2014 are set out on pages 33 to 111.

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: RMB Nil).

Group financial summary

A five year summary of the results and of the assets and liabilities of the Group as at 31 December is set out on page 112.

Donation

Donation made by the Group during the year amounted to RMB3,000 (2013: RMB3,000).

Property, plant and equipment

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

Bank loans and other borrowings

Details of banks loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in notes 28 and 29 to the consolidated financial statements respectively.

Convertible notes

Details of the convertible notes are set out in note 30 to the consolidated financial statements.

Share capital and unlisted warrants

Details of movements in the Company's share capital and unlisted warrants are set out in notes 35 and 36 respectively to the consolidated financial statements.

Reserves

Loss attributable to owners of the Group, before dividends, of RMB216,852,000 (2013: RMB245,528,000) have been transferred to reserves. Other movements in the reserves of the Company and the Group during the year are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2014 are set out in note 37 to the consolidated financial statements.

Emolument policy

A remuneration committee has been set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees of the Group, details of the scheme are set out in the section headed "Share option scheme" below.

Remuneration of directors and five highest paid individuals

Details of the emoluments of the directors of the Company and the top five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements.

Retirement schemes

The Group participates in several defined contribution retirement plan which cover approximately 95% of the Group's employees and operates a Mandatory Provident Fund scheme. Particulars of these retirement schemes are set out in note 33 to the consolidated financial statements.

Director's interest in contracts

No contracts of significance in relation to the Group's business to which the Company, its holding 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 as the end of the year or at any time during the year.

Directors and directors' service contracts

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

Executive directors
Mr. Li Wing Sang *(Chairman)*
Mr. Liu Xinsheng
Mr. Chiu Chi Hong

Independent non-executive directors
Mr. Tam Tak Wah
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

In accordance with the Company's articles of association, Mr. Liu Xinsheng and Mr. Ng Wai Hung shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received the annual confirmations of independence, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), from each of the independent non-executive directors of the Company and as at the date of this report still considers them to be independent.

Each of the above executive directors of the Company has entered into a service contract for a term of three years, which may be terminated by either party giving the other party not less than six months' prior notice in writing, whereas, each of the above independent non-executive directors has entered into a service contract for a term of two years, which may also be terminated by either party by giving the other party at least one month's prior notice in writing.

All directors of the Company are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

Save as disclosed above, none of the director of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Biographical details of directors and senior management

Executive directors

Mr. Li Wing Sang (李永生), aged 57, was appointed as executive director of the Company on 11 December 2009. He has extensive marketing and management experience in the fields of household appliance which are in senior management positions. He holds a bachelor degree from Kobe University of Commerce, Japan. Mr. Li was an executive director of Pizu Group Holdings Limited (stock code: 8053), which is a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange, and resigned in August 2011. Mr. Li is currently the directors of certain subsidiaries of the Company.

Mr. Liu Xinsheng (劉新生), aged 46, is an executive director of the Company. He is responsible for the Board's general affairs. Mr. Liu graduated from Nanjing Audit College (南京審計學院) specialising in accounting in 1991. He is a registered international internal auditor, a registered tax agent of the PRC and an accounting professional. Mr. Liu has over 10 years' experience in the field of accounting and auditing. Prior to joining the Group in February 2006 as the board secretary of Changzhou Huawei Electronics Company Limited, a wholly-owned subsidiary of the Company which was disposed in 2013, he worked in the auditing department of Panda Electronics Group Company (熊貓電子集團公司) from July 1991 to December 1998, was the manager of the auditing department of Jiangsu Technology Import and Export Company (江蘇技術進出口公司) from January 1999 to February 2003, the general manager of auditing and legal department and cost control department of Nanjing Chixia Development Company Limited (南京棲霞建設股份有限公司) from February 2003 to February 2006. Mr. Liu is currently the director of certain subsidiaries of the Company.

Mr. Chiu Chi Hong (招自康), aged 50, was appointed as an executive director of the Company on 11 July 2011. He holds a bachelor degree from Griffith University, Australia. He has over 15 years' experience in business development, corporate management, finance and accounting fields. Mr. Chiu is currently the director of certain subsidiaries of the Company.

Independent non-executive directors

Mr. Lau Wan Cheung (劉雲翔), aged 50, was appointed as independent non-executive Director of the Company on 8 June 2011. He holds a master degree in Information Technology from the National University of Ireland, Ireland and a bachelor degree in Accounting from the University of Hull, England. Mr. Lau has over 20 years of experience in accounting, finance and business management.

Mr. Ng Wai Hung (吳偉雄), aged 51, was appointed as an independent non-executive Director of the Company on 8 April 2011. He is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law in Hong Kong. Mr. Ng is also an independent non-executive director of another five companies listed on the Main Board and one company listed on the GEM of the Stock Exchange, namely, Fortune Sun (China) Holdings Limited (stock code: 352), Gome Electrical Appliances Holding Limited (stock code: 493), Sustainable Forest Holdings Limited (stock code: 723), Trigiant Group Limited (stock code: 1300), On Time Logistics Holdings Limited (stock code: 6123) and China Star Cultural Media Group Limited (stock code: 8172). Mr. Ng was also an independent non-executive director of Ares Asia Limited (stock code: 645), Talent Property Group Limited (stock code: 760), Perception Digital Holdings Limited (stock code: 1822) and Qingdao Holdings International Limited (stock code: 499) all are the company listed on the Main Board of the Stock Exchange and resigned in February 2011, January 2012, August 2014 and September 2014, respectively.

Mr. Tam Tak Wah (譚德華), aged 49, was appointed as an independent non-executive director of the Company on 7 January 2011. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam is appointed to membership of Disciplinary Panel of the HKICPA for the period from February 2014 to January 2016. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of International Standard Resources Holdings Limited (stock code: 91), a non-executive director of Kingbo Strike Limited (stock code:1421) and an independent non-executive director of China For You Group Company Limited (stock code: 572) respectively, all are companies listed on the Main Board of the Stock Exchange. Mr. Tam was an independent non-executive director of Goldenway, Inc (stock code: GWYI) which is a company whose common stock were traded in the OTCQB of the United States of America and Siberian Mining Group Company Limited (stock code: 1142) which is a company listed on the Main Board of the Stock Exchange, and resigned in August 2013 and February 2014 respectively.

Senior management

Ms. Lee On Wing (李安穎), aged 40, is the company secretary and authorised representative of the Company. Ms. Lee joined the Company as the finance manager since 2011. Ms. Lee holds a bachelor degree in accounting from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. She has over 10 years of experience in auditing, accounting, finance and company secretarial fields. Prior joining the Company, Ms. Lee has worked as a senior auditor in an international accounting firm from 2007 to 2011.

Share option scheme

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 26 July 2007 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial shareholder of the Company. The Scheme became unconditional on 6 September 2007 and shall be valid and effective for a period of ten years commencing on 26 July 2007, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Company may at any time refresh such limit, subject to in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme. There is no minimum period for which an option must be held before it can be exercised under the Scheme.

No share options were granted, exercised or cancelled by the Company under the Scheme during the year ended 31 December 2014 and there are no outstanding share options under the Scheme as at 31 December 2014. The total number of Shares available for issue under the Scheme was 108,270,200 Shares which represented 7.01% of the issued share capital of the Company as at 31 December 2014.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations

At 31 December 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which required notification pursuant to Division 7 and 8 of XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Interests in the Shares of HK$0.01 each in the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive director:			
Mr. Li Wing Sang	Beneficial owner	266,828,800 (Long position)	17.28%
	Beneficial owner	34,879,200 (Short position)	2.26%
Mr. Chiu Chi Hong	Beneficial owner	81,648,000 (Long position)	5.29%
Mr. Liu Xinsheng	Beneficial owner	5,517,600 (Long position)	0.36%

(ii) Long position in the ordinary shares of associated corporation

As at 31 December 2014, none of the directors or any of their associates or chief executive of the Company, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of substantial shareholders in shares and debentures of the Company

At 31 December 2014, so far as is known to the directors of the Company, the following person (other than the directors or chief executive of the Company), who had interests of 5% in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Hui Wah Ying, Joelle (Note 1)	Deemed	81,648,000 (Long position)	5.29%

Note 1: Ms. Hui Wah Ying Joelle ("Ms. Hui") is the spouse of Mr. Chiu Chi Hong ("Mr. Chiu"), an executive director of the Company. By virtue of the SFO, Ms. Hui is deemed to be interested in the 81,648,000 Shares which are beneficially owned by Mr. Chiu.

Directors' rights to acquire shares or debentures

Save as disclosed under the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year was the Company, its holding company, subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Competing interests

None of the directors, and the substantial shareholders had any interests in any business, which competed with or might compete with the business of the Group.

Major customers and suppliers

During the year, sales to the Group's five largest customers accounted for approximately 33.2% of the Group's total turnover. In particular, sales to the largest customer of the Group accounted for approximately 10.7% of the Group's total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 49.5% of the Group's total purchases for the year, In particular, purchases from the Group's largest supplier accounted for approximately 15.3% of the Group's total purchases for the year.

To the best knowledge of the directors, none of the directors of the Company, their associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the directors of the Company own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or suppliers.

Material related party transactions

The material related party transactions for the year ended 31 December 2014 are set out in note 45 to the consolidated financial statements. None of these material related party transactions falls under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Purchase, redemption or sale of listed securities of the Company

The Company had not redeemed any of its shares during the year. Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, 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.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

Corporate governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

Significant events after the reporting period

Details of the significant events after the reporting period of the Group are set out in note 46 to the financial statements.

Closure of register of members

The register of members of the Company will be closed from 26 May 2015 to 27 May 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to quality for attending the annual general meeting of the Company to be held on 28 May 2015, unregistered holders of shares of the Company should ensure that all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investors Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00p.m. on 25 May 2015.

Auditor

BDO Limited (the "BDO") was first appointed as auditor of the Company in 2014 upon filling the vacancy following the resignation of Crowe Horwath (HK) CPA Limited (the "Crowe Horwath").

Crowe Horwath acted as auditor of the Company in 2013 upon the retirement of CCIF CPA Limited (the "CCIF"). CCIF acted as auditor of the Company in the preceding years.

BDO shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Li Wing Sang
Chairman

Hong Kong, 25 March 2015

CORPORATE GOVERNANCE REPORT

The Board (the "Board") of director (the "Directors") of the Company is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of shareholders and in long-term shareholders value.

Code on corporate governance practices

The Company has applied the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the code provisions of the Code for the year ended 31 December 2014, save for the exception explained in this report under the section headed "Chairman and chief executive officer".

The Board as a whole is responsible for performing the corporate governance duties. The Board periodically reviews and improves the corporate governance practices and standards of the Company with a view to continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

Board of directors

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board to the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out below in this report. All Board members have separate and independent access to the Company's management to fulfil their duties, and upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and the accompanying relevant documents are distributed to the Directors or members of the Board Committees with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board Committees, which recorded in sufficient details the matters considered by the Board or the Board Committees and decisions reached, including any concerns raised by the Directors or dissenting views expressed, are kept by the company secretary and open for inspection by the Directors.

The Company has received from each of the independent non-executive directors ("INEDs") an annual confirmation of their independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The members of the Board during the year and up to the date of this report were:

Executive directors:
Mr. Li Wing Sang
Mr. Liu Xinsheng
Mr. Chiu Chi Hong

Independent non-executive directors:
Mr. Tam Tak Wah
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

Brief biographical details of the Directors are set out in the "Biographical details of directors and senior management" section in the Report of the Directors on pages 18 to 19 of this annual report.

Board meetings and attendance

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year 2014, thirty Board meetings were held and attendance of each Director at the Board is set out as follows:

Directors	Attendance/ Meeting held
Executive directors	
Mr. Li Wing Sang	30/30
Mr. Liu Xinsheng	30/30
Mr. Chiu Chi Hong	30/30
Independent non-executive directors	
Mr. Tam Tak Wah	10/10
Mr. Ng Wai Hung	10/10
Mr. Lau Wan Cheung	10/10

Chairman and chief executive officer

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This deviates from the code provision A.2.1 of the Code.

Mr. Li Wing Sang, who acts as the chairman of the Board during the year 2014, is also responsible for overseeing the general operations of the Group. As the Board will meet or discuss regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the roles of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Board understands the importance of complying with the code provision A.2.1 of the Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate person will be nominated to take up the different roles of chairman and chief executive officer.

Appointment, re-election and removal of directors

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years, which may be terminated by either party by giving not less than six months' prior written notice, whereas, each of the non-executive directors of the Company has also entered into a service contract with the Company for a term of two years, which may be terminated by either party by giving the other party at least one month's notice in writing.

In accordance with article 87 of the Articles of Association (the "Articles") of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. Any directors appointed pursuant to article 86(3) of the Articles shall not be taken into account in determining which director or the number of directors who are to retire by rotation in accordance with article 87 of the Articles.

Mr. Liu Xinsheng and Mr. Ng Wai Hung will retire from office as Directors by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

Model code set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transaction. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all Directors by the Company, all Directors confirmed that they had complied with the Model Code of the Company for the year ended 31 December 2014. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Responsibilities of directors

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statue and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are encouraged to participate in relevant training course and seminars held by the regulatory bodies or professional institutions in respective of regulatory development, business and market changes and the strategic development of the Group. Information obtained will be shared and discussed among the Directors.

Supply of and access to information

In respect of regular Board meeting, and so far as practicable in all other cases, an agenda and accompanying relevant documents are sent in full to all Directors in a timely manner and at least three days before the intended date of a Board meeting.

All Directors are entitled to have access to the Board minutes and related materials.

Company secretary

Ms. Lee On Wing ("Ms. Lee") was appointed as the company secretary of the Company on 1 August 2013. The biographical details of Ms. Lee are set out under the section headed "Biographical details of directors and senior management". According to the Rule 3.29 of the Listing Rules, Ms. Lee has taken no less than 15 hours of relevant professional training during the year ended 31 December 2014.

Continuous professional development

According to the code provision A.6.5 of the Code, the Company recommends Directors to attend relevant seminars or courses to develop and refresh their knowledge and skills. The company secretary reports from time to time the latest changes and development of the Listing Rules and other corporate governance requirements with written materials. During the year 2014, the continuous professional development taken by respective Directors are as follows:

Directors	Type of Trainings
Executive directors	
Mr. Li Wing Sang	A, B
Mr. Liu Xinsheng	A, B
Mr. Chiu Chi Hong	A, B
Independent non-executive directors	
Mr. Tam Tak Wah	A, B
Mr. Ng Wai Hung	A, B
Mr. Lau Wan Cheung	A, B

A reading materials in relation to regulatory update

B attending seminars/courses/conferences to develop professional skill and knowledge

Audit Committee

The Company established an Audit Committee on 26 July 2007 with written terms of reference in compliance with the code provisions of the Code as set out in Appendix 14 to the Listing Rules. The primarily duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three INEDs, namely Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Pursuant to the Rule 3.21 of the Listing Rules, the Audit Committee currently comprises three members who are INEDs only and Mr. Tam Tak Wah, the chairman of the Audit Committee, who possesses a professional accounting qualifications and relevant accounting experience.

The written terms of reference of the Audit Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the Group's website.

During the year 2014, the Audit Committee had met three times with the Board and senior management of the Company, two of which with the Company's external auditor. The Audit Committee has also reviewed the Group's internal controls. The Group's interim report for the six months ended 30 June 2014 and the annual report for the year ended 31 December 2014 have been reviewed by the Audit Committee before submission to the Board for approval. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor.

The Audit Committee held three meetings during the year ended 31 December 2014. Details of the attendance of the Audit Committee meetings are as follows:

Members	Attendance/ Meeting held
Mr. Tam Tak Wah	3/3
Mr. Ng Wai Hung	3/3
Mr. Lau Wan Cheung	3/3

Auditor's remuneration

BDO Limited ("BDO") is first appointed as auditor of the Company in 2014. Crowe Horwath (HK) CPA Limited, the auditor of the Company in 2013 which was established by the merger of business of CCIF CPA Limited and PCP CPA Limited, is a member firm of Crowe Horwath International. CCIF CPA Limited had acted as the auditor of the Company in the preceding years.

During the year ended 31 December 2014, the fee incurred for audit and non-audit services provided by the auditor to the Group is set out as follows:

Type of services	**Fee paid/ Payable** RMB'000
Audit services	1,098
Non-audit services	–
	1,098

Nomination Committee

The Company established a Nomination Committee pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with the code provision of the Code as set forth in Appendix 14 to the Listing Rules. The primarily duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession and ensure that the candidates to be nominated as Directors are experienced, high calibre individuals. The Nomination Committee consists of Mr. Li Wing Sang, an executive Director and two INEDs, namely Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Mr Li Wing Sang is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once every year for reviewing the structure, size, composition and diversity of the Board, assessing the independence of INEDs of the Company and other related matters.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the provisions of the Code and are available upon request and on the Group's website.

The Nomination Committee held two meetings during the year ended 31 December 2014. Details of the attendance of the Nomination Committee meetings are as follows:

Members	**Attendance/ Meeting held**
Mr. Li Wing Sang	2/2
Mr. Ng Wai Hung	2/2
Mr. Lau Wan Cheung	2/2

At the meeting, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessing the independence of INEDs and other related matters of the Company.

Remuneration committee

The Company established a Remuneration Committee pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with the code provisions of the Code as set forth in Appendix 14 to the Listing Rules. The primarily duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The members of the Remuneration Committee are Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung who are the INEDs of the Company. Mr. Tam Tak Wah is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once every year to discuss remuneration-related matters. No executive Director is allowed to be involved in deciding his or her own remuneration.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the Company's website.

The Remuneration Committee held two meetings during the year ended 31 December 2014. Details of the attendance of Remuneration Committee meetings are as follows:

Members	Attendance/ Meeting held
Mr. Tam Tak Wah	2/2
Mr. Ng Wai Hung	2/2
Mr. Lau Wan Cheung	2/2

At the meeting, the Remuneration Committee reviewed the remuneration policies of the Directors and the senior executives and reviewed the remuneration packages and performance of the Directors for the year 2014.

Directors' and auditor's responsibility for financial statements

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014. The auditor of the Company acknowledges their reporting responsibilities in the auditor's report on the financial statements for the year ended 31 December 2014. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

Internal control

The Board has overall responsibility to maintain a sound and effective internal control of the Company to safeguard the shareholders' investments and the Company's assets. The Company will continue to review its internal control function on a regular basis.

The Board had conducted regular reviews on the effectiveness of the system of the internal controls of the Group, covering all material controls including financial, operational, compliance controls and risks management functions during the year. Results and findings arising from the reviews were discussed in the Audit Committee meetings.

In order to enhance the internal control of the Company, the Company has engaged an independent professional consultant to conduct an internal control review (the "Review") during the year 2014. The Review was conducted with reference to the requirements of the Appendix 14 to the Listing Rules to evaluate risks and control weaknesses. Reports on the Review has been prepared by the independent professional consultant and been sent to the Audit Committee members for their review. From the reports, no material findings are noted and certain recommendations have been made to the Company. The Company accepted the recommendations and corresponding actions have been enforced.

Shareholders' rights

Convening an extraordinary general meeting

Pursuant to article 58 of the Articles of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary at the head office of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If within twenty one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a shareholders' communication policy (the "Policy") on 30 March 2012. Under the Policy, the Company's information is communicated to the shareholders mainly through general meetings, including annual general meeting and extraordinary general meeting, the Company's financial reports (interim reports and annual reports), and other corporate publications on the websites of the Company and the Stock Exchange. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The shareholders may direct their questions about their shareholdings to the Company's share registrar, the contact details of which are set out as follows:

Tricor Investors Services Limited

Address:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Telephone:	(852) 2980-1888
Facsimile:	(852) 2890-9350

The shareholders, the potential investors and the media may at any time make a request for the Company's information to the extent such information is publicly available and make enquiries to the Company through the following means:

Address:	Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Facsimile:	(852) 3908-1223
Attention:	Company Secretary

Right to propose a person for election as a director at general meetings

Pursuant to the article 88 of the Articles of the Company, a shareholder may propose a person other than a retiring Director or recommended by the Directors by validly lodging the following documents within the period hereinafter mentioned at the head office of the Company:

– a notice in writing of the intention to propose that person for election as a director, which must state the full name of the person, include the person's biographical details as required by Rule 13.51(2) of the Listing Rules and be signed by a shareholder; and

– a notice in writing signed by that person of his/her willingness to be elected as a director together with his/her written consent to the publication of his/her personal data. Such documents shall be lodged with the head office of the Company within the period of seven days after the despatch of the notice of the general meeting.

Upon receipt of such documents, the Company shall verify the documents and, if the proposal is found to be in order, publish an announcement and/or issue a supplemental circular in respect of the proposal in accordance with Rule 13.70 of the Listing Rules.

Investor relations

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to shareholders, analysts and interested parties respectively. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the websites of the Company and the Stock Exchange. Media briefings are organised from time to time to relay details of the Group's latest business initiatives and market development plans. Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication. The Group's investor relation firm in Hong Kong is iPR Ogilvy Limited.

Communication with shareholders

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The Chairman of the Board, as well as the chairman of Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, will make themselves available at the annual general meeting to meet with shareholders. The Company will ensure that there are separate resolutions for separate issues at general meetings.

The 2014 annual general meeting of the Company will be held on 28 May 2015.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements.

INDEPENDENT AUDITOR'S REPORT

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TECH PRO TECHNOLOGY DEVELOPMENT LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tech Pro Technology Development Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Continuing operations			
Turnover	6	**144,327**	167,210
Cost of sales		**(104,767)**	(94,762)
Gross profit		**39,560**	72,448
Other revenue	7	**5,644**	6,860
Other income	7	**215**	1,991
Selling and distribution costs		**(24,324)**	(15,343)
Administrative expenses		**(50,559)**	(34,979)
Impairment loss on goodwill	18	**(96,043)**	(197,045)
Impairment loss on other intangible assets	18	**(28,207)**	–
Amortisation of other intangible assets	19	**(71,380)**	(71,380)
Fair value gain/(loss) on embedded derivatives of bonds	29	**12,846**	(3,542)
Fair value loss on embedded derivatives of convertible bonds	30	**(34,780)**	–
Loss on early redemption of promissory notes		**–**	(4,878)
Finance costs	8(a)	**(33,347)**	(9,760)
Share of results of a joint venture	21	**13,303**	–
Loss before income tax	8	**(267,072)**	(255,628)
Income tax	9	**24,826**	5,276
Loss for the year from continuing operations		**(242,246)**	(250,352)
Discontinued operation			
Loss from discontinued operation	10	**–**	(6,808)
Loss for the year		**(242,246)**	(257,160)
Loss attributable to:			
Owners of the Company		**(216,852)**	(245,528)
Non-controlling interests		**(25,394)**	(11,632)
		(242,246)	(257,160)
Loss attributable to owners of the Company from:			
Continuing operations		**(216,852)**	(238,720)
Discontinued operation		**–**	(6,808)
		(216,852)	(245,528)
Loss per share (RMB cents)	15		(Restated)
From continuing and discontinued operations			
– Basic and diluted		**(15.35 cents)**	(18.55 cents)
From continuing operations			
– Basic and diluted		**(15.35 cents)**	(18.03 cents)

The notes on pages 41 to 111 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Loss for the year		**(242,246)**	(257,160)
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Exchange differences:			
– on translation of financial statements of foreign operations		**945**	(84)
– reclassification adjustment relating to disposal of subsidiaries	40(b)	**–**	2,020
Total comprehensive income for the year (net of tax)		**(241,301)**	(255,224)
Attributable to:			
Owners of the Company		**(215,903)**	(243,556)
Non-controlling interests		**(25,398)**	(11,668)
		(241,301)	(255,224)
Total comprehensive income attributable to owners of the Company from:			
Continuing operations		**(215,903)**	(238,768)
Discontinued operation		**–**	(4,788)
		(215,903)	(243,556)

The notes on pages 41 to 111 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	**67,212**	56,835
Goodwill	18	**79,539**	175,582
Other intangible assets	19	**487,657**	587,244
Interest in a joint venture	21(a)	**349,488**	–
		983,896	819,661
Current assets			
Inventories	22	**18,723**	22,532
Trade and bills receivables	23	**104,354**	116,335
Other receivables and prepayments	24	**105,712**	94,508
Pledged bank deposits	25	**23,935**	12,170
Cash at banks and in hand	25	**33,351**	42,520
		286,075	288,065
Current liabilities			
Trade payables	26	**22,307**	24,965
Other payables and accruals	27	**25,440**	28,231
Amount due to a director	45(b)	**–**	571
Bank loans	28	**11,293**	3,324
Bonds payable	29	**66,368**	65,283
Obligations under finance leases	31	**376**	352
Income tax payable		**12,913**	25,181
		138,697	147,907
Net current assets		**147,378**	140,158
Total assets less current liabilities		**1,131,274**	959,819
Non-current liabilities			
Obligations under finance leases	31	**380**	738
Deferred tax liabilities	32(a)	**121,277**	148,995
		121,657	149,733
NET ASSETS		**1,009,617**	810,086

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**13,541**	10,407
Reserves	37	**850,489**	628,702
		864,030	639,109
Non-controlling interests		**145,587**	170,977
TOTAL EQUITY		**1,009,617**	810,086

Approved and authorised for issue by the board of directors on 25 March 2015.

Li Wing Sang
Director

Chiu Chi Hong
Director

The notes on pages 41 to 111 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	20	**790,364**	659,419
Current assets			
Amounts due from subsidiaries	45(c)	**132,066**	93,482
Cash at banks and in hand	25	**6,726**	11,484
		138,792	104,966
Current liabilities			
Other payables and accruals	27	**289**	266
Amount due to a director	45(b)	**–**	305
Amount due to a subsidiary	45(c)	**47**	46
Bonds payable	29	**66,368**	65,283
		66,704	65,900
Net current assets		**72,088**	39,066
NET ASSETS		**862,452**	698,485
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**13,541**	10,407
Reserves	37	**848,911**	688,078
TOTAL EQUITY		**862,452**	698,485

Approved and authorised for issue by the board of directors on 25 March 2015.

Li Wing Sang
Director

Chiu Chi Hong
Director

The notes on pages 41 to 111 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 37(b))	Warrant reserve RMB'000	Other reserve RMB'000 (Note 37(d))	Convertible bonds-equity component RMB'000	Special reserve RMB'000	Statutory reserve RMB'000 (Note 37(g))	Exchange reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	9,835	755,589	6,894	86,925	(716)	–	47,537	15,643	(3,381)	(174,958)	733,533	246,105	989,473
Issue of new shares:													
– upon exercise of unlisted warrants (Note 35(a))	572	171,615	–	(45,234)	–	–	–	–	–	–	126,381	–	126,953
Acquisition of additional interests in subsidiaries (Note 39)	–	–	–	–	12,344	–	–	–	–	–	12,344	(63,460)	(51,116)
Reclassification adjustment upon disposal of subsidiaries	–	–	(6,894)	–	716	–	(47,537)	(15,643)	–	69,358	–	–	–
Loss for the year	–	–	–	–	–	–	–	–	–	(245,528)	(245,528)	(11,632)	(257,160)
Exchange differences:													
– on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	(48)	–	(48)	(36)	(84)
– reclassification adjustment relating to disposal of subsidiaries	–	–	–	–	–	–	–	–	2,020	–	2,020	–	2,020
Total comprehensive income for the year	–	–	–	–	–	–	–	–	1,972	(245,528)	(243,556)	(11,668)	(255,224)
At 31 December 2013 and 1 January 2014	10,407	927,204	–	41,691	12,344	–	–	–	(1,409)	(351,128)	628,702	170,977	810,086
Issue of unlisted warrants (Note 36(e))	–	–	–	12,042	–	–	–	–	–	–	12,042	–	12,042
Issue of convertible bonds (Note 30)	–	–	–	–	–	118,459	–	–	–	–	118,459	–	118,459
Issue of new shares:													
– upon exercise of unlisted warrants (Note 35(a))	287	84,835	–	(8,153)	–	–	–	–	–	–	76,682	–	76,969
– upon full conversion of convertible bonds (Note 35(b))	517	242,232	–	–	–	(118,459)	–	–	–	–	123,773	–	124,290
– upon acquisition of equity interests in a joint venture (Note 35(c))	268	104,004	–	–	–	–	–	–	–	–	104,004	–	104,272
– upon completion of bonus issue (Note 35(d))	2,022	(2,022)	–	–	–	–	–	–	–	–	(2,022)	–	–
– upon completion of a share transactions (Note 35(e))	40	4,752	–	–	–	–	–	–	–	–	4,752	–	4,792
Lapse of unlisted warrants	–	–	–	(2,213)	–	–	–	–	–	2,213	–	–	–
Capital injection by non-controlling interest to a newly established subsidiary	–	–	–	–	–	–	–	–	–	–	–	8	8
Loss for the year	–	–	–	–	–	–	–	–	–	(216,852)	(216,852)	(25,394)	(242,246)
Exchange differences:													
– on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	949	–	949	(4)	945
Total comprehensive income for the year	–	–	–	–	–	–	–	–	949	(216,852)	(215,903)	(25,398)	(241,301)
At 31 December 2014	13,541	1,361,005	–	43,367	12,344	–	–	–	(460)	(565,767)	850,489	145,587	1,009,617

The notes on pages 41 to 111 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Operating activities		
Loss before taxation		
– Continuing operations	**(267,072)**	(255,628)
– Discontinued operation	**–**	(20,505)
	(267,072)	(276,133)
Adjustments for:		
Amortisation of lease prepayments	**–**	42
Amortisation of other intangible assets	**71,380**	71,380
Impairment loss on goodwill	**96,043**	197,045
Impairment loss on other intangible assets	**28,207**	–
Share of results of a joint venture	**(13,303)**	–
Finance costs	**33,347**	20,451
Fair value loss on embedded derivative of convertible bonds	**34,780**	–
Fair value (gain)/loss on embedded derivative of bonds	**(12,846)**	3,542
Loss on early redemption of promissory notes	**–**	4,878
Depreciation of property, plant and equipment	**10,500**	16,821
Allowance for impairment on trade and other receivables, net	**10,000**	890
Loss/(gain) on disposal of property, plant and equipment	**986**	(287)
Interest income	**(24)**	(707)
Write-down of inventories	**346**	19
Share-based payment expense	**4,792**	–
Net cash flows before working capital changes:	**(2,864)**	37,941
Decrease in inventories	**3,463**	7,063
Decrease in trade and bills receivables	**7,981**	107,768
Increase in other receivables and prepayments	**(17,204)**	(111,332)
Increase in amount due from a related company	**–**	(34,227)
(Decrease)/increase in trade payables	**(2,658)**	83,091
(Decrease)/increase in other payables and accruals	**(2,791)**	30,774
Decrease in amount due to a director	**(571)**	(14)
Cash (used in)/generated from operations	**(14,644)**	121,064
Income tax paid	**(15,160)**	(3,877)
Net cash (used in)/generated from operating activities	**(29,804)**	117,187
Investing activities		
Interest received	**24**	707
Increase in pledged bank deposits	**(11,765)**	(98,670)
Acquisition of property, plant and equipment	**(22,156)**	(21,879)
Net cash outflow from disposal of subsidiaries	**–**	(14,810)
Proceeds from disposal of property, plant and equipment	**266**	950
Capital injection by a non-controlling interest	**8**	–
Acquisition of a joint venture	**(31,676)**	–
Net cash used in investing activities	**(65,299)**	(133,702)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 **RMB'000**	2013 RMB'000
Financing activities		
Payment of interest element of finance lease obligations	**(39)**	(30)
Payment of capital element of finance lease obligations	**(334)**	(315)
Interest paid	**(5,887)**	(16,671)
Proceeds from new bank loans	**13,985**	3,324
Repayment of bank loans	**(6,100)**	(12,618)
Partial repayment of bonds	**(6,000)**	–
Redemption of promissory notes	**–**	(70,272)
Proceeds from issue of unlisted warrants	**12,042**	–
Proceeds from issue of new shares upon exercise of unlisted warrants	**76,969**	126,953
Decrease in amounts due to related companies	**–**	(33,660)
Net cash generated from/(used in) financing activities	**84,636**	(3,289)
Net decrease in cash and cash equivalents	**(10,467)**	(19,804)
Cash and cash equivalents at beginning of year	**42,520**	65,116
Effect of foreign exchange rate changes	**1,298**	(2,792)
Cash and cash equivalents at end of year	**33,351**	42,520

Notes:

Material non-cash transactions:

(i) During the year ended 31 December 2013, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of RMB1,405,000.

(ii) During the year ended 31 December 2013, loan from a former director was set off against the consideration receivable for the disposal of subsidiaries.

The notes on pages 41 to 111 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

Tech Pro Technology Development Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal place of business is located at Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and the principal activities of its subsidiaries (together with the Company, collectively referred to as the "Group") are set out in Note 20.

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

(a) Adoption of amendments to HKFRSs – First effective on 1 January 2014

In the current year, the Group has applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are first effective and relevant for the Group's financial statements for the annual period beginning on 1 January 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities

The adoption of these new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

(b) New/amended HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 16	Clarification of Acceptable Methods of Depreciation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKAS 1	Disclosure Initiative[3]
HKFRS 15	Revenue from Contracts with Customers[4]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 16 – Clarification of Acceptable Methods of Depreciation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment as the standard clarifies the principle that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKAS 1 – Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group is in the process of making an assessment of the potential impact of those pronouncements disclosed above. The directors of the Company so far concluded that the application of these pronouncements will have no material impact on the Group's financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(c) New Hong Kong Companies Ordinance provisions relating to the disclosure requirements for financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the disclosure requirements for financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the disclosure requirements of the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company will be presented in the notes to the financial statements rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. These financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also include applicable disclosure required by of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the financial statements of the Company and its subsidiaries.

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 functional currency of the Company is Hong Kong Dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except for per share data, which reflects the primary economics environment in which the majority of entities with the Group operate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following liabilities are stated at their fair value as explained in the accounting policies set out below:

– embedded derivatives in convertible bonds

– embedded derivatives in unlisted bonds

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 5.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in the subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (Note 3(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint arrangements

Joint Venture

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investments in the joint venture.

Unrealised profits or losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former investee at the date when the control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint arrangements (Continued)

Joint operation

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 joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

– its assets, including its share of any assets held jointly;

– its liabilities, including its share of any liabilities held jointly;

– its revenue from the sale of its share of the output arising from the joint operation;

– its share of the revenue from the sale of the output by the joint operation; and

– its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(e) Business combination

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Business combination (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry-forwards of an acquiree that existed at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 Income Tax;

– assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

– liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as "measurement period" adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 Financial Instruments: Recognition and Measurement, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Business combination (Continued)

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts that are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained within one year about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(f) Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

(g) Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

Property, plant and equipment other than construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses.

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

Buildings	4.5%
Plant and machinery	9%
Operating assets for energy efficiency projects	Over the shorter of estimated useful lives and the unexpired term of the projects
Furniture and office equipment	18%
Electronic equipment	9%–18%
Motor vehicles	9%
Leasehold improvements	20%

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Construction in progress represents buildings and structures under construction, which is stated at cost less impairment losses. Cost comprises the direct costs of construction as well as borrowing costs (Note 3(u)) during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill)

Intangible assets with finite useful lives that are acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are stated at cost less accumulated amortisation and impairment loss. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the shorter of the assets' estimated useful lives and the remaining contractual periods as follow:

Customer relationships	11.42 (2013: 12.42) years
Patents	2.67 to 5.75 (2013: 3.67 to 6.75) years
Trademarks	7.92 (2013: 8.92) years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in the property, plant and equipment and the corresponding liabilities, net of payments, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 3(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

Where the Group is a lessor, assets held by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms.

(k) Impairment of assets

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

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

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

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

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

(ii) Impairment of other assets

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

– investments in subsidiaries in the Company's statement of financial position;

– property, plant and equipment;

– goodwill; and

– other intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

(m) Trade and other receivables

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

(n) Cash and cash equivalents

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

(o) Interest-bearing borrowings

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

(p) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Convertible bonds that contains an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the reserve until either the bond is converted or redeemed.

If the bond is converted, the reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the reserve is released directly to retained profits.

(r) Bonds

Bonds issued by the Company that contain both liability and embedded derivatives (put option at the discretion of the bondholder to early redeem and call option at the discretion of the issuer to redeem the bonds that are not closely related to the host liability component) are classified separately into respective item on initial recognition. At the date of issue, both the liability and embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the bonds is carried at amortised cost using the effective interest method. The put option and call option are measured at fair value with changes in fair value recognised in profit or loss.

(s) Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to the retained profits/accumulated losses.

(t) Trade and other payables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowing costs

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

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

(v) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where the forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium) or the option expires (when it is released directly to retained profits).

The Group also granted equity instruments to persons other than employees and others providing similar services. The fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition of assets. A corresponding increase in equity is recognised.

(iii) Termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (Continued)

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(x) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 3(x)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 3(x)(ii).

(ii) Other provisions and contingent liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency").

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

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

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Revenue recognition

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

(i) Sale of goods

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

(ii) Commission income

Commission income is recognised when the agency services are rendered to customers.

(iii) Energy efficiency service income

Energy efficiency service income is recognised with reference to the energy efficiency service which are taken to be the point when the customer has accepted it over the service period.

(iv) Interest income

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

(v) Rental income

Rental income from leasing of property, plant and machinery is recognised in accordance with the terms of the lease agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(bb) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include bank and cash and cash equivalents, convertible bonds, bonds payable, trade and other receivables, trade and other payables, bank loans and obligations under finance leases. The Group's activities expose it to a variety of finance risks, including credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has established credit control policies with credit limits, credit approvals and other monitoring procedures for debts recovery are in place to minimise the credit risk. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account the information specific to the customer as well as pertaining to the economic environment to which the customer operates. These receivables are due from 90 to 365 days from the date of billing (or the date of revenue recognition). In addition, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts. With such policies in place, the Group has been able to maintain its bad debts at minimal level. The Group's trade receivables related to a large number of diversified customers, the concentration of credit risk is not significant.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and long term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2014				
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**
Trade payables	**22,307**	**22,307**	**22,307**	**–**	**–**
Other payables and accruals	**11,612**	**11,612**	**11,612**	**–**	**–**
Bank loans	**11,293**	**11,625**	**11,625**	**–**	**–**
Bonds payable	**66,368**	**67,528**	**67,528**	**–**	**–**
Obligations under finance leases	**756**	**798**	**401**	**193**	**204**
	112,336	**113,870**	**113,473**	**193**	**204**

	2013				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade payables	24,965	24,965	24,965	–	–
Other payables and accruals	15,533	15,533	15,533	–	–
Amount due to a director	571	571	571	–	–
Bank loans	3,324	3,424	3,424	–	–
Bonds payable	65,283	77,760	77,760	–	–
Obligations under finance leases	1,090	1,169	391	391	387
	110,766	123,422	122,644	391	387

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The Company

	2014				
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**
Other payables and accruals	**289**	**289**	**289**	**–**	**–**
Amount due to a subsidiary	**47**	**47**	**47**	**–**	**–**
Bonds payable	**66,368**	**67,528**	**67,528**	**–**	**–**
	66,704	**67,864**	**67,864**	**–**	**–**
Financial guarantee issued					
Maximum amount guarantee	**–**	**–**	**11,293**	**–**	**–**

	2013				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Other payables and accruals	266	266	266	–	–
Amount due to a subsidiary	46	46	46	–	–
Amount due to a director	305	305	305	–	–
Bonds payable	65,283	77,760	77,760	–	–
	65,900	78,377	78,377	–	–
Financial guarantee issued					
Maximum amount guarantee	–	–	3,324	–	–

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

The Group's interest rate risk primarily derives from bank borrowings and time deposits and cash at banks. The Group did not use derivative financial instruments to hedge its debt obligations.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest-generating financial assets and interest-bearing financial liabilities at the end of the reporting period:

The Group

	2014 Effective interest rate	**2014** RMB'000	2013 Effective interest rate	2013 RMB'000
Fixed rate:				
Bonds payable	**8%**	**66,368**	18.68%	65,283
Obligations under finance leases	**3.20% – 4.27%**	**756**	3.87% – 4.41%	1,090
Variable rate:				
Bank loans	**2.75% – 3%**	**11,293**	3%	3,324
Total borrowings		**78,417**		69,697
Net fixed rate borrowings as a percentage of total borrowings		**86%**		95%
Variable rate:				
Cash at banks	**0.001% – 0.35%**	**33,351**	0.001% – 0.35%	42,520
Pledged bank deposits	**0.001%**	**23,935**	0.01%	12,170
		57,286		54,690

The Company

	2014 Effective interest rate	**2014** RMB'000	2013 Effective interest rate	2013 RMB'000
Fixed rate:				
Bonds payable	**8%**	**66,368**	18.68%	65,283
Total borrowings		**66,368**		65,283
Variable rate:				
Cash at banks	**0.001% – 0.35%**	**6,726**	0.001% – 0.35%	11,484

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's loss after income tax for the year and accumulated losses by approximately RMB460,000/RMB113,000 (2013: RMB513,000/ RMB33,000).

The sensitive analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the financial instruments exposed to interest rate risk for variable rate interest bearing financial instruments as if they had been in existence at the beginning of the year. The 100-basis-point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

(d) Currency risk

The Group is exposed to currency risk primarily through its trade and other receivables and bank deposits that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily the United State dollars ("US$") and Euro ("EUR").

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entities within the Group to which they relate.

	The Group		**The Company**	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cash and cash equivalents				
US$	**500**	547	**–**	–
EUR	**462**	449	**–**	–
Bonds payable				
RMB	**66,368**	(65,283)	**66,368**	(65,283)

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after income tax and accumulated losses and other components of equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period. Other components of equity would not be affected by changes in the foreign exchange rates:

The Group

	2014 Increase/ (decrease) in foreign exchange rates	**2014** Effect on loss after income tax and accumulated losses RMB'000	**2014** Effect on other components of equity RMB'000	2013 Increase/ (decrease) in foreign exchange rates	2013 Effect on loss after income tax and accumulated losses RMB'000	2013 Effect on other components of equity RMB'000
US$	**5%**	**(25)**	**–**	5%	(27)	–
	(5%)	**25**	**–**	(5%)	27	–
RMB	**5%**	**3,318**	**–**	5%	3,264	–
	(5%)	**(3,318)**	**–**	(5%)	(3,264)	–
EUR	**5%**	**(23)**	**–**	5%	(22)	–
	(5%)	**23**	**–**	(5%)	22	–

The Company

	2014 Increase/ (decrease) in foreign exchange rates	**2014** Effect on loss after income tax and accumulated losses RMB'000	**2014** Effect on other components of equity RMB'000	2013 Increase/ (decrease) in foreign exchange rates	2013 Effect on loss after income tax and acumulated losses RMB'000	2013 Effect on other components of equity RMB'000
RMB	**5%**	**3,264**	**–**	5%	3,264	–
	(5%)	**(3,264)**	**–**	(5%)	(3,264)	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk at the end of the reporting period. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of reporting period. The analysis is performed on the same basis for 2013.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values

(i) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's and the Company's liabilities that are measured at fair value at 31 December 2014 and 2013:

The Group and the Company	**Level 1** RMB'000	**Level 2** RMB'000	**Level 3** RMB'000
2014			
Liabilities			
– Put and call options embedded in bonds	–	–	–
2013			
Liabilities			
– Put and call options embedded in bonds	–	–	12,846

During the years ended 31 December 2013 and 2014, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

(i) Financial instruments measured at fair value (Continued)

As at 31 December 2013, the fair value of the put and call options embedded in the Company's bonds payable is a Level 3 fair value measurement and is estimated by applying the discounted cash flow method. The determination of fair value is based on discount rate which is unobservable. The significant unobservable input and relationship of this input to fair value of the put and call options are show as below:

Significant unobservable input	**Relationship of unobservable input to fair value**
Discount rate of 16.45–16.67%	The higher the discount rate, the lower the fair value.

The movements during the year in the balance of Level 3 fair value measurements are as follows:

	2014 **RMB'000**	2013 RMB'000
Put and call options embedded in bonds (Note 29)		
At 1 January	**(12,846)**	(9,304)
Change in fair value recognised in profit or loss during the year	**12,846**	(3,542)
At 31 December	**–**	(12,846)

(ii) Financial instruments carried at other than fair value

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Useful lives and residue values of property, plant and equipment and other intangible assets

Useful lives of the Group's property, plant and equipment and other intangible assets are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and other intangible assets of similar nature and functions. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation or amortisation expense in future periods.

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to items such as the level of turnover and the amount of operating costs. No impairment was provided during the year.

(c) Impairment of investments in subsidiaries

The Company has made impairment on investments in subsidiaries when the related recoverable amounts of the investments in subsidiaries, with reference to their financial position and performance, are estimated to be less than their carrying amounts.

(d) Impairment of trade receivables and other receivables

The Company made allowance for impairment on trade and other receivables based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history and subsequent settlements of each customer of the Group up to the date of approval of the financial statements. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Estimated recoverable amount of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill have been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value where the expected future cash flows arising from the relevant cash-generating units differ from the cash-generating units containing goodwill using an appropriate discount rate. Details of the recoverable amount calculations are disclosed in Note 18.

At 31 December 2014, the estimated recoverable amount of cash-generating units were lower than their carrying amounts, provision for impairment loss on goodwill of approximately of RMB96,043,000 has been recognised in profit or loss for the year ended 31 December 2014.

Had the parameters for the projected future cash flows of the cash-generating units of the goodwill and the discount rates been different, the estimated recoverable amount of goodwill would have been significantly different and further impairment may arise.

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are made with reference to the aged inventories analyses, projection of expected sales volume and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(g) Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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.

(h) Determination and classification of lease arrangements

In assessing whether the Group's arrangements contain a lease, the Group's management takes into consideration the key terms of each arrangement with reference to HK(IFRIC) 4. The Group's management further assesses whether a lease arrangement shall be classified as a finance lease or an operating lease based on the key terms of the lease arrangement with reference to HKAS 17.

6. TURNOVER AND SEGMENT REPORTING

(a) Turnover and revenue

Turnover represents the net invoiced value of goods supplied to customers less returns and allowance; commission income from distribution of light-emitting diode ("LED") lighting products; and service income from energy efficiency projects. The amount of each significant category of revenue recognised in turnover during the year is as follow:

	2014 RMB'000	2013 RMB'000
Continuing operations		
Sale of LED lighting products and accessories	**138,820**	121,245
Commission income from distribution of LED lighting products	**–**	43,873
Service income from energy efficiency projects	**5,507**	2,092
	144,327	167,210

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the senior management for the purposes of resources allocation and performance assessment, the Group has engaged in two reporting segments.

– LED lighting

– Provision of property sub-leasing services

The manufacturing and sale of LED lighting products and accessories segment and energy efficiency projects segment have been aggregated into one segment named as "LED lighting". As the reported revenue, the absolute amount of the reported profit or loss and the total assets of the energy efficiency projects segment have not exceeded the quantitative thresholds, no separate operating segments have been presented.

Since the discontinuation of manufacturing and sale of aluminum electrolytic capacitors operations during the year ended 31 December 2013, the Group's senior management review the Group's results and total assets from the continuing operations as a whole, which represent LED lighting business and provision of property sub-leasing services business, for resource allocation and performance assessment. Accordingly, no segment information regarding to the manufacturing and sale of aluminum electrolytic capacitors business was presented.

"Adjusted EBITDA" is used as one of the measures for the reportable segment profit or loss, which represents "earnings/(loss) before interest, tax, depreciation and amortisation", where "interest" comprises investment income and finance costs and "depreciation" and "amortisation" also comprise impairment losses on non-current assets. This measurement basis excludes the effect of non-recurring expenditures from the operating segments, such as loss on early redemption of promissory notes, changes in fair values on embedded derivative of bonds and convertible bonds, gain/(loss) on disposal of property, plant and equipment and share of results of a joint venture. To arrive at adjusted EBITDA, the Group's earnings/(loss) are further adjusted for items not specifically attributed to individual segments, such as corporate administration costs.

6. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Information regarding the Group's reportable segments as provided to the senior management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2014 and 2013 is set out below,

Continuing operations

	2014 LED lighting RMB'000	Property sub-leasing services RMB'000	Total RMB'000
Turnover	144,327	–	144,327
Inter-segment revenue	–	–	–
Reportable segment revenue from external customers	144,327	–	144,327
Reportable segment results	(235,080)	(28,967)	(264,047)
Other information:			
Interest expenses	(25,818)	(7,490)	(33,308)
Depreciation of property, plant and equipment	(10,500)	–	(10,500)
Impairment loss on goodwill	(96,043)	–	(96,043)
Impairment loss on other intangible assets	(28,207)	–	(28,207)
Amortisation of other intangible assets	(71,380)	–	(71,380)
Fair value gain on embedded derivatives of bonds	12,846	–	12,846
Fair value loss on embedded derivatives of convertible bonds	–	(34,780)	(34,780)
Allowance for impairment on trade and other receivables	(10,000)	–	(10,000)
Write down of inventories	(346)	–	(346)
Loss on disposal of property, plant and equipment	(986)	–	(986)
Exchange losses, net	(852)	–	(852)
Share of results of a joint venture	–	13,303	13,303
Reportable segment assets	913,757	349,488	1,263,245
Reportable segment liabilities	125,875	–	125,875

6. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

	2013		
	LED lighting RMB'000	Property sub-leasing services RMB'000	Total RMB'000
Turnover	167,210	–	167,210
Inter-segment revenue	–	–	–
Reportable segment revenue from external customers	167,210	–	167,210
Reportable segment results	(251,448)	–	(251,448)
Other information:			
Interest expenses	(9,730)	–	(9,730)
Depreciation of property, plant and equipment	(6,227)	–	(6,227)
Impairment loss on goodwill	(197,045)		(197,045)
Amortisation of other intangible assets	(71,380)	–	(71,380)
Loss on early redemption of promissory notes	(4,878)	–	(4,878)
Fair value loss on embedded derivatives of bonds	(3,542)	–	(3,542)
Allowance for impairment on trade receivables, net	(153)	–	(153)
Exchange gains, net	1,704	–	1,704
Gain on disposal of property, plant and equipment	287	–	287
Reportable segment assets	1,096,242	–	1,096,242
Reportable segment liabilities	122,893	–	122,893

6. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2014 RMB'000	2013 RMB'000
Loss before income tax and discontinued operation		
Reportable segment results	**(264,047)**	(251,448)
Unallocated interest income	**24**	27
Unallocated interest expenses	**(39)**	(30)
Unallocated corporate administration costs	**(3,010)**	(4,177)
Consolidated loss before income tax from continuing operations	**(267,072)**	(255,628)
Assets		
Reportable segment assets	**1,263,245**	1,096,242
Unallocated head office and corporate assets	**6,726**	11,484
Consolidated total assets	**1,269,971**	1,107,726
Liabilities		
Reportable segment liabilities	**125,875**	122,893
Income tax payable	**12,913**	25,181
Deferred tax liabilities	**121,277**	148,995
Unallocated head office and corporate liabilities	**289**	571
Consolidated total liabilities	**260,354**	297,640

6. TURNOVER AND SEGMENT REPORTING (Continued)

(c) Geographic information

The following table provides an analysis of the Group's revenue from external customers by location of delivery of goods and/or services to the customers and information about the Group's non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) by geographical location of assets:

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
The People's Republic of China (the "PRC")	**103,415**	111,385	**893,336**	713,792
Hong Kong	**14,401**	45,841	**35,651**	39,583
Spain	**18,104**	3,395	**54,909**	66,286
Other countries	**8,407**	6,589	**–**	–
	144,327	167,210	**983,896**	819,661

(d) Major customers

During the years ended 31 December 2014 and 2013, there is no revenue from transactions with a single external customer amount to 10% or above of the total revenue of the Group.

7. OTHER REVENUE AND INCOME

	2014	2013
	RMB'000	RMB'000
Continuing operations		
Other revenue		
Bank interest income	**24**	27
Rental income from property, plant and equipment	**2,400**	2,000
Sub-contracting income	**–**	2,051
Scrap sales	**2,947**	2,782
Others	**273**	–
	5,644	6,860
Continuing operations		
Other income		
Gain on disposal of property, plant and equipment	**–**	287
Exchange gains, net	**–**	1,704
Others	**215**	–
	215	1,991

8. LOSS BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2014 RMB'000	2013 RMB'000
Continuing operations		
(a) Finance costs		
Interests on bank loans wholly repayable within 5 years	**114**	–
Imputed interest on promissory notes	**–**	572
Interest on bonds (Note 29)	**25,704**	9,158
Imputed interest on convertible bonds (Note 30)	**7,490**	–
Finance charges on obligations under finance leases	**39**	30
Total finance costs	**33,347**	9,760
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**28,602**	28,373
Contributions to defined contribution retirement plans	**1,245**	820
Total staff costs	**29,847**	29,193
(c) Other items		
Auditor's remuneration		
– Audit services – current year	**700**	689
– under-provision in previous year	**398**	–
– Non-audit services	**–**	117
Cost of inventories sold	**104,421**	94,762
Depreciation of property, plant and equipment	**10,500**	6,227
Allowance for impairment on trade and other receivables, net	**10,000**	153
Write-down of inventories	**346**	–
Loss/(gain) on disposal of property, plant and equipment	**986**	(287)
Operating lease charges in respect of land and buildings	**7,040**	5,775
Research and development expenditures	**664**	482

Notes:

(i) Cost of inventories sold includes staff costs of RMB9,240,000 (2013: RMB8,766,000) and depreciation of RMB3,916,000 (2013: RMB2,677,000) as disclosed in staff costs and depreciation of property, plant and equipment above.

(ii) Research and development expenditures includes staff costs of RMB375,000 (2013: RMB343,000) and materials of RMB151,000 (2013: RMB2,108,000) incurred by the research and development department which are included in the staff costs and cost of inventories sold as disclosed above.

9. INCOME TAX

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

	2014 **RMB'000**	2013 RMB'000
Continuing operations		
Hong Kong Profits Tax		
– Current year	**9**	7,264
– Over-provision in respect of prior years	**(8)**	–
PRC Enterprise Income Tax		
– Current year	**2,891**	5,343
	2,892	12,607
Deferred tax (Note 32(a))	**(27,718)**	(17,883)
Income tax	**(24,826)**	(5,276)

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

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

(iii) The domestic tax rate of the Group's principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. Except for a PRC subsidiary which entitles a preferential tax rate of 15% for the three years ended 31 December 2014, 2015 and 2016 as it is certified as a high and new technology enterprise, the standard enterprise income tax rate of 25% is applicable to the rest of the Group's principal subsidiaries in the PRC.

(b) Reconciliation between income tax and accounting loss at applicable tax rates:

	2014 **RMB'000**	2013 RMB'000
Loss before income tax from continuing operations	**(267,072)**	(255,628)
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(36,816)**	(47,776)
Tax effect of non-deductible expenses	**9,160**	43,199
Tax effect of non-taxable income	**(2,120)**	(786)
Tax effect of tax losses not recognised	**4,242**	1,132
Over-provision in respect of prior years	**(8)**	–
Tax effect of tax losses utilised	**–**	(1,045)
Tax effect of share of results of a joint venture	**716**	–
Income tax	**(24,826)**	(5,276)

10. LOSS FROM DISCONTINUED OPERATION

On 17 June 2013, the Group completed the disposal of the entire interest in Huawei Group Holdings Limited and its subsidiaries (the "Huawei Group") to a former executive director, Mr. Yan Qixu for a consideration of HK$120,000,000 (equivalent to RMB94,752,000), resulting in a gain on disposal of subsidiaries of RMB13,990,000. The Huawei Group is engaged in the manufacturing and sale of aluminum electrolytic capacitors.

(a) The loss for the year ended 31 December 2013 from the discontinued operation is analysed as follows:

	2013 RMB'000
Net loss for the year from discontinued operation	(20,798)
Gain on disposal of subsidiaries (Note 40(b))	13,990
	(6,808)

(b) The results of the discontinued operation for the year ended 31 December 2013 are presented as follows:

	2013 RMB'000
Turnover	152,504
Cost of sales	(143,675)
Gross profit	8,829
Other revenue and income	1,547
Selling and distribution costs	(3,374)
Administrative expenses	(16,060)
Allowance for impairment on trade receivables, net	(737)
Write-down of inventories	(19)
Finance costs	(10,691)
Loss before income tax	(20,505)
Income tax	(293)
Loss for the year	(20,798)
Loss before income tax for the year from discontinued operation:	
Amortisation of prepaid land lease prepayments	42
Depreciation of property, plant and equipment	10,594

(c) An analysis of the cash flows of the discontinued operation:

	2013 RMB'000
Net cash inflow from operating activities	116,618
Net cash outflow from investing activities	(4,987)
Net cash outflow from financing activities	(109,810)
Net cash inflow	1,821

11. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 78(1) of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) which requires compliance with Section 161 of the Hong Kong Companies Ordinance (Cap. 32) is as follows:

2014

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Other benefits RMB'000	Retirement scheme contributions RMB'000	2014 RMB'000
Executive directors							
Li Wing Sang	287	1,361	179	–	–	13	1,840
Liu Xinsheng	287	–	–	–	–	–	287
Chiu Chi Hong	287	1,098	143	–	–	13	1,541
Independent non-executive directors							
Tam Tak Wah	143	–	–	–	–	–	143
Ng Wai Hung	143	–	–	–	–	–	143
Lau Wan Cheung	143	–	–	–	–	–	143
	1,290	2,459	322	–	–	26	4,097

2013

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Other benefits RMB'000	Retirement scheme contributions RMB'000	2013 RMB'000
Executive directors							
Li Wing Sang	285	1,140	119	–	–	12	1,556
Liu Xinsheng	285	–	–	–	–	–	285
Chiu Chi Hong	285	950	95	–	–	12	1,342
Independent non-executive directors							
Tam Tak Wah	143	–	–	–	–	–	143
Ng Wai Hung	143	–	–	–	–	–	143
Lau Wan Cheung	143	–	–	–	–	–	143
	1,284	2,090	214	–	–	24	3,612

No director waives any emolument during the years ended 31 December 2013 and 2014.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: two) are directors of the Company whose emoluments are disclosed in Note 11. The emoluments payable to the remaining three (2013: three) non-director individuals are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and other benefits	**1,253**	1,234
Contributions to defined contribution retirement schemes	**40**	34
	1,293	1,268

The emoluments of three (2013: three) individuals above with the highest emoluments fell within the band of HK$Nil to HK$1,000,000 (equivalent to approximately RMB798,000 (2013: RMB792,000)).

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to the owners of the Company includes a loss of RMB53,285,000 (2013: RMB73,509,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since 31 December 2014 (2013: RMBNil).

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the bonus issue during the year. Basic and diluted loss per share for the year ended 31 December 2013 are restated to reflect the bonus issue during the year.

Loss attributable to owners of the Company

	2014 **RMB'000**	2013 RMB'000
From continuing operations	**216,852**	238,720
From discontinued operation	**–**	6,808
	216,852	245,528

Weighted average number of shares

	2014	2013 (Restated)
Weighted average number of shares in issue	**1,413,128,331**	1,323,737,837

From discontinued operation

For the year ended 31 December 2013, basic and diluted loss per share for the discontinued operation is RMB0.52 cents per share (Restated) based on the loss attributable to owners of the Company from the discontinued operation and the denominator detailed above for both basic and diluted loss per share.

(b) Diluted loss per share

The computation of diluted loss per share does not assume the subscription of the Company's outstanding potential dilutive ordinary shares in the calculation of diluted loss per share as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the years ended 31 December 2014 and 2013.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Operating assets for energy efficiency projects RMB'000	Furniture and office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost									
At 1 January 2013	48,200	264,357	–	7,679	12,157	4,271	2,677	23,356	362,697
Additions	224	5,678	11,639	950	369	2,948	1,281	195	23,284
Disposals	–	(789)	–	–	–	–	–	–	(789)
Reclassification	22,849	702	–	–	–	–	–	(23,551)	–
Disposal of subsidiaries	(71,273)	(218,385)	–	(5,486)	(12,526)	(2,961)	–	–	(310,631)
Exchange realignment	–	(21)	–	(8)	–	(34)	(21)	–	(84)
At 31 December 2013 and 1 January 2014	**–**	**51,542**	**11,639**	**3,135**	**–**	**4,224**	**3,937**	**–**	**74,477**
Additions	**–**	**14,401**	**5,043**	**339**	**–**	**780**	**1,593**	**–**	**22,156**
Disposals	**–**	**(451)**	**–**	**–**	**–**	**–**	**(879)**	**–**	**(1,330)**
Exchange realignment	**–**	**–**	**–**	**(17)**	**–**	**(19)**	**(19)**	**–**	**(55)**
At 31 December 2014	**–**	**65,492**	**16,682**	**3,457**	**–**	**4,985**	**4,632**	**–**	**95,248**
Accumulated depreciation									
At 1 January 2013	9,715	104,353	–	3,439	6,216	1,964	320	–	126,007
Charge for the year	1,268	12,083	510	915	734	683	628	–	16,821
Written back on disposal	–	(126)	–	–	–	–	–	–	(126)
Disposal of subsidiaries	(10,983)	(101,877)	–	(3,250)	(6,950)	(1,939)	–	–	(124,999)
Exchange realignment	–	(47)	–	(2)	–	(5)	(7)	–	(61)
At 31 December 2013 and 1 January 2014	**–**	**14,386**	**510**	**1,102**	**–**	**703**	**941**	**–**	**17,642**
Charge for the year	**–**	**6,217**	**1,682**	**787**	**–**	**1,171**	**643**	**–**	**10,500**
Written back on disposal	**–**	**(52)**	**–**	**–**	**–**	**–**	**(26)**	**–**	**(78)**
Exchange realignment	**–**	**–**	**–**	**(4)**	**–**	**(14)**	**(10)**	**–**	**(28)**
At 31 December 2014	**–**	**20,551**	**2,192**	**1,885**	**–**	**1,860**	**1,548**	**–**	**28,036**
Carrying amount									
At 31 December 2014	**–**	**44,941**	**14,490**	**1,572**	**–**	**3,125**	**3,084**	**–**	**67,212**
At 31 December 2013	–	37,156	11,129	2,033	–	3,521	2,996	–	56,835

Notes:

(a) The operating assets represented mainly the costs of LED lighting products installed in relation to energy efficiency projects. The costs of these operating assets are capitalised and depreciated, on a straight-line basis, over the shorter of the useful lives of these assets and the remaining contractual periods of the respective contracts.

(b) At 31 December 2014, the carrying amounts of motor vehicles of the Group held under finance leases were RMB1,221,000 (2013: RMB1,980,000).

17. PREPAID LAND LEASE PREPAYMENTS

	The Group RMB'000
Cost	
At 1 January 2013	4,159
Disposal of subsidiaries (Note 40)	(4,159)
At 31 December 2013	–
Accumulated amortisation	
At 1 January 2013	400
Charge of the year	42
Disposal of subsidiaries (Note 40)	(442)
At 31 December 2013	–
Carrying amount	
At 31 December 2013	–

Note:

Prepaid land lease prepayments represented payments for land use rights of medium-term leasehold lands in the PRC, which have remaining terms ranging from 40 to 45 years and were disposed of during the year ended 31 December 2013.

18. GOODWILL

	The Group	
	2014 RMB'000	2013 RMB'000
Cost		
At 1 January and 31 December	**372,627**	372,627
Impairment		
At 1 January	**197,045**	–
Impairment loss recognised	**96,043**	197,045
At 31 December	**293,088**	197,045
Carrying amount		
At 31 December	**79,539**	175,582

The Group's goodwill was arising from business combinations in 2011 in connection with the acquisition of (i) Giga-World Industry Company Limited and its subsidiary (collectively referred to as the "Giga-World Group"), (ii) Shine Link Technology Limited and its subsidiaries (collectively referred to as the "Shine Link Group"), (iii) Kings Honor Technology Limited and its subsidiaries (collectively referred to as the "Kings Honor Group"), (iv) Pacific King Technology Limited and its subsidiaries (collectively referred to as the "Pacific King Group"), (v) Starry View Investments Limited and its subsidiaries (collectively referred to as the "Starry View Group") and (vi) Mega Wide Investments Limited and its subsidiaries (collectively referred to as the "Mega Wide Group"), which represented their respective workforce, expected future profitability and synergies with the existing LED lighting related businesses.

18. GOODWILL (Continued)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to six cash-generating units ("CGUs") attributable to the above groups of subsidiaries which engaged in manufacture and sales of LED lighting products and accessories, and energy efficiency projects.

The recoverable amounts of the CGUs are determined by the directors of the Company based on value-in-use calculations with reference to professional valuations performed by Peak Vision Appraisals Limited ("Peak Vision"), an independent firm of professionally qualified valuers. These calculations used cash flow projections based on the financial budgets approved by the management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3%, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the business in which the individual CGU operates. The pre-tax discount rates as presented below are determined using the Capital Assets Pricing Model.

	Pre-tax discount rate	**Growth rate beyond 5 years**
Giga-World Group	22.54%	3%
Shine Link Group	27.74%	3%
Kings Honor Group	22.24%	3%
Pacific King Group	21.05%	3%
Starry View Group	20.03%	3%
Mega Wide Group	25.74%	3%

In the opinion of the directors of the Company, the basis used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the respective CGUs. The discount rate used reflects specific risks relating to industries in relation to the respective CGUs.

Based on the above impairment assessments, the recoverable amounts of certain CGUs fell below the respective net carrying values of the assets including the allocated goodwill attributable to such CGUs as at 31 December 2014 by the aggregate amount of RMB293,088,000 (2013: RMB197,045,000), and accordingly impairment loss on goodwill and other intangible assets of RMB96,043,000 (2013: RMB197,045,000) and RMB28,207,000 (2013: RMBNil) has been charged to profit or loss for the year ended 31 December 2014.

18. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

Analysis of carrying amounts of goodwill allocated to each of the CGUs and corresponding impairment loss recognised during the year ended 31 December 2014 are as follows:

	Carrying amount as at 31 December 2013 RMB'000	**Impairment loss recognised during the year** RMB'000	**Carrying amount as at 31 December 2014** RMB'000
Giga-World Group	53,925	(34,570)	19,355
Shine Link Group	61,856	(17,566)	44,290
Kings Honor Group	25,245	(25,245)	–
Pacific King Group	28,560	(12,666)	15,894
Starry View Group and Mega Wide Group	5,996	(5,996)	–
	175,582	(96,043)	79,539

The above impairment losses are resulted mainly because of deterioration of profitability reflected by the decrease in turnover and/or gross profit margin in different CGUs, which is mainly attributable to the decrease in selling prices of the LED lighting products; and the failure to shift increased cost of production and other direct costs to the customers under the keen market competition.

As at 31 December 2014, the recoverable amount of Giga-World Group, Shine Link Group, Kings Honor Group, Pacific King Group and Starry View and Mega Wide Group that impairment loss on goodwill has been recognised during the year are RMB315,060,000, RMB196,673,000, RMB99,530,000, RMB103,611,000 and RMB75,619,000 respectively.

19. OTHER INTANGIBLE ASSETS

	Customer relationships RMB'000	Patents RMB'000	Trademarks RMB'000	Total RMB'000
Cost				
At 1 January 2013, 31 December 2013 and 2014	478,900	243,300	50,000	772,200
Amortisation and impairment loss				
At 1 January 2013	54,821	53,339	5,416	113,576
Charge for the year	34,207	32,173	5,000	71,380
At 31 December 2013 and 1 January 2014	89,028	85,512	10,416	184,956
Charge for the year	34,207	32,173	5,000	71,380
Impairment loss (Note 18)	28,207	–	–	28,207
At 31 December 2014	151,442	117,685	15,416	284,543
Carrying amount				
At 31 December 2014	327,458	125,615	34,584	487,657
At 31 December 2013	389,872	157,788	39,584	587,244

20. INVESTMENTS IN SUBSIDIARIES

	The Company 2014 RMB'000	2013 RMB'000
At cost		
Unlisted shares	**69**	69
Equity loan to a subsidiary (Note (a))	**1,163,676**	822,738
	1,163,745	822,807
Less: Impairment loss (Note (b))	**(373,381)**	(163,388)
Investments in subsidiaries, net	**790,364**	659,419

Notes:

(a) The equity loan to a subsidiary is accounted for, in substance, as equity contribution by the Company to provide for capital of this subsidiary, it's interest-free and will not be demanded for repayment.

(b) Accumulated allowance for the Company's investment in subsidiaries of RMB373,381,000 (2013: RMB163,388,000) was recognised as at 31 December 2014 because the estimated recoverable amount of interests in the subsidiaries, determined with reference to the net assets of those subsidiaries at the end of the reporting period, was estimated to be less than their carrying amounts.

(c) The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group at 31 December 2014. The class of shares held is ordinary, unless otherwise stated.

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company Direct %	Indirect %	Principal activities
Giga-World Industry Company Limited	Hong Kong	HK$2,500,000	–	60	Investment holding and trading of LED lighting products
深圳風光新能源有限公司 Shenzhen Wind and Solar New Energy Company Limited (Note (i))	PRC	HK$38,000,000	–	60	Manufacture and sale of LED lighting products
U Young Technology Holdings Limited	Hong Kong	HK$10,000	–	100	Investment holding and trading of LED lighting products
尤陽(廈門)光電科技有限公司 U Young (Xiamen) Technology Company Limited (Note (i))	PRC	US$2,100,000	–	100	Manufacture and sale of LED lighting products
Wei Guang Holdings Limited	Hong Kong	HK$10,000,000	–	60	Investment holding and trading of LED lighting products
江西藍田偉光科技有限公司 Jiangxi Lantian Wei Guang Technology Company Limited	PRC	HK$10,000,000	–	57	Manufacture and sale of LED lighting products
Da Zhen (Hong Kong) Holdings Limited	Hong Kong	HK$10,000,000	–	60	Investment holding and trading LED lighting products

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(c) (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company Direct %	Indirect %	Principal activities
深圳市崇正電子科技有限公司 Shenzhen Chong Zhen Electronics Technology Company Limited (Note (i))	PRC	HK$10,000,000	–	60	Manufacture and sale of LED lighting products
LEDUS Lighting Technology Company Limited	Hong Kong	HK$10,000,000	–	100	Investment holding and trading of LED lighting products
上海米廷電子科技有限公司 Shanghai Meeting Electronic Technology Company Limited (Note (i))	PRC	US$1,500,000	–	60	Trading of LED lighting products
Alisea Esco, S.A. (formerly known as Tecdoa Energy S.A.) (Note (ii))	Spain	EUR15,000	–	70	Provision of energy efficiency services and trading of LED lighting products
LEDUS Group Limited	Hong Kong	HK$10,000	–	100	Provision of administrative services

Notes:

(i) These entities are wholly-owned foreign enterprises established in the PRC.

(ii) This entity is a limited liability company.

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(d) The following table lists out the information in respect of each of the Group's subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

For the year ended 31 December 2014

	Giga-World Group RMB'000	**Kings Honor Group RMB'000**	**Pacific King Group RMB'000**
NCI percentage	**40%**	**43%**	**40%**
Current assets	**45,275**	**50,039**	**42,766**
Non-current assets	**265,879**	**54,799**	**40,924**
Current liabilities	**(14,947)**	**(27,325)**	**(25,045)**
Non-current liabilities	**(62,653)**	**(9,459)**	**(5,887)**
Net assets	**233,554**	**68,054**	**52,758**
Carrying amount of NCI	**95,332**	**31,042**	**22,981**
Revenue	**9,646**	**45,881**	**57,036**
Profit/(loss) for the year	**(30,351)**	**(8,335)**	**(1,252)**
Total comprehensive income/(loss)	**(29,631)**	**(8,331)**	**(1,240)**
Profit/(loss) allocated to NCI	**(12,086)**	**(3,743)**	**(454)**
Cashflows from operating activities	**(5,405)**	**7,812**	**8,716**
Cashflows from investing activities	**(118)**	**(4,559)**	**(12,395)**
Cashflows from financing activities	**4,322**	**–**	**(132)**

For the year ended 31 December 2013

	Giga-World Group RMB'000	Kings Honor Group RMB'000	Pacific King Group RMB'000
NCI percentage	40%	43%	40%
Current assets	56,389	66,879	51,191
Non-current assets	304,125	61,893	38,511
Current liabilities	(25,959)	(44,170)	(31,011)
Non-current liabilities	(71,371)	(11,703)	(7,659)
Net assets	263,184	72,899	51,032
Carrying amount of NCI	107,418	34,794	23,434
Revenue	29,895	73,154	43,746
Profit/(loss) for the year	(18,034)	1,753	2,183
Total comprehensive income/(loss)	(18,660)	1,800	2,250
Profit/(loss) allocated to NCI	(6,783)	594	816
Cash flows from operating activities	(6,899)	3,521	7,462
Cash flows from investing activities	(211)	(317)	(3,751)
Cash flows from financing activities	8,280	(85)	464

21. INTERESTS IN JOINT ARRANGEMENTS

(a) Interest in a joint venture

	The Group 2014 RMB'000
Share of net assets	**349,488**

Details of the Group's interest in a joint venture, which is accounted for using equity method in the consolidated financial statements for the year ended 31 December 2014, are as follows:

Name of joint venture	Place of establishment business	Registered capital	Percentage of registered capital held by the Company Direct	Indirect	Principal activities
Shanghai Fuchao Property Management Company Limited ("Fuchao") (formerly known as Shanghai Fuchao Investment Company Limited)	PRC	RMB9,000,000	–	50%	Provision of property sub-leasing services

Equity interest in Fuchao was acquired from an independent third party during the year and the details of acquisition are set out in Note 38.

Summarised financial information of Fuchao is disclosed below:

	2014 RMB'000
Gross amounts:	
Non-current assets	**652,072**
Current assets	**237,876**
Current liabilities	**(28,013)**
Non-current liabilities	**(162,959)**
Equity	**698,976**
Included in the above assets and liabilities:	
Cash and cash equivalents	**3,169**
Revenue	**55,338**
Profit from continuing operations	**26,606**
Total comprehensive income	**26,606**
Group's effective interest	**50%**
Group's share of Fuchao's profit	**13,303**
Included in the above profit:	
Depreciation and amortisation	**17,075**
Interest income	**8**
Interest expenses	**–**
Income tax credit	**(2,862)**
Reconciled to the Group's interest in Fuchao:	
Gross amount of Fuchao's net assets	**698,976**
Group's effective interest	**50%**
Group's share of Fuchao's net assets	**349,488**

21. INTERESTS IN JOINT ARRANGEMENTS (Continued)

(b) Interests in joint operations

Based on the partnership agreements dated 12 June 2012 and 1 May 2013 made between Alisea Esco, S.A. and Indra Sistemas, S.A., an independent third party, Union Temporal de Empresas of the Law (the "UTE"), which is a form of non-equity consortium in Spain, UTE of Tarancon and UTE of Jaen were formed on 15 October 2012 and 18 July 2013, respectively, in relation to the supply of and provision of installation and maintenance of the public LED lights in Spain. On 16 October 2012 and 29 July 2013, the UTE of Tarancon and UTE of Jaen, which were established by Alisea Esco, S.A. and Indra Sistemas, S.A., each of UTE of Tarancon and UTE of Jaen entered into a contract with each of the Town Council of Tarancon and Jaen in Spain, pursuant to which, the UTE of Tarancon and UTE of Jaen have been awarded energy efficiency contracts for the provision of the installation and maintenance of the public LED lights for the Town of Tarancon and Jaen in Spain for a period of 16 years and the income from these energy efficiency contracts is determined by the efficiency and energy saving arising from the LED lights. Based on the terms of the partnership agreements dated 12 June 2012 and 1 May 2013, Alisea Esco, S.A. and Indra Sistemas S.A. are responsible for the supply and installation of LED lights, which are manufactured by the Group, and the provision of maintenance and repairs of these LED lights, respectively, during the period of the energy efficiency contracts. The share of the income from the energy efficiency contracts by each of Alisea Esco, S.A. and Indra Sistemas S.A. are specified in the two partnership agreements. The arrangements for the UTE of Tarancon and UTE of Jaen are regarded as joint operations and the investment in the two energy efficiency contracts by Alisea Esco, S.A. is accounted for in accordance with the accounting policy as set out in Note (3)(d). All of the costs of the installed LED lights, supplied by the Group, under the energy saving contracts are capitalised and depreciated, on a straight line basis, over the shorter of their useful lives and the remaining periods of the energy efficiency contracts as detailed in Note 16(a).

22. INVENTORIES

	The Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**7,212**	10,494
Work-in-progress	**1,240**	1,047
Finished goods	**10,271**	10,991
	18,723	22,532

All of the inventories are expected to be recovered within one year.

During the year, the Group has carried out regular review of the carrying amounts of inventories with reference to aged analysis, expected future consumption and management judgement. As a result, it is identified that the estimated net realisable value of certain inventories of RMB346,000 (2013: RMBNil) is minimal and therefore such inventories have been fully written down and charged in profit or loss in the current year.

23. TRADE AND BILLS RECEIVABLES

	The Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables	**98,441**	111,883
Less: Allowance for doubtful debts (Note (b))	**(4,153)**	(153)
	94,288	111,730
Bills receivables	**10,066**	4,605
	104,354	116,335

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

(a) Aging analysis

Aging analysis of trade and bills receivables based on the invoiced date (or date of revenue recognition, if earlier) and net of provisions as of the end of the reporting period is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
0–30 days	**29,133**	26,194
31–90 days	**20,953**	34,016
91–180 days	**13,167**	33,838
181–365 days	**12,957**	9,801
Over 365 days	**28,144**	12,486
	104,354	116,335

The Group normally grants a normal credit period of 90 to 365 days (2013: 90 to 365 days) to its customers. Certain well-established customers who have strong financial strength, good repayment history and creditworthiness, the Group extends their credit periods beyond 180 days. Each customer of the Group has a maximum credit limit.

23. TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment on trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for doubtful debts during the year are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**153**	20,043
Disposal of subsidiaries	**–**	(20,043)
Reversal of impairment	**–**	–
Impairment recognised	**4,000**	153
Net charge to profit or loss	**4,000**	153
At 31 December	**4,153**	153

As at 31 December 2014, trade receivables of the Group amounted to RMB4,153,000 (2013: RMB153,000) were individually determined to be impaired and full allowance for impairment had been made. These individually impaired receivables were outstanding over 365 days at the end of the reporting period, taking into account of creditworthiness, past payment history and subsequent settlement of each customer up to date of approval of the financial statements. Accordingly, allowance for doubtful debts of RMB4,000,000 (2013: RMB153,000) was recognised during the year.

No cash deposit or collateral had been placed by the related trade debtors with the Group (2013: RMBNil).

(c) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables based on the due date that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**59,372**	94,048
1–180 days	**13,031**	9,801
Over 180 days	**31,951**	12,486
	104,354	116,335

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

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

24. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments included the following balances:

(a) There are the aggregate receivables of RMB90,176,000 (2013: RMB71,530,000) from four independent third party principals under relevant agency agreements, which are interest-free, due for repayment within one year and secured by collaterals for repayment. The directors of the Company are of the opinion that, after taking into account of the past payment history and subsequent settlement of these principals and their collaterals, the balances due from the principals can be fully recoverable and no impairment is necessary at the end of the reporting period.

(b) There are amounts due from non-controlling owners of subsidiaries of RMB5,206,000 (2013: RMB6,987,000), net of impairment, which are unsecured, interest-free and repayable on demand.

(c) Impairment on other receivables

The movements in the allowance other receivables during the year are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**–**	–
Impairment recognised	**6,000**	–
At 31 December	**6,000**	–

Except for the amount impaired, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. CASH AT BANKS AND IN HAND, AND PLEDGED BANK DEPOSITS

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and in hand	**33,351**	42,520	**6,726**	11,484
Pledged bank deposits	**23,935**	12,170	**–**	–
	57,286	54,690	**6,726**	11,484

As at 31 December 2014, the pledged bank deposits of RMB23,935,000 (2013: RMB12,170,000) were pledged to banks as security deposits made in favour of a bank in Spain for the performance bonds issued in relation to energy efficiency projects.

26. TRADE PAYABLES

Aging analysis of trade payables based on the invoice date (or date of cost recognition, if earlier) as of the end of the reporting period is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
0–30 days	**5,641**	8,603
31–90 days	**4,579**	10,190
91–365 days	**7,836**	4,192
Over 365 days	**4,251**	1,980
	22,307	24,965

The credit terms granted by suppliers are generally for a period of 30 to 90 days, computing from the end of the month of the relevant purchase.

27. OTHER PAYABLES AND ACCRUALS

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

28. BANK LOANS

As at 31 December 2014, the bank loans of the Group were detailed as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Bank loans	**11,293**	3,324

As at 31 December 2014, the Group's bank loans are interest-bearing at Hong Kong dollar best lending rate minus 2.25% per annum (2013: Hong Kong dollar best lending rate minus 2.25% per annum) and repayable within one year after the end of the reporting period.

The corporate guarantees of the Company are executed to secure the bank loans of the Group as at the end of reporting period.

29. BONDS PAYABLE

In prior years, the Company issued bonds with principal amount of RMB72,000,000, which are unsecured, interest-bearing at the coupon rate of 8% per annum payable annually and will be matured on 6 December 2017. The bonds are carried at amortised cost using the effective interest rate at 18.68% per annum.

The bondholder is granted with a put option ("Put Option"), upon serving a written notice by the bondholder to the Company to exercise the Put Option in accordance with the bond instrument, to require the Company to redeem the bonds in whole or in part at the principal amount, together with any accrued and unpaid interest in cash. The Put Option notice shall only be exercised by the bondholder at the date on the 24th or 36th or 48th calendar month of the issue date as stipulated in the bond instrument. In accordance with the bond instrument, the Company has a call option ("Call Option") to redeem the bonds in whole or in part at the principal amount, together with any accrued and unpaid interest thereon, at the date on the 24th or 36th or 48th calendar month of the issue date. Put Option and Call Option are not closely related to the host liability and are measured at fair value at the end of each reporting period with changes in fair value recognised in profit or loss.

During the year ended 31 December 2014, the bondholder exercised the Put Option pursuant to which the aggregate amount of RMB77,760,000 comprising the principal amount of RMB72,000,000 and related interest of RMB5,760,000 became immediately due for repayment. The fair values of the Put Option and the Call Option, upon the exercise of the Put Option, became nil and accordingly a gain on change in fair value of RMB12,846,000 (2013: RMB3,542,000) was recognised in profit or loss. Furthermore, the difference between the carrying amount of the liability component immediately before the exercise of the Put Option and the aggregate amount of RMB77,760,000 was recognised as imputed interest. Total imputed interest of RMB25,323,000 (2013: RMB9,158,000) was recognised in profit or loss during the year ended 31 December 2014. The amount due is also interest-bearing at the coupon rate of 8% per annum and therefore further interest of RMB381,000 is also charged to profit or loss during the year.

On 19 December 2014 and 7 January 2015, the Company and the bondholder entered into extension agreements to extend the due date of full repayment of the outstanding principal amount and related interest to 7 January 2015 and 17 June 2015 respectively.

29. BONDS PAYABLE (Continued)

The movements of the embedded derivatives and liability component of the bonds during the year are set out below:

	The Group and The Company		
	Put Option and Call Option	**Liability component**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2013	9,304	49,039	58,343
Interest charged to profit or loss	–	9,158	9,158
Coupon interest paid	–	(5,760)	(5,760)
Change in fair value	3,542	–	3,542
At 31 December 2013 and 1 January 2014	**12,846**	**52,437**	**65,283**
Interest charged to profit or loss up to exercise of the Put Option	**–**	**25,323**	**25,323**
Change in fair value	**(12,846)**	**–**	**(12,846)**
Carrying amount upon exercise of the Put Option	**–**	**77,760**	**77,760**
Repayment of principal	**–**	**(6,000)**	**(6,000)**
Coupon interest paid	**–**	**(5,773)**	**(5,773)**
Further interest charged to profit or loss after exercise of the Put Option	**–**	**381**	**381**
At 31 December 2014	**–**	**66,368**	**66,368**

30. CONVERTIBLE BONDS

On 24 March 2014, the Company issued unsecured, zero-coupon convertible bonds with a principal amount of HK$270,000,000 as part of the consideration for the acquisition of 50% equity interest in Fuchao. The convertible bonds are convertible at the option of the bond holder into ordinary shares of the Company on or before 24 March 2019 (subject to the Extension Option and Redemption Option as detailed below) at a conversion price of HK$4.136 per share (subject to anti-dilution adjustments).

The Company has the sole discretion to extend the maturity date for another five years to 24 March 2024, upon serving a notice to the bond holder, at any time during the 3 months prior to 24 March 2019 (the "Extension Option") and redeem the convertible bonds in whole or in part at the principal amount before the maturity date (the "Redemption Option"). If the convertible right is not exercised by the bond holder, the convertible bonds will be redeemed on the maturity date at the principal amount on that date.

30. CONVERTIBLE BONDS (Continued)

On the issue date of the convertible bonds, the fair values of the entire convertible bonds, the liability component, the Extension Option and the Redemption Option of the convertible bonds were individually measured with reference to professional valuations by Peak Vision. The fair value of the liability component of the convertible bonds was measured by using an equivalent market interest rate for similar bonds without a conversion option. Since the Extension Option and the Redemption Option are not closely related to the host liability, they were measured as embedded derivative financial assets at fair value through profit or loss. The residual amount of convertible bonds, after deducting the liability component, the Extension Option and the Redemption Option, representing the equity component and was included in shareholders' equity.

Subsequently, the liability component is carried at amortised cost using the effective interest rate at 11.94% per annum. Since the Extension Option and the Redemption Option are derivative financial assets at fair value through profit or loss, they are measured at fair value at the end of each reporting period with changes in fair value recognised in profit or loss.

During the year ended 31 December 2014, the convertible bonds were fully converted into ordinary shares of the Company at the conversion price of HK$4.136 per share for 65,280,464 ordinary shares of the Company (Note 35(b)).

	The Group and The Company			
	The Extension Option RMB'000	**The Redemption Option** RMB'000	**Liability component** RMB'000	**Total** RMB'000
Issue of the convertible bonds:				
– Fair value of the convertible bonds				200,237
– Equity component				(118,459)
– Embedded derivatives and liability component	(12,597)	(27,236)	121,611	81,778
Conversion into ordinary shares	1,452	3,769	(129,511)	(124,290)
Imputed interest charged to profit or loss	–	–	7,490	7,490
Fair value change upon conversion	11,199	23,581	–	34,780
Exchange realignment	(54)	(114)	410	242
At 31 December 2014	–	–	–	–

31. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles under lease terms ranging from 3 to 4.5 years. These leases are classified as finance leases as the rental period amounts to the estimated useful life of the assets concerned and the Group has the right to purchase these assets outright at the end of the minimum lease term by paying a nominal amount.

As at 31 December 2014, the Group has obligations under finance leases repayable as follows:

	The Group			
	2014		2013	
	Total minimum lease payments RMB'000	**Present value of the minimum lease payments RMB'000**	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000
Within 1 year	**401**	**376**	391	352
After 1 year but within 2 years	**193**	**182**	391	367
After 2 years but within 5 years	**204**	**198**	387	371
	798	**756**	1,169	1,090
Less: Total future interest expenses	**(42)**	**–**	(79)	–
	756	**756**	1,090	1,090
Less: Amount due for settlement within 12 months		**(376)**		(352)
Amount due for settlement after 12 months		**380**		738

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

32. DEFERRED TAX LIABILITIES

(a) Deferred tax liabilities recognised

The components of deferred tax liabilities mainly relating to the Group's other intangible assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
At beginning of year	**148,995**	166,878
Credited to profit or loss (Note 9(a))	**(27,718)**	(17,883)
At end of year	**121,277**	148,995

32. DEFERRED TAX LIABILITIES (Continued)

(b) Deferred tax assets or liabilities not recognised

At the end of the reporting period, the Group has unused tax losses of RMB33,221,000 (2013: RMB10,311,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of the relevant group entities. Tax losses of RMB20,381,000 (2013: RMB978,000) may be carried forward indefinitely and the remaining amount would expire in five years from the respective dates of incurrence.

As at 31 December 2014 and 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with interests in subsidiaries in the PRC for which deferred tax liabilities have not been recognised is in total amount of approximately RMB6,443,000 (2013: RMB5,576,000).

33. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan held separately from those of the Group in funds under the control of trustees. Under the MPF Scheme, the employer and employees are each required to make contributions to the plan of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2013: HK$25,000). Contributions to the plan vest immediately.

The PRC subsidiaries participate in several defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes certain percentage of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to retired employees. The only obligation of the Group with respect to the Schemes is to make the specified contributions. The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

34. SHARE OPTION SCHEME

Pursuant to a share option scheme (the "Share Option Scheme") approved by a resolution of the shareholders of the Company dated 26 July 2007, the Company may grant options to employees, directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, or substantial shareholder of the Company, to attract and retain the best available personnel, to provide additional incentive to employees and to promote the success of the business of the Group. The subscription price of the share option of the Company is HK$1.00 upon each grant of options offered and the options granted must be taken up within seven days from the date of grant.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 10% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

34. SHARE OPTION SCHEME (Continued)

The Share Option Scheme shall be valid and effective for a period of 10 years ending on 25 July 2017 after which no further options will be granted. The exercise price of the options will be at least the highest of: (a) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the offer date, which must be a business date; (b) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) for the five business days immediately preceding the offer date; and (c) the nominal value of the shares.

The total number of shares available for issue under the Share Option Scheme at the end of the reporting period was 108,270,200 shares (2013: 108,270,200 shares) which represented 7.01% (2013: 9.43%) of the issued share capital of the Company at the end of the reporting period. There is no minimum period for which an option to be held before it can be exercised under the Share Option Scheme. As at 31 December 2013 and 2014, there was no outstanding share option. No share option was granted during the years ended 31 December 2013 and 2014.

35. SHARE CAPITAL

	Number of shares of HK$0.01 each	**Nominal value of ordinary shares** HK$'000
Authorised:		
At 1 January 2013, 31 December 2013 and 2014	2,000,000,000	20,000

	Number of shares of HK$0.01 each	**Nominal value of of ordinary shares** HK$'000	RMB'000
Issued and fully paid:			
At 1 January 2013	1,075,678,000	10,757	9,835
Issue of new ordinary shares			
– upon exercise of unlisted warrants (Note (a))	72,482,000	725	572
At 31 December 2013 and 1 January 2014	**1,148,160,000**	**11,482**	**10,407**
Issue of new ordinary shares:			
– upon exercise of unlisted warrants (Note (a))	**36,640,000**	**366**	**287**
– upon full conversion of convertible bonds (Note (b))	**65,280,464**	**653**	**517**
– upon acquisition of equity interest in a joint venture (Note (c))	**33,849,129**	**338**	**268**
– upon completion of bonus issue (Note (d))	**255,185,918**	**2,552**	**2,022**
– upon completion of a share transaction (Note (e))	**5,000,000**	**50**	**40**
At 31 December 2014	**1,544,115,511**	**15,441**	**13,541**

35. SHARE CAPITAL (Continued)

The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. All the new shares issued during the year ended 31 December 2014 rank pari passu in all respects with the then existing ordinary shares of the Company.

Notes:

(a) Issue of new ordinary shares upon exercise of unlisted warrants

During the year ended 31 December 2014, 36,640,000 (2013: 72,482,000) new ordinary shares of the Company of HK$0.01 each were issued upon the exercise of 36,640,000 (2013: 72,482,000) unlisted warrants at an exercise price of ranging from HK$1.95 to HK$3.29 per share (2013: HK$1.82 to HK$2.65 per share).

The exercise of the above unlisted warrants give rise to an aggregate proceeds of RMB76,969,000 (2013: RMB126,953,000), net of expense, of which RMB287,000 (2013: RMB572,000) was credited to share capital and the remaining balance of RMB76,682,000 (2013: RMB126,381,000) was credited to the share premium account. The exercise of the above unlisted warrants also resulted in the transfer of RMB8,153,000 (2013:RMB45,234,000) from warrant reserve to share premium account.

(b) Issue of new ordinary shares upon full conversion of convertible bonds

During the year ended 31 December 2014, 65,280,464 new ordinary shares of HK$0.01 each were issued upon the conversion of the full convertible bonds with a principal amount of HK$270,000,000 (Note 30). The conversion gives rise to the conversion of the convertible bonds with carrying amount of RMB124,290,000 (Note 30), of which RMB517,000 was credited to share capital and the remaining balance of RMB123,773,000 was credited to share premium account. The conversion of convertible bonds also resulted in the transfer of RMB118,459,000 from the convertible bonds-equity component to share premium account.

(c) Issue of new ordinary shares upon acquisition of equity interest in a joint venture

During the year ended 31 December 2014, the Company issued 33,849,129 new ordinary shares of HK$0.01 each measured at a price of HK$3.89 each, being the relevant closing market price of the shares of the Company as part of the consideration for the acquisition of equity interest in a joint venture, which gave rise to a notional consideration amount of RMB104,272,000 (Note 38). Accordingly, RMB268,000 was credited to share capital and the remaining balance of RMB104,004,000 was credited to share premium account.

(d) Issue of new ordinary shares upon completion of bonus issue

During the year ended 31 December 2014, a bonus issue was made by the Company on the basis of one bonus share for every five existing shares in issue held on the record date. Accordingly, 255,185,918 bonus shares of HK$0.01 each where allotted and distributed as fully paid to existing shareholders of the Company by way of capitalisation of an amount of RMB2,022,000 of the share premium account of the Company. Further details are set out in the Company's announcements dated 26 September 2014 and 24 November 2014, and circular dated 17 October 2014.

(e) Issue of new ordinary shares upon completion of a share transaction

During the year ended 31 December 2014, the Group entered into a spokesperson agreement pursuant to which two artists will be acting as spokespersons of the Group's owned brand LEDUS for the period from 1 January 2014 to 31 December 2018. The nominal consideration of the spokesperson agreement was HK$30,000,000 (equivalent to RMB23,960,000) and has been settled by the allotment and issue of 5,000,000 ordinary shares of the Company, during the year. During the year, share-based payment expenses of RMB4,792,000 (equivalent to HK$6,000,000) was recognised in profit or loss during the current year with a corresponding credit to equity, of which RMB40,000 was credited to share capital and the remaining balance of RMB4,752,000 was credited to share premium account in respect of the services provided by the artists during the year ended 31 December 2014. The remaining balance of RMB19,168,000 will be charged to profit or loss and a corresponding credit to equity on a straight-line basis over the remaining service period. Further details are set out in the Company's announcement dated 31 October 2014.

36. UNLISTED WARRANTS

(a) Unlisted warrants issued on 7 June 2011

During the year ended 31 December 2011, the Company entered into a placing agreement with the placing agent which was an independent third party of, pursuant to which, the Company issued 40,000,000 unlisted warrants to individual, corporate and institutional investors at a subscription price of HK$0.05 each. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK$0.01 each of the Company at an initial subscription price of HK$1.82 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The proceeds were utilised by the Group as its general working capital and to finance the proposed acquisitions of the LED lighting business.

During the year ended 31 December 2013, 3,000,000 new ordinary shares of HK$0.01 each of the Company were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at a subscription price of HK$1.82 per share, representing a discount ranged from 37.46% to 37.88% to the closing market prices of the Company's shares on the respective issue dates. The proceeds used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 11 May 2011 and rank pari passu with the existing ordinary shares in issue in all respects. During the year ended 31 December 2013, all the remaining unexercised 1,000,000 unlisted warrants lapsed.

(b) Unlisted warrants issued on 15 February 2012

During the year ended 31 December 2012, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 140,000,000 unlisted warrants to individual, corporate and institutional investors at a subscription price of HK$0.05 each. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK$0.01 each of the Company at an initial subscription price of HK$2.65 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The proceeds were utilised by the Group as its general working capital and as funds to reduce the liabilities of the Group.

During the year ended 31 December 2014, 23,000,000 (2013: 30,000,000) new ordinary shares of HK$0.01 each were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at a subscription price of HK$2.65 per share, representing a discount of 33.75% (2013: ranged from 8.93% to 30.26%) to the closing market price of the Company's shares on the issue date. The proceeds were used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the general mandate granted to the directors of the Company at the extraordinary general meeting of the Company held on 19 August 2011 and rank pari passu with the existing ordinary shares in issue in all respects. During the year ended 31 December 2014, all the remaining unexercised 55,000,000 unlisted warrants lapsed.

(c) Tranche 1 Unlisted Warrants issued on 7 December 2012

During the year ended 31 December 2012, the Company issued 89 tranche 1 unlisted warrants, as part of the consideration for the extinguishment of the then outstanding convertible notes, which entitle their holders to subscribe for a total of 29,666,637 ordinary shares of HK$0.01 each of the Company at an initial subscription price of HK$3.00 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments ("Tranche 1 Unlisted Warrants"). During the year, the subscription price was adjusted to HK$2.50 per share as a result to the completion of the bonus issue. The Tranche 1 Unlisted Warrants are exercisable at any time during the period commencing from 7 December 2013 to 6 December 2017.

During the years ended 31 December 2013 and 2014, no Tranche 1 Unlisted Warrant was exercised to subscribe for ordinary shares of the Company and there are 89 (2013: 89) Tranche 1 Unlisted Warrants outstanding at the end of the reporting period.

36. UNLISTED WARRANTS (Continued)

(d) Tranche 2 Unlisted Warrants issued on 7 December 2012

During the year ended 31 December 2012, the Company issued 88 tranche 2 unlisted warrants as part of the consideration for the extinguishment of the convertible notes, which entitle their holders to subscribe for a total of 45,128,248 ordinary shares of HK$0.01 each of the Company at an initial subscription price of HK$1.95 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments ("Tranche 2 Unlisted Warrants"). During the year, the subscription price was adjusted to HK$1.63 per share as a result the completion of the bonus issue. The Tranche 2 Unlisted Warrant are exercisable at any time during the period commencing from 7 December 2012 to 6 December 2017.

During the year ended 31 December 2014, 5,640,000 (2013: 39,482,000) new ordinary shares of HK$0.01 each were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at a subscription price of HK$1.95 per share, representing a discount ranged 47.86% to 48.00% (2013: 32.76% to 49.09%) to the closing market prices of the Company's shares on the respective issue dates. The proceeds were used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the specific mandate granted to the directors of the Company at the extraordinary general meeting of the Company held on 5 December 2012 and rank pari passu with the existing ordinary shares in issue in all respects. As at 31 December 2014, there are 0.01 outstanding Tranche 2 Unlisted Warrants (2013: 11 outstanding Tranche 2 Unlisted Warrants).

(e) Unlisted warrants issued on 20 June 2014

During the year ended 31 December 2014, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 100,000,000 unlisted warrants to individual, corporate and institutional investors at a placing price of HK$0.15 each, resulting in the net proceeds of HK$15,000,000, equivalent to approximately RMB12,042,000. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK$0.01 each of the Company at an initial subscription price of HK$3.95 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The unlisted warrants were issued on 20 June 2014. Subsequently, the subscription price was adjusted to HK$3.29 per share as a result of the completion of the bonus issue. The proceeds were utilised by the Group as its general working capital and to finance the operation of the Company such as to purchase materials for manufacturing LED lighting products.

During the year ended 31 December 2014, 8,000,000 (2013: Nil) new ordinary shares of HK$0.01 each were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at an adjusted subscription price of HK$3.29 per share, representing a discount ranged from 35.11% to 46.33% (2013: N/A) to the closing market prices of the Company's shares on the respective issue dates. The proceeds were used to reduce the liabilities and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 26 May 2014 and rank pari passu with the existing ordinary shares in issue in all respects. At 31 December 2014, 92,000,000 outstanding unlisted warrants outstanding at the end of the reporting period.

In the opinion of the directors of the Company, based on the terms of the respective unlisted warrants instruments, the exercise option rights of the above unlisted warrants will result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument (i.e. ordinary shares of the Company) and therefore, the above unlisted warrants have been recognised in equity at the fair value of unlisted warrants at the issue date.

37. RESERVES

The Group

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

The Company

	Share premium RMB'000 (Note (a))	Warrant reserve RMB'000 (Note (c))	Convertible bonds-equity component RMB'000 (Note (e))	Special reserve RMB'000 (Note (f))	Exchange reserve RMB'000 (Note (h))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	755,589	86,925	–	84,516	(498)	(154,511)	772,021
Issue of new shares:							
– upon exercise of unlisted warrants (Note 35(a))	171,615	(45,234)	–	–	–	–	126,381
Reclassification adjustment upon disposal of subsidiaries	–	–	–	(84,516)	–	84,516	–
Loss for the year	–	–	–	–	–	(193,172)	(193,172)
Exchange differences on translation of financial statements	–	–	–	–	(17,152)	–	(17,152)
Total comprehensive income for the year	–	–	–	–	(17,152)	(193,172)	(210,324)
At 31 December 2013 and 1 January 2014	**927,204**	**41,691**	**–**	**–**	**(17,650)**	**(263,167)**	**688,078**
Issue of unlisted warrants (Note 36 (e))	**–**	**12,042**	**–**	**–**	**–**	**–**	**12,042**
Issue of convertible bonds (Note 30)	**–**	**–**	**118,459**	**–**	**–**	**–**	**118,459**
Issue of new shares:							
– upon exercise of unlisted warrants (Note 35(a))	**84,835**	**(8,153)**	**–**	**–**	**–**	**–**	**76,682**
– upon full conversion of convertible bonds (Note 35(b))	**242,232**	**–**	**(118,459)**	**–**	**–**	**–**	**123,773**
– upon acquisition of equity interest in a joint venture (Note 35(c))	**104,004**	**–**	**–**	**–**	**–**	**–**	**104,004**
– upon completion of bonus issue (Note 35(d))	**(2,022)**	**–**	**–**	**–**	**–**	**–**	**(2,022)**
– upon completion of a share transaction (Note 35(e))	**4,752**	**–**	**–**	**–**	**–**	**–**	**4,752**
Lapse of unlisted warrants	**–**	**(2,213)**	**–**	**–**	**–**	**2,213**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(263,278)**	**(263,278)**
Exchange differences on translation of financial statements	**–**	**–**	**–**	**–**	**(13,579)**	**–**	**(13,579)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(13,579)**	**(263,278)**	**(276,857)**
At 31 December 2014	**1,361,005**	**43,367**	**–**	**–**	**(31,229)**	**(524,232)**	**848,911**

37. RESERVES (Continued)

Notes:

(a) Share premium

The share premium account represents the excess of the issue price net of any issuance expenses over the par value of the shares issued and has been credited to the share premium account of the Company. The application of the share premium account is governed by Section 34 under the Companies Law of the Cayman Islands.

(b) Capital reserve

Capital reserve represents the excess of the consolidated net assets acquired in the subsidiaries over the consideration paid for their acquisition. Upon the disposal of the Huawei Group, the balance of capital reserve was transferred to accumulated losses as a reserve movement in the equity during the year ended 31 December 2013.

(c) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of unlisted warrants of the Company. This reserve will be transferred to share capital and share premium account upon exercise of unlisted warrants.

(d) Other reserve

The other reserve represented the gain arising from acquisition of additional 10% equity interest in a subsidiary from its non-controlling interest during the year ended 31 December 2013. The other special reserve brought forward from prior years represented the deemed distribution to the non-controlling interest of a subsidiary from whom the Group acquired additional 40% equity interest in that subsidiary in 2011. Upon the disposal of the Huawei Group, the balance of other reserve brought forward from prior years was transferred to accumulation losses as a reserve movement in the equity during the year ended 31 December 2013.

(e) Convertible bonds-equity component

This reserve represents the value of equity component of convertible bonds issued by the Company as set out in Note 30. During the year ended 31 December 2014, the convertible bonds have been fully converted and accordingly the carrying amount of this reserve has been transferred to share premium account.

(f) Special reserve

Special reserve represents the difference between the net assets of the Huawei Group acquired by the Company and the nominal value of one nil-paid issued share of the Company through an exchange of shares in a group reorganisation in the prior years. Upon the disposal of the Huawei Group, the balance of special reserve was transferred to accumulated losses as a reserve movement in the equity during the year ended 31 December 2013.

(g) Statutory reserve

The statutory reserve refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of the profit after income tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after taxation unless the aggregate reserve amount exceeded 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior year losses of the PRC subsidiaries.

(h) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in Note 3(y).

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2014.

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

37. RESERVES (Continued)

Notes: (Continued)

(i) Capital management (Continued)

The gearing ratios at 31 December 2014 and 2013 were as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Bank loans	**11,293**	3,324
Obligations under finance leases	**756**	1,090
Bonds payable	**66,368**	65,283
Total debt	**78,417**	69,697
Less: Cash and cash equivalents	**(33,351)**	(42,520)
Net debt	**45,066**	27,177
Total equity	**1,009,617**	810,086
Gearing ratio	**4.5%**	3.4%

38. ACQUISITION OF EQUITY INTEREST IN A JOINT VENTURE

During the year, the Group completed the acquisition of 50% equity interest in Fuchao at an aggregate nominal consideration of HK$450,000,000 which was satisfied by the payment of cash, issue of convertible bonds and ordinary shares of the Company. The fair values of the consideration paid, as at the completion date of the acquisition, are details as below:

	HK$'000
Fair value of consideration:	
Cash paid	40,000
New ordinary shares issued (Note (a))	131,673
Convertible bonds issued (equivalent to RMB200,237,000 (Note 30))	252,857
	424,530

	RMB'000
equivalent to	336,185

Notes:

(a) 33,849,129 new ordinary shares of HK$0.01 each of the Company were issued and the fair value of these consideration shares amounted to HK$131,673,000 (equivalent to RMB104,272,000 (Note 35(c)) based on the closing price of HK$3.89 each of the Company's shares at the date of completion of the acquisition.

(b) The fair value of the net identifiable assets of Fuchao at the completion date of the acquisition amount to approximately RMB336,185,000.

Further details are set out in the Company's announcement dated 27 November 2013.

39. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) During the year ended 31 December 2013, the Group acquired a further 10% equity interest in Giga-World Industry Company Limited, increasing its interest from 50% to 60% by acquiring the non-controlling interests for a consideration of HK$20,000,000 which was satisfied by the issue of a promissory note at fair value of HK$18,480,000. The difference of approximately RMB12,344,000 between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest had been credited to other reserve.

(b) During the year ended 31 December 2013, the Group acquired a further 30% equity interest in U Young Technology Holdings Limited, increasing its interest from 70% to 100% by acquiring the non-controlling interests for a consideration of HK$50,000,000 which was satisfied by the issue a promissory note at fair value of HK$46,041,000. There was no difference between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest.

40. DISPOSAL OF SUBSIDIARIES

On 17 June 2013, the Group disposed of the entire interest in the Huawei Group based on the disposal agreement dated 23 April 2013.

(a) The net assets of the Huawei Group on the date of disposal were as follows:

	RMB'000
Property, plant and equipment (Note 16)	185,632
Prepaid land lease prepayments (Note 17)	3,717
Inventories	103,051
Trade and bills receivables, net	112,898
Other receivables and prepayments	86,147
Amount due from a related company	34,227
Pledged bank deposits	129,004
Cash at banks and in hand	14,810
Bank loans	(272,685)
Trade and bills payables	(240,798)
Other payables and accruals	(66,418)
Amount due to a former director	(1,178)
Amount due to a related company	(9,228)
Amount due to a shareholder	(144)
Income tax payable	(293)
Net assets disposal of	78,742

(b) Gain on disposal of subsidiaries

	RMB'000
Consideration (Note (d))	94,752
Net assets disposed of (Note (a) above)	(78,742)
Exchange reserve realised upon disposal	(2,020)
Gain on disposal (Note 10(a))	13,990

The gain on disposal was included in the loss for the year from discontinued operation.

40. DISPOSAL OF SUBSIDIARIES (Continued)

(c) Net cash outflow arising from disposal of subsidiaries

	RMB'000
Consideration (Note (d))	–
Less: Bank balances and cash disposed of	**(14,810)**
	(14,810)

(d) Pursuant to the disposal agreement, the consideration for the disposal of the Huawei Group was settled by offsetting the loan from the former director.

41. PLEDGED ASSETS

Other than those disclosed elsewhere in these financial statements, at the end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	The Group	
	2014	2013
	RMB'000	RMB'000
Pledged bank deposits (Note 25)	**23,935**	12,170

42. OPERATING LEASE COMMITMENTS

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**6,191**	5,204
In the second to fifth year, inclusive	**7,053**	2,482
	13,244	7,686

The Group leases a number of properties under operating leases. The leases typically run for an initial period of three years. None of the leases includes contingent rentals.

43. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had following capital commitments:

	The Group	
	2014	2013
	RMB'000	RMB'000
Contracted but not provided for		
– Purchase of property, plant and equipment	**2,853**	5,010
– Acquisition of equity interest in a joint venture	**–**	351,360
	2,853	356,370

As 31 December 2014 and 2013, the Company did not have any material capital commitment.

44. CONTINGENT LIABILITIES

Financial guarantees issued

At the end of the reporting period, the Company has issued corporate guarantees to banks in respect of banking facilities granted to three (2013: two) subsidiaries.

The directors of the Company do not consider it probable that a claim will be made against the Company under the above guarantees. The maximum liability of the Company at the end of the reporting period is the amount of the facilities drawn down by the subsidiaries amounted to RMB11,293,000 (2013: RMB3,324,000).

45. MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 December 2014 and 2013, the directors are of the view that the following is related party of the Group and the Company:

Name of the party	Relationship
深圳市億博睿電子有限公司	A company controlled by 歐陽俊 during the year, who is a director of Shenzhen Chong Zhen Electronics Technology Company Limited

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related companies

	The Group	
	2014	2013
	RMB'000	RMB'000
Sale to:		
深圳市億博睿電子有限公司	**–**	89
Purchase from:		
深圳市億博睿電子有限公司	**–**	103

The outstanding balances arising from the above trading transactions were included in "Trade and bills receivables" and "Trade payables" at the end of the reporting period respectively.

(b) Amount due to a director

The amount due to a director was non-trade nature, unsecured, interest-free and repayable on demand.

(c) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are non-trade nature, unsecured, interest-free and repayable on demand.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group represents amounts paid to the Company's directors disclosed in Note 11 and highest paid employees as disclosed in Note 12.

46. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 17 February 2015, LEDUS Club Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding letter of intent with Automobiles Peugeot SA, a French société anonyme company, pursuant to which LEDUS Club Limited will acquire 250,000 ordinary shares of Football Club Sochaux – Montbeliard SA ("FC Sochaux"), a French société anonyme company, representing all the issued share capital and voting rights of FC Sochaux with a consideration amount of seven million Euros (subject to such adjustment to be agreed between the parties in the formal agreement). The consideration will be settled in cash on the completion date. Further details are set out in the Company's announcement dated 17 February 2015.

GROUP FINANCIAL SUMMARY

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Results					
Continuing operations					
Turnover	**144,327**	167,210	303,629	411,981	422,996
Operating loss	**(233,725)**	(245,868)	(39,799)	(22,278)	(35,026)
Finance costs	**(33,347)**	(9,760)	(22,528)	(33,362)	(9,593)
Loss before income tax	**(267,072)**	(255,628)	(62,327)	(55,640)	(44,619)
Discontinued operation	**–**	(6,808)	(68,875)	–	–
Income tax	**24,826**	5,276	3,561	3,234	(1,197)
Loss for the year	**(242,246)**	(257,160)	(127,641)	(52,406)	(45,816)
Attributable to:					
Owners of the Company	**(216,852)**	(245,528)	(119,675)	(48,779)	(45,718)
Non-controlling interests	**(25,394)**	(11,632)	(7,966)	(3,627)	(98)
Loss per share					
From continuing operations and discontinued operation					
		(restated)			
– Basic and diluted	**(15.35 cents)**	(18.55 cents)	(11.33 cents)	(5.59 cents)	(6.10 cents)
From continuing operations					
– Basic and diluted	**(15.35 cents)**	(18.03 cents)	(4.81 cents)	(5.59 cents)	(6.10 cents)
From discontinued operation					
– basic and diluted	**–**	(0.52 cents)	(6.52 cents)	–	–

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Assets and liabilities					
Non-current assets	**983,896**	819,661	1,271,617	1,416,296	209,728
Current assets	**286,075**	288,065	647,582	611,151	496,386
Current liabilities	**(138,697)**	(147,907)	(608,953)	(562,927)	(457,296)
Total assets less current liabilities	**1,131,274**	959,819	1,310,246	1,464,520	248,818
Non-current liabilities	**(121,657)**	(149,733)	(320,773)	(534,702)	(5,243)
Net assets	**1,009,617**	810,086	989,473	929,818	243,575
Capital and reserves					
Share capital	**13,541**	10,407	9,835	9,439	7,140
Reserves	**850,489**	628,702	733,533	666,283	228,533
Equity attributable to owners of the Company	**864,030**	639,109	743,368	675,722	235,673
Non-controlling interests	**145,587**	170,977	246,105	254,096	7,902
Total equity	**1,009,617**	810,086	989,473	929,818	243,575